

Robo-advisor Robowealth Sending Waves of Disruption through Thailand's Growing Wealth Market

In the era of digital disruption, Robowealth describes itself as one of the hottest FinTech ventures in Thailand, providing recommended asset allocation plus automated investment execution. Robowealth operates as a mutual fund brokerage securities company under Thailand's SEC licensing, performing what it sees as a leading role in both the B2C and B2B Robo-advisory arenas. At present, the company engages with end-customers through different brandings, including odini, for the retail market, and INDEGO for the higher net worth segment, as well as working in partnership with leading financial players in Thailand who are beginning to use these platforms to leverage their own customer bases. Hubbis met with CEO Chonladet Khemarattana, who offered his interpretation of digital disruption in Thailand's fast-evolving wealth management market, and some fascinating insights into how Robowealth is accessing the great opportunities it sees ahead.

ROBOWEALTH'S VISION

Thailand is becoming an ageing society, but investment inclusion is still relatively low, meaning that more and more people are ill-prepared financially for retirement and for living longer. Robowealth was established by a group of financial professionals to ensure that crucial pain points are both addressed and then fixed.

"The idea was to create Thailand's first robo-advisor to address a great and growing need here, that part is simple," says Chonladet, on opening the discussion.

"What is not so simple is the execution, as we have faced many significant challenges on the road to successfully overcoming the regulatory, convention and technological hurdles. Yet we have been winning through and our first product, the 'odini' mobile application, has achieved 200,000 downloads while our premium robo-for-advisors 'INDEGO' is approaching the milestone AUM of USD300 million. Robowealth is not offering just a product; we are providing the whole ecosystem that can help all stakeholders to utilise robo-advisory services at the highest level of efficiency."

Robowealth on the 7th of July 2017 obtained the relevant SEC LBDU license to operate as a robo-advisor for Thai mutual funds. "Regulatory compliance with the SEC, the Bank of Thailand and AMLO to enable pure digital account opening without a face-to-face protocol has been both essential and very important," Chonladet reports. "We also worked with law firm Baker & McKenzie to obtain the legal advice that helped us create the relevant customer agreements."

Chonladet's Key Priorities for Robowealth

His first mission is to boost the B2C marketing and brand awareness, and thereby lower the acquisition cost, while at the same time increasing the conversion ratio, meaning that once the client downloads, they are more likely to be active investors.

"To achieve some of these goals," Chonladet reports, "we begin executing the content marketing strategy including the podcasts to boost the odini brand awareness, and then we will use the macro and micro-influencers to build more product endorsement and more product reviews. The content is available through multiple social media channels, including Facebook, IG, Twitter, YouTube, etc. To ensure our Customer Acquisition Cost (CAC) is not too high, we also use the Google Display Network (GDN) to display the banners and acquire new app installations at a reasonable cost. All these initiatives are for building the B2C marketing, brand awareness and lowering the acquisition cost."

He elaborates on this point, adding that in order to increase the conversion ratio the firm is using machine learning to dig down into customer data, to analyse demographics, behaviour and other factors that will lead to more active clients. "Machine learning can greatly help identify, and we can then follow up with these target clients in different ways, including calls, emails, promotions, rewards for introductions, and so forth."

Chonladet's second priority is to boost partnerships. "Right now we are soon to launch a partnership with a major bank, and our aim is to build these partnerships with a number of the big players in this market, leveraging our B2C brands and targeting different segments of the wealth market," he reports. "And we might also partner with other firms in other industries, for example insurance, or tax advisers or different types of non-bank lenders. And we will be able to incorporate and introduce new features for financial planning so that we are helping the end customers with their multiple goals, whether those include house purchases, education for their children, retirement planning and so forth."

STRONG POSITIONING

Robowealth has created an order execution and settlement infrastructure, combining Stock Exchange of Thailand's FundConnex and the eWallet platform of Thailand's largest telco, Advanced Info Services (AIS). The front-end system is available as a

native application on both iOS and Android operating systems. The back-end system operates on the cloud to provide the highest level of scalability, and the analytical module can handle big data on user behaviour and business intelligence. The firm has created a superior quantitative investment



CHONLADET KHEMARATTANA
Robowealth

algorithm, built for asset allocation and fund scoring. Add to all that, there is an eKYC module to provide the straight-through process for account opening.

“We put in place agreements with all leading asset management companies,” Chonladet recalls. “We have built a friendly ecosystem and goodwill for B2B partnerships from both incumbents and FinTech start-ups. Accordingly, there is a ready infrastructure to support Robo-advisor, Robo-as-a-service, and Robo-for-advisors. As a result, we soon won awards from media and organisations and recognition from regulators and stakeholders as a leader in the robo-advisory field.”

