# Setting the Scene: India's Wealth Management Market in a Time of Rapid Evolution

*A panel of five eminent market practitioners from leading Indian wealth management firms offered their overview of the evolution of the Indian wealth management market, ranging over topics such as the current and future generations of clients, the value proposition, developing a larger portion of recurring revenues, digital transformation, as well as the development of enhanced skills and expertise.*

***These were the topics discussed:***

- *What can you do to improve your value proposition?*
- *Is your firm attractive enough for the new wealth creators and next generation of clients?*
- *What does the current revenue mix of wealth managers in India look like? How is it changing?*
- *What changes are we seeing in client expectations and behaviour?*
- *Where will the continued growth come from and what are your priorities?*
- *What does the word 'advice' really mean?*
- *Are clients not thinking realistically abut risk and reward?*
- *How can you get the right people and proposition in front of the right clients?*
- *Revenue margins per clients will decline in the future. Is digital a way to stop revenue erosion and are you effective at monetising new digital services?*
- *What is the future role of the RM when banks get digital?*

## PANEL SPEAKERS

- **Anshu Kapoor**, Head of Private Wealth Management, Edelweiss Private Wealth Management
- **Abhijit Bhave**, Chief Executive Officer, Karvy Private Wealth
- **Feroze Azeez**, Deputy Chief Executive Officer, Anand Rathi Private Wealth Management
- **Satheesh Krishnamurth**, Executive Vice President & Business Head - Affluent & NRI, Axis Bank
- **Himanshu Kohli**, Founder Partner, Client Associates

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## THE KEY TAKEAWAYS

### Billionaires galore

Some 15 years or so ago there were fewer than a handful of billionaires in India and today there are an estimated 150 of the super-rich, more even than in Japan, although still behind the US and China.

### Top of the pyramid wealth

The top 1000 families are worth an estimated USD1 trillion, and total ultra-HNW wealth is perhaps USD3 trillion, according to one panellist. Another noted that there are so many millionaires spread across the length and breadth of India, and the mass affluent segment is also expanding rapidly.

### But wealth management lags

The penetration of wealth management for the private wealth sector remains relatively low, still in the single digits. A panellist noted that in the US, for example, private/HNW wealth is estimated at USD65 trillion, and each of the largest wealth managers manages roughly USD3 trillion-plus, so that's about 5% penetration.

### Market evolving

Developments taking place overseas are coming to India, in terms of regulatory changes, technology, client expectations for solutions and service, and of course the widespread "financialisaton" of savings, diversifying from traditional assets such as property, gold, and deposits.

### AUM to double, at least, within five years

The panel appeared to concur with the premise that AUM for the industry will at least double in the next five years, partly through the arrival of new money, partly through the robust performance of the existing investible wealth.

### Agility is essential

An expert opined that wealth management firms must be agile, must see the trends in the market and adapt their advisory models to put a sharp focus on the client needs, to offer the best advice, objectivity and to do so using truly open architecture.

### Dreams and goals

A panellist zoomed in on the need to help clients achieve their dreams and goals, to partner with clients on their financial journey through life. To do so, he advised combining safety, liquidity and returns, using risk profiling and customisation, then putting the right products in that fit. The client experience must come first in the process.

### Performance counts

Another panel member observed that wealth management firms must perform and measure performance for their clients, they must be fully committed to delivering expert advice and must achieve two-way trust and openness.

### Call the (wealth management) doctor

Another expert said a hospital that tries to sell its own medicines would be avoided, and the wealth management industry must strive for the avoidance of conflicts of interest, and achieve the three Ts - trust, talent and transparency.

### Hear, follow, nurture

A guest gave his three priorities as listening, seeing and following the key trends, and investing in capability. A fellow panellist said their firm's focus is people and knowledge, technological superiority for the benefit of the client and the advisers and seeing where the market is moving to.

### Strive for best practices

A panellist highlighted the need for best practices to drive this business forward. Client centricity, talent, the drive to be trusted adviser, and the shift from product distribution to advisory are all key elements in realising the growth potential, he said.

### Empathy vital

The final word went to an expert who said his favourite word for this business is empathy, with client centricity and empathy central to the proposition.

ABHIJIT BHAVE
Karvy Private Wealth

**"IT WAS JUST 15 YEARS OR SO AGO WHEN THERE WERE FEWER THAN A HANDFUL OF BILLIONAIRES,"** one expert began. "Today we might have 150 of these super-rich, more than even in Japan, although still behind the US and China. The top 1000 families are worth an estimated USD1 trillion. Total ultra-HNW wealth is perhaps USD3 trillion. GDP today is USD2.7 trillion and rising fast. Well, these are some staggering numbers, but today the penetration of wealth management of the private wealth is low, still in the single digits, so we believe there is vast opportunity. In the US, for example, private/HNW wealth is estimated at USD65 trillion, and each of the largest wealth managers manages roughly USD3 trillion plus, so that's about 5% penetration. And even in China, I understand ICBC's wealth management practice is about USD1 trillion already, out of USD25 trillion of wealth. We have far to go here."

