

‘Omotenashi’ at the heart of Nomura’s wealth management

Johnny Heng, Managing Director at Nomura’s Wealth Management division in Asia ex-Japan, speaks to Hubbis about the firm’s business for HNW clients providing them with a portal into the entire Nomura ecosystem and offerings, and why he thinks the role of wealth management advisors to clients should be the equivalent of that of caddies to great golfers.



Executive summary

Johnny Heng, Nomura's Head of Relationship Management for its Wealth Management business in Asia excluding Japan, is responsible for the bank's Hong Kong and Singapore-based booking centers, RMs, business development and strategy. He talks to Hubbis about how Nomura has been broadening its scope of wealth management offerings to complement its traditional securities and investment banking businesses. The Nomura Group's number-one priority has always been its clients. Secondly, its people, who serve according to the Japanese principle of omotenashi - providing a detailed, attentive service to clients. Lastly, the company is focused on the rapidly changing wealth management industry, and remaining nimble enough to adjust and help clients access opportunities that arise from these changes.



NOMURA'S JOHNNY HENG IS modest about his golf skills. He says he 'plays badly' but, when pressed for details, he admits to having played at New York's Shinnecock Hills Golf Club, the venue of the 2018 U.S. Open, at the invitation of 1986 Open champion Raymond Floyd. With the same diffidence, Heng describes what he perceives the role of RMs should be in serving their clients.

"If you watch golf competitions, a good golfer always talks to the caddy. Not about what's going to happen after the game, but about things that may be less obvious," he says. "Things that they don't know or have time to do or focus on, and things that they may have missed, including the wind direction." Heng believes this is an apt metaphor for the wealth advisor-HNW client relationship.

"This is what our role at Nomura has to be - to complement the client. Because we are a Japanese firm, we operate under the philosophy of omotenashi - a Japanese word that means, at a deeper level, detailed, attentive service."

Returning to the example of golf, he continues: "If I am to be a good caddy, I cannot just carry your golf bag, I also need to know your style of play."

"So what we do is about going back to basics, about tending to what the client needs, and not just what we are selling. This principle of omotenashi is very important: we make sure that the client's needs come first, before our own."

"This is because a typical private banking client would have already enjoyed much success in their different areas and domains," Heng explains. "And by then, they would be driven by their own preferences, biases and fears."

Key Priorities

As for the company's priorities in the next 12 months, Heng says: "Number one, of course, is always the client. Regardless of season, regardless of time of the year, it has to be the client."

The company's second priority is its human resources. "Because without our people, I cannot deliver to our clients what they need," he says, reiterating the principle of omotenashi, the ability of the company to deliver detailed, attentive service to its clients. "They are even more important than other things, like our product offerings."

"Last but not least: the business environment," Heng adds. "Which include the main stakeholders in the business environment - regulators, market operators, competitors, and so on."

He explains: "A lot of the macroeconomic changes in the business environment - regulations, et cetera - are beyond our control, and therefore we need to remain nimble enough to adjust, helping our clients access investment opportunities. Because many of our customers are business owners, beyond their own personal investment needs, some of them would also need to have access to different opportunities; for example, they might wish to acquire or sell certain businesses. In times of rapid economic change, the opportunities are going to be even greater, whether these come in the form of a chance for some of our clients to buy something, or for them to sell something they may not want anymore."

He elucidates: "The case in point is what we are currently seeing in Japan: everyone knows it has an ageing population, and many business owners there are at a point of looking for succession. Sometimes succession might not involve handing down a business to family members, or a chosen successor. Sometimes, people simply wish to get out of a business. Here is where we can provide great access to our other clients, who may happen to have an interest in these businesses."

"And this is where we want to be there to be a partner for them. We want them to join us, and we want to be that caddy to a professional golfer."

As Head of Relationship Management for Nomura's Wealth Management business in Asia excluding

Japan, Heng is responsible for the bank's Hong Kong and Singapore-based booking centers, RMs, business development and strategy. He also oversees the coordination of investment banking, capital markets and solutions for its wealth management clients, and has a



JOHNNY HENG
Nomura

special interest in advising families on wealth and business transitions, succession planning and next-generation engagements.

Within the last decade, the nearly century-old Nomura has broadened its wealth management scope to complement its traditional

businesses of securities broking and investment banking.

“We do actually have a long history of serving Asian HNW clients dating back 50 years or so,” says Heng. “Previously, our clients were served by a quasi-private banking department. But it was more a securities and brokerage business targeted at the high- and ultra-high net worth clients.”

“Once we transformed ourselves into a wealth management business, we started to add on services and products that will be also offered in quite a number of other private banks in Asia.”

The wealth management team is part of Nomura’s retail division, and specialises in providing personalised services to HNW clients in Asia, including investment banking, research, trust services and asset management. Retail client assets stood at JPY118 trillion at the end of March 2018. Heng cites Nomura’s 2008 acquisition

of Lehman Brothers’s Asian and European business as well as its 2016 USD1 billion purchase of a 41 percent stake in American Century Investments as signifiers of the company’s interest in expanding its international business outside of Japan; and developing a wider portfolio of investment solutions for its retail and institutional clients. “We are a fairly different shape from most Asian private banks in the sense that we are, beyond most of them, truly global.”