The firm operates via several brands, with Robowealth as the corporate brand. Also, Robowealth is the operational brand for high tech and high touch B2B investment solutions, offering ‘Robo-as-a-service’ for both incumbents and start-ups. Meanwhile, INDEGO and odini are B2B2C and B2C, with INDEGO the Robo-for-advisors brand targeting high net-worth clients, and odini the B2C Robo-advisors brand for the mass market.

Getting Personal with Chonladet Khemarattana

Born in Chonburi, roughly 80 kilometres south-east of Bangkok, he later studied for his Bachelor of Economics at the prestigious Thammasat University in Bangkok. After graduation with the first class honor, his first job was at the conservative Bangkok Bank, followed by a stint at the Siam Cement Group (SCG) in the business development department.

“At the time I wanted to go abroad to an Ivy League institution, and of course to do so it is much easier if you obtain the scholarship from the SCG,” he recalls. “However, at that time, I realised in discussions with my senior colleagues who acquired the MBA from top universities that I was more suited to the world of investments, technology, and so forth, so I actually decided to move to a software house with less than 100 staff at that time. That was a pivotal moment for me.”

He then went back to Thammasat to complete his Master of Science in Finance as a top student, after which he hopped around a number of securities companies in Bangkok for the next decade, learning more and more about the world of finance and understanding ever more about the potential for digital disruption in the industry. “I had seen the trends in the developed markets and that margins would compress over time while customer needs and demands would evolve rapidly, so I resigned from the managing director position at the brokerage firm and formed our team, who also quit their jobs, to start algorithmic trading to serve our B2B friends four years ago, but then one of my co-founders suggested we move to robo-advisory, and here we are today.”

He explains that to start the ball rolling, they realised that in order to do a mass B2C robo-advisory properly they needed a very robust and good partner. “And that is how I leveraged my network of contacts to identify AIS as our core partner. The business partnership between Robowealth and AIS emerged in both product development and marketing strategy areas. We have been utilising AIS’s eWallet technology to achieve the best customer experiences with a reasonable cost structure and lean operation team. Also, our marketing teams are working closely in promoting investment awareness among 40 million AIS subscribers.”

Chonladet is so busy with his work and meetings that his focus is entirely on Robowealth and FinTech industry. Due to this commitment, he has been voted as one of the “TOP 10 Most Influential People in FinTech” by Thai FinTech Association (TFTA) and “TOP12 Popular Analyst in 2016” by Money Channel. He also has a side business, which is an award-winning cigar bar in Bangkok, named Character. “It is a great place to relax and spend time with friends and business partners,” he explains. “Cigars, whiskies, investments, and FinTech businesses, each with its own distinctive property we can experience from our 5 senses, it has its own Character.”

The firm has assembled a formidable group of leaders. “All us co-founders are actively participating as the board of directors to ensure Robowealth moves in the right direction according to our vision and mission,” Chonladet reports. “Everyone has more than a decade of experience in the banking and capital markets with leading financial institutions such as banks, asset management, and securities companies. We are also delighted to have Khun Parnpree Bahiddha-Nukara on the board, as he brings a wealth of experience, having been chairman of the board of PTT Plc., Thailand’s largest company by market capitalisation.”

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Chonladet then zooms in to focus on odini, the name for which he explains was conceived based on the ancient mythological Norse god who was supposed to be the father of the gods.

“Our odini offering is for the mass market,” he reports. “We offer a mobile app that is remarkably easy to use, so the customer journey right from the outset, including onboarding is so easy. The customer has no need to go to the bank, no paper required, not even an email. They input all their key information directly into the app and then just pop the photo of their

ID card alongside, with a selfie, and then our operations team approves the account. Once the account is approved, the customer can input some other basic information, and he or she obtains a relevant, balanced portfolio from five options, from the most conservative to the most aggressive.”