A guest reiterated that great opportunities lie ahead, noting that China's GDP per capita at USD1000 is roughly five times that of India. "And we are looking at a USD5 trillion GDP economy within as little as five years," he added.

Another added that developments taking place overseas are coming to India, in terms of regulatory changes, technology, client expectations for solutions and service, and as we remain mostly an onshore market, there is great potential to diversify, so the best is yet to come. Yes, there will be market volatility, but long-term, this is a great opportunity if you stay committed."

SATHEESH KRISHNAMURTHY
Axis Bank

## Wealth spread across the land

"India has more than 4200 legislative assemblies," reported one expert, "and the number of millionaires is simply mind-boggling. You would be astonished by how much money there is around the country, even in remote places, so we are now only touching the tip of the iceberg, as the sheer supply of HNWIs and mass affluent people is incredible. That is why we are spending so much on training, focusing on what we call the KASH box, namely knowledge, attitude, skills, and habits. We firmly believe the good days are indeed ahead, certainly for the next decade as we see things."

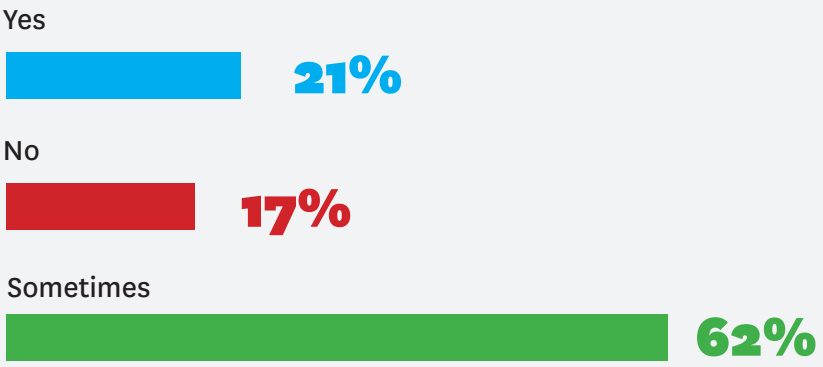
"I agree," came another voice. "Is the future going to be more exciting? A resounding yes is the answer. Same for growth. Same for the opportunity. It is a 'no-brainer' to my mind that every smart financial services player would be investing in this business. India is a very dynamic market, and there is massive, 360-degree opportunity here."

## AUM to double, at least, within five years

Another expert chipped in to agree, noting that he believes AUM in the industry will at least double in the next five years, observing that this must be achieved both with new money coming in and performance from the investible funds. "AUM can double and maybe triple in the next five years,

HIMANSHU KOHLI
Client Associates

DO CLIENTS IN INDIA GET INDEPENDENT ADVICE FROM WEALTH MANAGERS?




Source: Indian Wealth Management Forum 2019

like it has in the last five years," he stated, "but to properly cater to this, we must be leaders for the clients, and to do that we must keep improving our skills and expertise through training, to achieve value creation."

## The 'financialisation' of savings

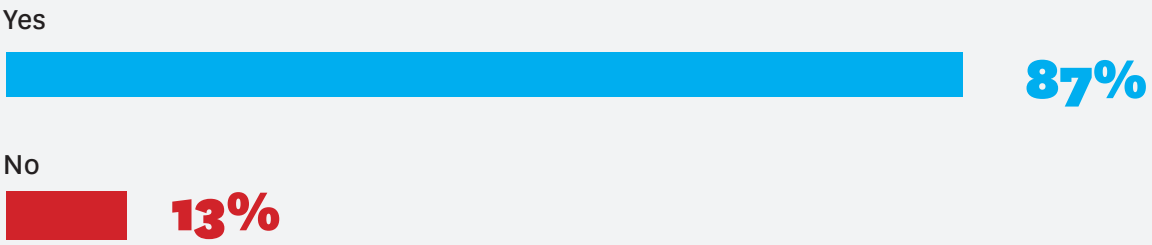
As to specific opportunities, he noted that many of the new billionaires are deriving their wealth from technology firms, or other new-age businesses. He also noted that there is widespread 'financialisaton' of savings - whereas investments used to be largely property, gold, deposits and insurance, now people are moving more towards sophisticated financial products.

"As an organisation, our drive has been to be agile," he explained, "and to adapt to this environment, to help HNWIs and their families unlock that value, perhaps in new-age businesses, perhaps early-stage investments as well as the plain vanilla funds, and so forth. We are also helping to unlock monetary liquidity in less liquid property assets so people can reinvest in higher-yielding property, so we created a real estate advisory desk to professionalise this segment. Additionally, we are striving more towards open architecture and trusted adviser status, whereas in the past there was perhaps less objectivity for the clients in terms of product selection and advice."