“Not many Asian private banks have such a broad coverage of products and solutions for clients, because our wealth management business is like a door into Nomura itself and all its offerings,” he observes. “Of course, it does not mean that we deal exclusively in Nomura products. Our clients have the benefit of access to external investment counterparties and providers, as well as exposure to other divisions of Nomura. This is

a very unique offering for an Asian private wealth organisation. We are connecting markets east and west.”

“From a sourcing perspective, this is all about the principle of best sourcing: for example, if you need Indian equities as part of your investment, our job is to find you the best source of such investment products or solutions, whether it is with another asset manager, or directly buying stocks.”

Trends

Heng says there are several important trends that he is currently seeing in the Asian wealth management industry.

“The first is that, from an investment perspective, we are seeing people moving away, looking for alternatives outside the traditional markets like the U.S., and to a lesser extent, Europe,” he says. “This trend is helpful to us, because Japan is one exciting place that investors have not paid enough attention to until recent years. So from an investment perspective, it does impact us quite positively, because we are a Japanese firm with deep knowledge of the Japanese market, and I believe we have quite a lot to offer our clients.”

Another trend that Heng observes is that of an increasing mobility of industry talent: he sees people moving out of traditional private wealth firms to set up on their own, whether formally setting up their own wealth management businesses, becoming independent external asset managers, or entering into private arrangements with former clients.

Is this a good or bad thing? “The positive thing is that you end up creating more activity, because there is now another segment of people you are dealing with who, amongst themselves, may have

Getting Personal

Nomura appointed Singaporean Johnny Heng as its Head of Relationship Management in its Wealth Management division in Asia, excluding Japan, in November 2016. He joined Nomura in October 2015 as the Chief Investment Officer for the same division. Based in Singapore, he is currently responsible for the bank’s Hong Kong and Singapore-based RMs, business development and strategy. He also oversees the coordination of investment banking, capital markets and bespoke solutions for its wealth management clients.

Heng is a 24-year veteran of the industry, including a 13-year stint with the Government of Singapore Investment Corporation (GIC)’s Asset Management division, based in London, New York and Singapore. At GIC he held various positions, including Global Head of Equities Trading and Head of Quantitative Equities. Prior to joining Nomura, he also held key roles with Coutts & Co, Credit Suisse and Union Bank of Switzerland, and spent 3 years managing a single family office during the last Global Financial Crisis.

Heng has an economics degree from the National University of Singapore and a Masters in Finance from Baruch College, at the City University of New York. He sits on the board of the Singapore National Kidney Foundation, and volunteers his time there as Chairman of its Audit and Risk Committee.

different needs,” Heng says. “We have come across clients who, because of their relationship with their external asset manager, want to explore more investment products and opportunities.”

As for any negative aspects, Heng points out. “This movement of people creates a very diverse subculture, where standards and types of organisations can range from very basic, very informally organised setups to very sophisticated ones. So this creates a dispersion of needs which can sometimes be quite challenging, if you are not prepared for that.”

Family talk

Heng reveals that the conversations that have had the most

impact for him in the last twelve months have been on relationships, rather than on business revenues. “We engage our client in talking about their family, which I think might be irrelevant to some, because it makes no money.”

For Heng, that family talk might include family succession and family issues. “Some people might want an opinion about problems that they are facing, and it is those conversations that tend to be long and engaging, beyond merely the next day or the next commission dollar. This sort of relationship is very deep, and I am seeing quite a bit of that.”

“Because quite frankly, when a client is prepared to talk about family matters, that’s a good sign



that the relationship is reasonably deep and mutually-trusting. Somebody can come to me or ten other people to ask for an investment idea or a stock opening, but it is quite unlikely that he is going to go to ten different people to talk about family matters.”

ent things at different stages of a client’s life cycle.”

“At the onboarding stage, digital means a few things, including the use of technology and such for getting to know the client more, for checking on client data, trying new information, and putting

He gives an example: “In an investment, advice means our proposed solution in any given situation, and any good alternatives.”

Once again, Heng employs the metaphorical caddy to illustrate his point: “When the caddy tells the golfer, “Hey, the wind is coming from left to right”, it may be all the golfer needs to know, because he will know how to act. But in some cases, the caddy may have to add, “You have to hit harder or hit softer, because of this.”

“Such are Nomura’s principles, and our ability to provide a broad range of solutions to our clients means I can offer you different levels of advice. Because if I only have one solution, I will only be telling you the same thing as I would tell another client,” he explains. “But because I am providing a detailed, attentive and personalised service to you, I would calibrate my advice to you. I might see a similar thing, but I will tell you in a different tone, in a different way. For our clients, it must be an experience, not merely a transaction.” ■

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“When we engage clients in that sort of conversation, we get to know the client better and actually find out more about what their real needs are, and from there we know where to calibrate, where to do more business or investments.”

What does ‘digital’ mean to Nomura?

On what ‘digital’ means for the wealth management industry in general, Heng says, “If I were to just follow the industry and define it simply, it means differ-

together a case to onboard the client,” he elaborates.

At the client servicing stage, Heng believes digital can mean anything from portfolio analytics and advisory. “It is quite broad ranging, and at the moment, there is no clear answer to say, “Okay, digital means this.”

The meaning of advice

“Advice, to me, means providing a holistic picture of what our prognosis of the situation is to the client,” Heng says.