

Private Wealth Management in Thailand and in Asia Amidst a Time of Dramatic Change

A group of experts at the first panel discussion of the Hubbis Thailand Wealth Management Forum mulled over some of the critical changes taking place in the Asian wealth management industry, how Thailand's competitive landscape is changing, and how local firms can adapt to secure their future success.

These were the topics discussed:

- *What can you the industry do to improve the value proposition in wealth management?*
- *Is the revenue mix for wealth managers changing, and if so why?*
- *What changes are taking place with regard to client expectations and behaviour?*
- *Where will the future business and growth come from, and what are your priorities?*
- *Offshore or onshore, or both? Where is the long-term opportunity?*
- *How can you get the right people and proposition in front of the right clients?*
- *What are the main investment themes and the products that resonate with clients today?*
- *What's the future of Discretionary and Advisory Portfolio Management?*

PANEL SPEAKERS

- **Dr. Jon Wongswan**,
Head of Investment Solutions,
Phatra Securities
- **Evrard Bordier**,
CEO and
Managing Partner,
Bordier & Cie
- **Simon Lints**,
CEO - Singapore,
Schroders Wealth Management
- **Dr Silvio Struebi**,
Partner,
Simon-Kucher
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THE KEY TAKEAWAYS

Be focused, be nimble

A dedication to a clear strategy for wealth management in the region is essential. Whether the firm is going it alone, making acquisitions or entering partnering around the region, it is essential to be adaptable and fleet of foot. Building networks and relationships will help with these goals.

Strategies for the business model

The management of revenues is just as important as the platform and the products. Monetisation is the key to future success because if clients do not pay adequately for your products and advice, your business will suffer. This is especially important as the industry strives to switch from a transactional model to a recurrent revenue platform, so customer lifetime value has to feature strongly, and firms must understand that they need to adjust their KPIs and their compensation structures and their monetisation strategy to retain and build clients and their teams to build this recurrent income model.

Leverage resources and skills

To achieve the digital transformation many wealth management firms require, parting with fintechs is advisable for most competitors.

Hiring is only part of the "win"

While there is a dearth of talent in the industry, hiring from competitors is not a cure-all, and also has inherent dangers.

Onshore and offshore boost client service

There is in Thailand a considerable change taking place, as global firms move onshore and as they also partner with major local banks and other firms. This is good for the client, but the domestic operators who are stand-alone must see this as an opportunity to boost their client offerings by improving platforms, products, people, service and by bringing the full expertise of their firms to the client, as well as also offering advice and guidance towards external best-in-class services.

Advice requires understanding

Advisory expertise can only be effective if the firms understand their clients and their families. Without that knowledge, the advice is offered in a vacuum.

Discretionary - a slow path ahead

Firms need to realise that the path towards discretionary and a major shift towards recurrent revenues will take place slowly in Asia. There is however a middle way through active advisory and firms also need to nurture the younger generations of clients, who are more amenable to relinquishing some control over their investments.



THE FIRST SPEAKER SET THE SCENE BY EXPLAINING THAT the Asia market is central to the proposition for his and many other international firms. “Asia is the hotspot,” he remarked, “and although we are a large organisation, being nimble is central to our growth path out here, including identifying and completing acquisitions that are designed to significantly increase our activities and presence in this region. We are actively, dynamically pursuing that objective. We are also focused on strategic partnerships, as others are in Asia, as we seek to build out our presence to access the profitable, high growth markets in the region. For us, it is all about growth, networking, being nimble enough to access these many opportunities.”

The motivations for offering wealth management were highlighted by another expert, who noted that for some of the banks that also offer corporate and retail banking it might be a core business, while for others it is a side business present as a means of offering additional services and offering a broader value proposition to retain clients for other parts of the bank’s operations.

Focus on monetisation

The same guest explained that while banks tend to focus on costs and processes, they focus less on the management of revenues. “However, to grow the business from a monetisation point of view you must first of all develop the right value proposition for the right customers,” he explained, “because in the long



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run you would fail when you do not offer the relevant products and if clients won't pay the price you want."

He observed that this is especially important as the industry strives to switch from a transactional model to a recurrent revenue platform, so customer lifetime value has to feature strongly, and firms must understand that they need to adjust their KPIs and their compensation structures and their monetisation strategy to retain and build clients and their teams to build this recurrent income model.

