# Changing with the times

*Evolving the wealth management industry in India requires market players of all types to find the right blend of business model, people, technology and strategic focus. But optimism that the industry is moving in the right direction is growing.*

**"The industry needs to invest more in terms of technology and people."**

**SHIV GUPTA**
Sanctum Wealth Management

Indian wealth management seems to be at a cross-roads.

There is regulatory uncertainty over the advisory model going forward and how firms can make it work.

There also continue to be multiple challenges around business models, including: how to align the interests of clients, advisers and the organisation, especially in relation to compensation; deepening the talent pool and building a pipeline of high-quality staff; building a credible and reliable brand; working within regulatory constraints and meeting the compliance burden; and differentiating value propositions.

Yet the outlook among industry leaders seems brighter today than it has been in recent years.

These senior practitioners see the current macro-economic picture as encouraging; a long-term story with confidence on the up. As a result, the prospects for capital flows look positive.

All this adds more firepower behind the country's already-promising demographics which have been in place for a relatively long time.

To capture this huge potential from a scale perspective, the industry needs to invest more in terms of technology and people, says Shiv Gupta, founder of recently-formed Sanctum Wealth Management, and former head of RBS Private Banking in India.

Efforts to date have been of a more incremental nature, he explains, rather than being as focused and consistent as he believes is needed in order to

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>
> **HIMANSHU BHAGAT**
> IIFL Wealth Management

These types of entrepreneurs are a key segment for firms like Deutsche Bank, which targets ultra high net worth (UHNI) clients.

But while Saha knows who matters to him, many wealth management firms still need to decide which segment they are targeting, rather than rely on hope.

To turn this into reality requires an organisation to have a sound advisory base in place, adds Iyer. "Advice will be a key differentiator, both in terms of the

really build a viable long-term and profitable business.

## CLEARER FOCUS NEEDED

One of the reasons for optimism among practitioners are the higher levels of GDP growth and disposable income – both of which are expected to lead to more investments by high net worth individuals (HNIs) and ohers in various financial instruments.

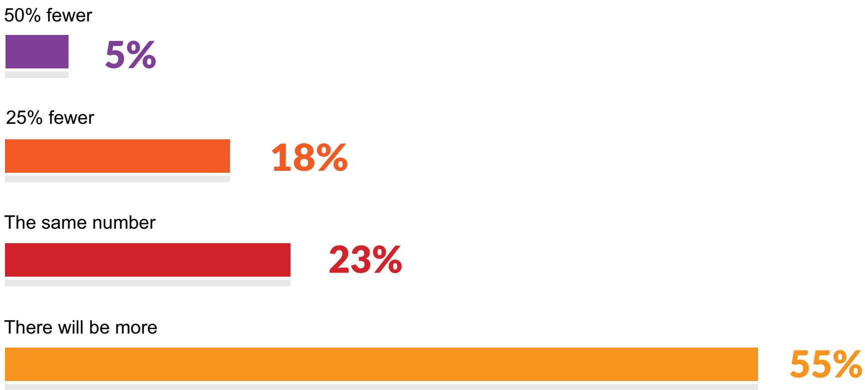
"We will increasingly see gradual movements towards the use of more financial instruments," says Atinkumar Saha, managing director and head of wealth management coverage for Deutsche Bank in India.

Rajesh Iyer, executive vice president and head of investments and family offices at Kotak Wealth Management, says this is already underway.

He is seeing a major shift in focus among wealthy clients from physical assets to financial products.

This is also partly because wealth creators in India need credit to further grow their businesses.

**COMPARED WITH TODAY - HOW MANY WEALTH MANAGEMENT FIRMS WILL EXIST IN INDIA IN 3 YEARS' TIME?**




Source: Hubbis, Indian Wealth Management Forum 2015

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timing and execution of it. This will be key for survival going forward."

This is essential since wealth management in India has moved far beyond bonds and stocks. The correct structuring, advice, execution and administration of assets is key today, and is a lot more complex to get right.

In conjunction with the fact that promoters and entrepreneurs do not tend to differentiate between their personal and private wealth, all-encompassing solutions seem to be where the biggest opportunity lies going forward.

"We are seeing a lot of customer acceptability in this area," says Arpita Vinay, executive director at a boutique firm Centrum Wealth Management.

At IIFL Private Wealth Management, meanwhile, the model has been built on the delivery of investment advice and being quick to market from a product perspective, explains managing partner Himanshu Bhagat.

Yet he acknowledges that purely focusing on the investment management piece is not going to lead to a long-term profitable business in a market like India.

"If you are not helping clients with their tax planning and trusts, for example, in addition to providing innovation products as part of the investment management offering, it is going to be difficult [as a firm] to grow," says Bhagat.

Regardless of model, the key for organisations, agree senior practitioners, is to remain relevant.

