

# New realities, new proposition for Hong Kong IFAs

*The changing nature of clients and shifts in the competitive landscape are re-shaping the playing field for financial advisers. IFAs need to respond with a new approach to service customers as well as a strategy for how they recruit and train the right people to succeed in this environment.*

IFAs in Hong Kong need to review their value propositions to ensure they stay relevant and keep up with the demands of customers.

According to the views of local and expat IFAs at discussions held by Hubbis in collaboration with Old Mutual International – they can no longer stick to current models and approaches to building their businesses.

In evolving in line with market requirements, some firms might need to completely abandon their full-service offering – and instead carve out a more basic value proposition for customers.

But in the face of this new reality, IFAs also have an opportunity to take advantage of the need for trust and transparency in their advice.

Although regulatory reforms in the Hong Kong landscape will impact local and expat IFAs to different degrees,

everyone knows they need to respond with a more professional approach to the selling and advisory processes. They can then build further trust with their clients, gain greater visibility and penetration as an industry as a result.

The short answer, it seems, to countering the lack of transparency and need for higher standards, is education – both for

advisers offer; and on the other hand, educating the advisers to clearly define their value propositions and the importance of holistic wealth planning.

There appears to be a desire within the community to enhance levels of professionalism, which in turn will attract more qualified and competent professionals to the industry.

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**“IFAs have an opportunity to incorporate trust and transparency into their client value proposition, and make it the foundation of their advice.”**

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customers and advisers. This is two-fold: on the one hand, educating clients about the importance of independent advice and understanding the value propositions

## **TALENT PIPELINE**

IFAs across the board need to find, hire and train more educated individuals who can learn the market and help grow

the business. Yet finding enough skilled and experienced financial advisers to live up to customer expectations continues to be a challenge.

In fact, strictly speaking, challenges to growing the business in Hong Kong come less from regulatory reforms – since these are non-negotiable – and more from the capacity of the local market.

Many firms bemoan the fact that recruitment poses a big cost hurdle – and therefore overall impediment – to the development of the industry.

The more limited and restrictive commission structure, coupled (for expat IFAs in particular) with a high cost of living in Hong Kong, drive qualified people to look to other markets.

Other issues advisers highlight are less well-defined value proposition, the different skill-sets required in Hong Kong, onerous pre-sales and post-sales requirements, and agency dominance. Further, industry leaders only want to bring on board advisers with high ethical and professional standards.

Target recruits also need to be able to generate new leads and understand how to meet client needs in a consistent way – also requiring strong technical knowledge and market experience.

Given these barriers to growth, IFAs in Hong Kong are moving toward alternative solutions. One of these involves hiring more junior advisers.

This is also a way to try to engender more loyalty, as management can look to train staff to perform the role required. From a quality-cost benefit analysis, this can also potentially be a more efficient approach.

A stronger focus on educating staff also leads to a more sustainable future for IFAs. This also applies to organic growth by up-skilling existing advisers, as well as hiring new ones.

### ENHANCING PROFESSIONALISM

These efforts mark an important step towards improving the credibility of the local industry.

As financial advisers are increasingly expected to assume a more professional approach to the management of their customers' wealth, IFAs also recognise the value in achieving professional recognition.

To achieve this, they must be focused on representing the best interests of the client. This demands that they adhere to higher ethical standards and improve their knowledge and skills. They must also understand the demands and changing appetite of customers.

Rising professionalism and credibility across the whole industry would also help attract more talent to it.

Unfortunately, in some cases, the fierce levels of competition and lack of visibility or representation as part of the regulatory reform process, make it less likely that the needs of IFAs get recognised and taken into account.

### A LOUDER VOICE

Many industry players believe in greater collaboration. Cooperation and unity are required to create a more powerful voice in the market – especially for local firms. And this is important as they strive for a level playing field.

With a single, independent insurance regulator on the horizon in Hong Kong, IFAs have the opportunity to

### A new type of customer

*According to a recent report by Old Mutual International, entitled 'Adapting For The New World of Advice', customer expectations are forcing advisers to move beyond meeting prescribed standards set by local regulators.*

*The report says that greater availability of information is aiding customer awareness.*

*Increased means of sharing information are improving customers' understanding.*

*As a result, remuneration models that thrived in the past on a lack of clarity of costs are becoming less sustainable as clients have more information available to assess the value of the service.*

*Customers are also becoming increasingly mobile, moving to and from different markets.*

*This is leading to the globalisation of the standards they expect, especially with regards to disclosure and transparency.*

gain more awareness for their needs as an industry.

At the moment, the largest firms stand more chance of influencing the direction of reforms.

As a result, more players should take the opportunity of turbulent times to engage in dialogue to drive discussion about changes needed and adapt their propositions accordingly. ■