

On the right side of Indonesia's transforming wealth market

As the number of bank branches in the country falls, Citi is making a stronger case for profit and growth in wealth management, says the bank's Harsya Prasetyo

THE BANKING LANDSCAPE WITHIN INDONESIA is changing, with both local and foreign institutions cutting their branches in line with how they see current and projected market



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trends playing out. Indicative of this is Citi's new wealth management strategy in the face of increasing digitisation in the country - where local director and retail bank head, Harsya Prasetyo, had to reduce number of branches over the last year.

"We needed to do it," he explains. "The market has changed, and less people came to our branches. Instead, they use more of our internet and mobile banking for their transactions."

Fifteen years ago, when banks like Citi were looking at various metrics for this business, productivity per banker was around 120 transactions per day. Now, the whole branch is only processing between 60 and 90 transactions. "Thanks to smartphone, digitisation has happened with a bang in Indonesia," adds Prasetyo.

Prioritising profitability Today, Citi is left with five branches in Jakarta and five in various regional cities.

Yet when it took a closer look at Indonesia, out of the 34 provinces, it could identify only a few provinces with what it considered to have high potential for its target segment. "We are only in six of them, the ones where we feel we can create a significant impact in helping our target market to grow and protect their wealth," explains Prasetyo.

Citi's wealth management business in the country

only focuses on two segments: the emerging affluent and the affluent.

While the definitions differ from one market to another, this means the equivalent minimums of USD20,000 and USD100,000 respectively and above for customers to gain the full relationship benefits.

Giving clients what they want The real challenge the bank faces, however, is getting these clients to reveal their needs so that its advisors can understand their goals well enough to be able to implement the advisory tools Citi gives them to create a suitable and relevant portfolio.

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But Prasetyo also praised the regulators' recent innovation when finding solutions for high net worth clients. The recent regulation that allows banks to recommend an external fund management house to create an individual product is a big step forward, he said.

With the approval from the local regulator, "Banks now can refer clients to the fund house to buy a single mandate fund, just created for this person," he explains.

This is important given the growing realisation among customers about the importance of creating a diversified portfolio, with more customisation to meet their needs. "We saw some growth in the mutual funds industry, but it grows on the back of deposit-type products," says Prasetyo.

Triggered by the need for growth, in turn helped by the tax amnesty, the need of investing can develop more specifically. Especially when the three-year lock up period of repatriated funds expires. It is hoped that the value generation from the repatriated fund can be captured locally, while at the same time, meeting investors needs for geographical diversification.

Citi adds new digital solutions in Indonesia

IN SEP-2017, CITI LAUNCHED the 'Citigold: On Your Terms' campaign in Indonesia, to offer wealth management services through digital and financial solutions tailored to customer needs and goals.

The objective is to meet increasingly international and digital behaviors of the bank's customers through Citigold's four pillars

The first pillar is 'Advisory', with services offered by e-mutual fund – including top up, selling and switching – and online risk profiling.

The second is 'Insights', to keep customers informed of current investment market conditions and future projections. Customers will gain market watch access, market outlook with insights from 400 more global Citi analysts, as well as access to follow webinars.

Then comes 'Your Team', where customers are supported by a team of relationship, investment, insurance, FX, and other specialists, who help keep them on-track in achieving financial goals.

Finally, is 'Privileges', giving Citigold Indonesian customers various global offers, access to Citigold lounges around the world, cheaper transaction fees, and other benefits. ■

Taking service to the next level Prasetyo sees these factors as contributing to the growth in wealth in Indonesia, although not all players are progressing quickly.

"What we offer is advisory service, not the 'red carpet' service," he explains. "We hope to attract clients who appreciate the service that we provide. And for those clients who do, they will enjoy a range of privileges and rewards that matters to them."

Prasetyo said: "Many banks in Indonesia understand that revenue from net interest margin is decreasing, so they need to place a greater focus on fee-based income." But this is easier said than done. "The problem is the banks need to get more expertise in house," he adds. ■