This is tricky to achieve, given such an overwhelming amount of information

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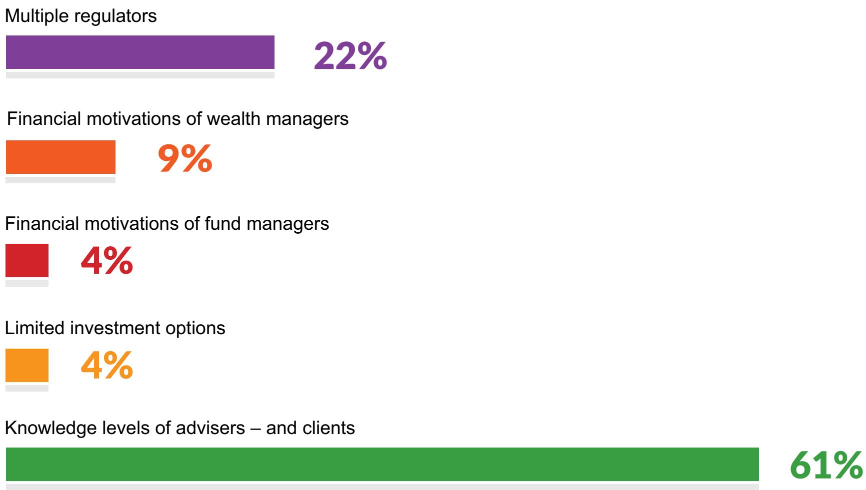
**RAJESH IYER**
Kotak Wealth Management

**WHAT IS THE BIGGEST HURDLE TO ENHANCING INDUSTRY CREDIBILITY IN INDIA?**




Source: Hubbis Indian Wealth Management Forum 2015

being so readily available to clients. As a result, practitioners say that advisers need to ensure they filter and disseminate this in a targeted way.

There is also a growing realisation of the need to balance the objective of being scalable – to ensure consistency in the client experience across all touch-points – with the desire to maintain the personal brand of the adviser and tailor the offering.

## TALENT MANAGEMENT KEY

Whether firms can take advantage of the market's potential will depend on whether different players can find their sweet-spot, says Saha, based on their individual value proposition and what they can deliver.

Part of achieving this includes understanding which types of individuals can work in different segments most effectively. Talent, after all, has to relevant

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Centrum Wealth Management

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to the clients and needs being served. "Talent management is the critical area that as an industry we need to work harder on," says Saha, explaining that retaining good people is a key part of a successful wealth management business in India.

For instance, continuity is fundamental to creating trust with clients.

This means continuity of the platform, advisory process and the relationship manager.

"In a market where you cannot retain the right people, it is difficult to create a sustainable model," says Saha.

Finding talent in the first place and then nurturing it effectively, however, is easier said than done.

Getting more women involved in wealth management, either as advisers or client, is another important aspect of solving the talent equation in India.

A greater amount of empathy is an important trait for advisers to have, and in this area women have a natural strength, says Vinay.

However, there is certainly a shortage at the moment.

## ENHANCING CREDIBILITY

Overall, there is optimism that there will be a larger industry in the next three years, according to an audience sentiment poll at the Hubbis flagship event.

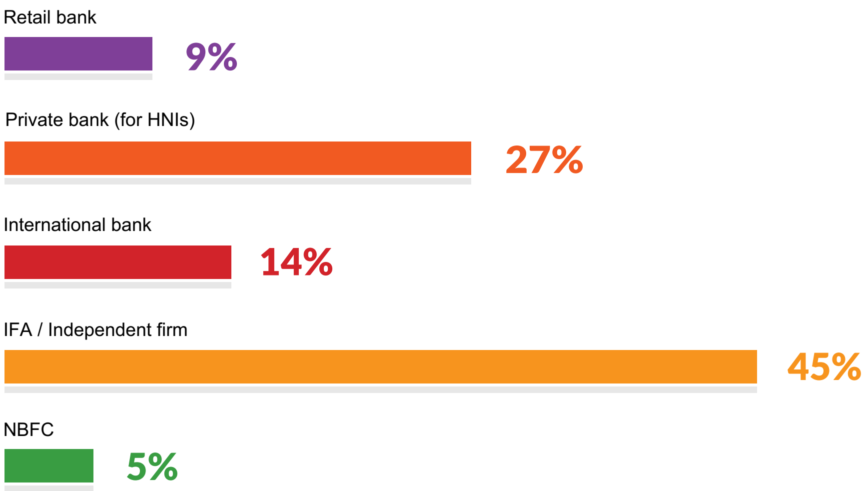
Ultimately moving the market forward will be based on several factors.

One of them is addressing the perceptions that the motivations of advisers are not in the right place.

This leads to a certain amount of trust deficit, which, say practitioners, also explains some of the unwillingness by clients to pay for advice.

Perhaps most significant, according to sentiment, is improving the knowledge levels of advisers and clients.■

**WHO WOULD YOU RATHER WORK FOR IN INDIA?**

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