Cooperate and partner

He added that the sales approach is also extremely important, to include digital solutions. "I think cooperation with fintechs is often very valuable to achieve this," he said, "because banks cannot develop everything themselves, especially when they are not huge institutions."

Another banker expressed concerns that in Singapore, and elsewhere in the industry in the region, the hiring of RMs from other banks, other firms, is not achieving the hoped-for goals and that there are inherent dangers.

The quest for talent

There is clearly a shortage of talent, but he raised issues such as bankers being tied into agreements that restrict them from bringing their clients to new firms for a period of time, perhaps six months or more. And if the clients shift their assets, they might expect discounts on future fees or other concessions to do so. Cultural fits, remuneration packages and other areas are concerns. "Generally," he said,



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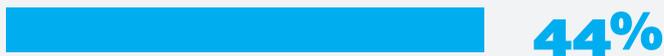
"private bankers in Singapore are overpaid for the revenues and profitability that they actually deliver."

Changes to the Thai scene

A local expert shifted the conversation to the lines of demarcation between onshore and offshore wealth management and how that is affecting the competitive environment in Thailand. "With

AS YOU BUILD YOUR WEALTH MANAGEMENT PROPOSITION SHOULD YOU -

Do it by yourself



Partner with a competent international firm



Source: Thailand Wealth Management Forum 2019

the new regulations here, we have an option to invest, both offshore and onshore, so I think the question for a local player like us with no foreign partner is what do we see as the future for wealth management, having been in the business for 40 or more years here. We actually view it as holistic help for our clients. We aim to understand our clients' needs from a whole variety of different perspectives, and assist them in many different areas, investments, onshore or offshore, their businesses, corporate finance, family and legacy planning, even working on making their huge illiquid assets at home here, such as land more liquid, and so forth."

Closing the gap

He explained that his firm is trying to now close the gap between product accessibility and services, to move the firm's model closer to the global best. "We want to be the best global private bank for Thai clients," he reported. "What does it mean? It means that we should be able to offer access and service similar to a global private banking platform, and at the same time boost our advisory capability, and here I do not mean transactional advice alone, but deeper advice that would resonate with our Thai clients, that speaks of experience, that addresses their expectations and needs."

He added that as the sands of the global markets and geopolitics are shifting so fast these days, the firm must be more proactive and dynamic in updating clients, in helping them adapt to the changing environment.

Competition boosts the proposition

He also said that he welcomes the increased competition in the Thai market from foreign firms either establishing onshore or setting up partnerships. "We know that each client needs specific solutions, so we are working toward that goal and we are really improving our platform, so we can increase our product capabilities and advice in a scalable way in the future."

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"We see this as an exciting environment, and we welcome the competition in the local market," he continued. "I believe it will help educate our clients, change their mindsets and increase the quality of the advice they expect and therefore that we can deliver. It also helps improve the general quality of people in this industry. At the end of the day, this is happening, and it is good for the clients ultimately. For us, our advice is improving and we are intent on bringing the full expertise of our firm in many aspects to the clients, for their benefit. We must focus all our expertise on all their different needs and anticipate as well."

IS IT EASY TO FIND TALENTED RMs IN THAILAND?

Yes



No



Source: Thailand Wealth Management Forum 2019

Know your client

Advice, another guest remarked, is predicated by truly understanding the client. “You cannot expect to be able to offer them good advice unless you really know them,” he stated. “The world holistic is used often, but it is apt, as this business is no longer about product selling, it is adapting to their needs, and their broader family needs, really going under the skin and offering them ideas and solutions.”

“Yes,” said another expert, “and I would reiterate that we need to also offer the clients the best access to other experts inside our firms and outside, to offer them best-in-class ideas, solutions, advice, expertise, on all areas including legal experts we know, including citizenship and residency consultants, the best trustees and so forth.” In short, the firms must be the filters with the experience to help the clients achieve the best outcomes in all the areas in which they have challenges.

The oh-so-gradual path to DPM

The final comment came down to an expert who gave his view on the transition towards discretionary portfolio management in Asia. “We are staking our hopes on this in Asia,” he commented. “It is evolving here, albeit slowly, and much of the slow progress has to do with



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the psychology in Asia and the history. But we are seeing changes taking place, for example some of the younger generations of clients who might be active trading themselves, but who are speaking to the RMs every day, becoming more interested in the discretionary offering, taking an increasingly longer-term view. So, active advisory is the path towards the discretionary levels that we would like to see, and this adds to the profitability of the business.” ■