But there are also troubles ahead potentially with all this HNW growth. "The wealth gap between the rich and the not so well off is possibly a problem," he observed, "as the rate of growth amongst the wealthy is very high, but India per capita growth is not that high, and is putting a lot of pressure on the government in terms of taxing the rich, so we have seen a higher surcharge, and there could be the re-introduction of estate duties at some point in time."

ANSHU KAPOOR
Edelweiss Private Wealth Management

DO YOU THINK AUM IN PRIVATE WEALTH MANGEMENT IN INDIA WILL DOUBLE IN THE NEXT 5 YEARS?




Source: Indian Wealth Management Forum 2019

## Keep it simple

The discussion moved on to the revenue mix for the banks and wealth managers. "We are a major fund manager and distributor here, and a mission for us is to simplify the choice for customers into the optimal products, whether mutual funds, protection products like life insurance, or discretionary management or alternative investment funds, and so forth. The regulator has done well in improving the selling practices and psychology, which is helping to build longevity of the industry, to ensure the interests of the customers are aligned with the distributor's interests. Leverage is another growth area. And costs need to come to realistic levels for the broader market."

## Dreams and goals

"As an industry, we must see why the clients give us their hard-earned money," said another expert. "We have redefined our corporate mission as helping our clients achieve their dreams and goals. Defining it that way first, we see our role as a partner with them in their journey to achieve their financial goals. We do that by combining safety, liquidity and returns, using risk profiling and customisation, then putting the right products in that fit."

He noted that a typical way of looking at value proposition is through the 4Ps - products, people, platform and process - but explained that his firm tries to look at this from the client perspective, not to put product first, but to focus on the entire client experience, and then try to keep things as simple, relevant, and effective as possible.

Another panel member took up the baton to observe that wealth management firms must perform and measure performance for their clients; secondly the firm must be fully committed to delivering expert advice, and thirdly there must be two-way trust and openness. "If you are able to deliver these three," he said, "I think the client should ideally be happy, because everything the client needs is a subset of these three qualities, to my mind."

## Avoid conflicts of interest

A fellow guest picked up on this and stated that his approach is to consider the firm like a financial doctor to the clients and families. "If you go to a hospital and they are making their own medicines, there is a real conflict there," he remarked. "Similarly, we must make sure we avoid such conflicts in this business, so pure open architecture is vital, such that it is absolutely holistic in nature and captures the entire range of client assets, from financial investments to property assets, early-stage equity investment and so forth. Our credo is the three Ts - trust, talent and transparency."

FEROZE AZEEZ
Anand Rathi Private Wealth Management

**"SIMILARLY, WE MUST MAKE SURE WE AVOID SUCH CONFLICTS IN THIS BUSINESS, SO PURE OPEN ARCHITECTURE IS VITAL, SUCH THAT IT IS ABSOLUTELY HOLISTIC IN NATURE AND CAPTURES THE ENTIRE RANGE OF CLIENT ASSETS, FROM FINANCIAL INVESTMENTS TO PROPERTY ASSETS, EARLY-STAGE EQUITY INVESTMENT AND SO FORTH. OUR CREDO IS THE THREE TS."**

## Listen, hear, follow, adapt

Another panellist gave his three priorities as listening, seeing and following the key trends, and investing in capability. A fellow panellist

said their firm's focus is people and knowledge, technological superiority for the benefit of the client and the advisers, and seeing where the market is moving to, in other words spotting customer needs and trends, then positioning the firm appropriately. "Wealth creation is happening at such a rapid pace," he observed, "and we need to position ourselves well to be there with the right proposition and fine-tune to the different client segments we see."

"Best practices," came another voice, "will help drive this business forward. Client centricity, talent, the drive to be trusted adviser, and the shift from product distribution to advisory are all key elements in realising the growth potential."

## See the big picture

A final comment came from a guest who said that the future of the industry is not simply chasing the top of the wealth pyramid. "The billionaires will not be so easy to help as advisers, they will focus on cost, on products, as there are so many of our competitors out there chasing them. But the smaller clients are more manageable and will usually grow into larger clients over time, so I think it is very important to work with these smaller clients, to win them over through good advice and performance, and to stay with them as they grow in the years ahead."

A fellow panellist said he disagreed. "There are smaller clients who like to have several advisers, while there are some major clients who like to work with just one firm," he commented.

## Empathise with your clients

The final word went to an expert who said his favourite word for this business is empathy. "The whole conversation has to revolve around the customer, and the returns on empathy come over a long period, we really have to invest and be consistent, be present and consistent. Empathy is central to our proposition." ■