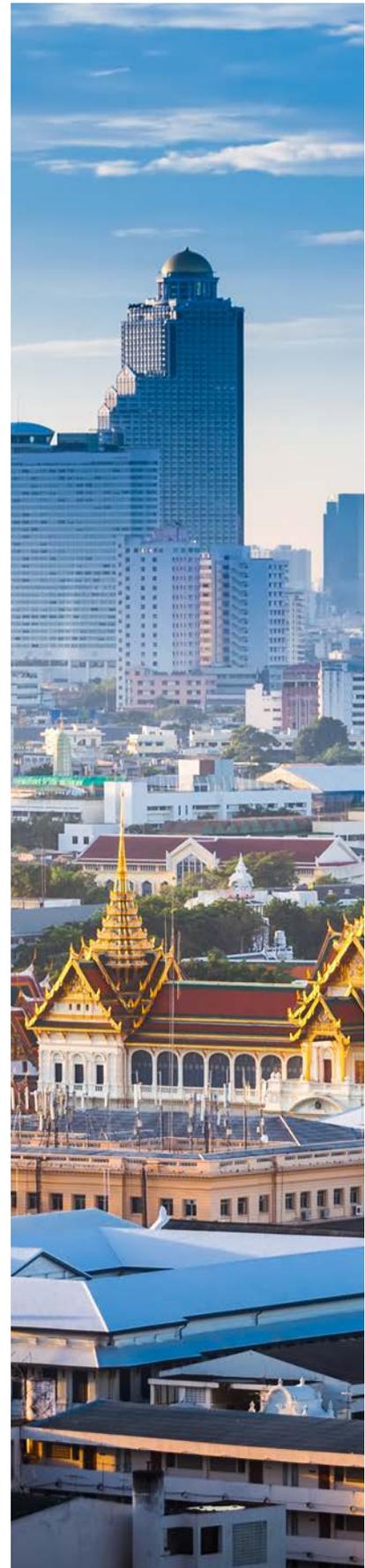
Chonladet explains that the target return in more normalised conditions is 4% for conservative and 12% for the most aggressive portfolios, with 8% the median point. “The algorithms manage risk with the cVAR or conditional value at risk protocol and then at the end of each month if the client would like to invest more - and the client can invest anywhere from THB1,000

- the portfolio automatically rebalanced each month.”

BUILDING PORTFOLIOS TO SUIT

The portfolios are created with the open architecture concept, meaning that the platform is a fund distributor for any and all available funds from Thailand’s leading asset management companies. “We select the optimal set of mutual funds in Thailand for our customers and update it every month,” Chonladet explains.

These, he clarifies, follow the major asset classes, local fixed income



first, and then local equity, with tactical allocation overlaid each month, for example into REIT or property funds to enhance the yield, and finally global equities where appropriate, focusing on five regions, namely the US, Europe, Japan, China and then the emerging markets. "Finally," he explains, "the other asset class is the gold, with allocation to that class based on a model between core holdings in portfolios and satellite holdings. The user doesn't even have to pick the funds, they just pick the portfolio they prefer, and then the portfolio would pick the funds automatically."

Although many robo-advisors are not doing as well as they or their backers had hoped in the US, Chonladet is more optimistic for Thailand. "Our mission is to convey that our combination of both strategic and tactical asset allocation allows us to outperform the benchmark, meaning that we offer more stable returns than traditional providers," he comments. "We are also going both the B2C and B2B routes, as we know that both avenues are important to our success. The B2B offering is providing our technology to other financial institutions, and we have already secured many deals with other banks and asset management companies."

He explains that the B2B offering plays into an environment in which the banks want to be ahead of the game in capturing the mass

market. "Because most of the banks in Thailand they have asset management arms, and as many of the banks are applying the open architecture concept, and for that robo-advisory is a natural and very easy channel through which to serve their clients. And for that they have two choices - they can develop their own in-house, which is time-consuming and expensive, or they can work with us, and we can adapt our offering to each of these clients and work on revenue-sharing arrangements. We do not see this as cannibalisation of their other revenues."

THAILAND STILL OFFERS DECENT RETURNS

Chonladet notes that in Robowealth's favour, fees and commissions in Thailand are still relatively high. "These will clearly come down over time," he comments, "but not to US levels, simply to lower but still workable levels for the providers. The major change ahead as I see it is the rise of greater customer-centricity in Thailand, as clients, on the whole, are becoming more and more sophisticated. Accordingly, the portfolios must be more carefully assembled, and that is actually good for the robo-advisory platforms like us. And that is precisely why we have moved along the B2C model first, proved to everyone that we could do this, and then moved into some good arrangements with third parties on the B2B business."

TARGETING THE HNWIS

He adds that for the HNW segment, there is the need for the human element of advice and relationship as well, for which the INDEGO branding is positioned. "This is again B2C, but more like the private banking service," he explains, "so for a person whose investment is more than the equivalent of roughly USD300,000 we use the outcomes from our robo-advisor algorithms and then leverage those results by having our own human advisers contact the clients, work with them and construct the fine detail of the portfolios. The customers then begin on a monthly basis and then each month the portfolio is rebalanced, working again directly with the clients, who can also come into our office if they wish."

Chonladet closes the discussion by reiterating the scale of the opportunity. "We have an estimated 2 million active investors in Thailand, 1,500,000 in mutual funds and 500,000 in stocks in general. For a broader mass market, we have 4 million people who pay income tax. Focusing on affluent segments, there are approximately 400,000 people in the upper mass affluent and above," he reports. "Our strategy is the mass market service first through odini, and then do the B2B, and then capture the high net worth. Margins remain really quite large here relative to other developed markets, and we see great opportunity and good returns ahead." ■

