Smarter communication to drive more effective advice

Having discussions which are more focused, relevant to clients' needs and actionable, will create a more realistic chance of bringing the concept of 'advice' to life in Asia, says Bryan Henning of Barclays.

A sad reality about wealth management in Asia is that the concept of 'advice' is often misunderstood and undervalued.

This is little surprise to many senior practitioners and any clients which have the investment maturity or financial sophistication to appreciate what they should be getting from their bankers.

While the region's emerging affluent and HNW individuals continue to grow in sophistication, many still lack the experience and exposure around what true advice entails. They continue to seek short-term gains based on them buying product after product.

And the banks selling these to them are struggling to help bring about change.

"This comes down to the operating models banks are using," explains Bryan Henning, managing director and head of global investments and solutions for Barclays in Asia, Middle East & Africa.

"But at the heart of it, in Asia there are too many products, a lot of which are quite complex, and there is still not the depth of talent required."

Wealth management in itself is a complicated concept. It involves multiple objectives, relating to whether a client is trying to protect or grow their assets, and this depends on where that individual is at in their stage of life.

While these dynamics should mean that organisations focus on sustainable fee income, the shortage of qualified and competent advisers means most cannot pull this off, adds Henning.

BRYAN HENNING
Barclays

SERVING MULTI-DIMENSIONAL NEEDS

One of the biggest mistakes relationship managers often make in their client interactions is they focus generally only on one of the several needs that most people have in reality. "They then take a client's money and manage it as if it's one single need," explains Henning. "But most people have short-term, medium-term and long-term goals, and each of these require different solutions."

This should mean opening more than one account, and administrating each of them in a way which is specifically aligned with the time horizon of the objective or outcome.

"The conversation needs to be multi-layered," says Henning. "But for the banker, this is not easy to operationalise, as some of the solutions might involve more of a wealth advisory, fiduciary-type discussion."

AN EVOLUTION THROUGH EDUCATION

The current situation cannot continue indefinitely, and neither does Henning think it will.

Although wealth management and product distribution in Singapore and Hong Kong has largely been done through the banks to date, he expects to see more disintermediation going forward, largely driven by digitisation.

This will force change. "Banks will have to adopt the technology to increase the client experience and enable customers who want to self-direct more by giving them the tools and education to do it," says Henning.

The impetus for change is more at the private banking level, rather than for the emerging affluent. This is simply because the volume of new wealth creation in Asia means there is a lack of knowledge from those customers about what they should be getting, so they don't demand it.

Further, the mind-set of such individuals will continue to be to chase bar-bell investment strategies, explains Henning. "They look for big winners on one side of the equation and then to keep large cash deposits on the other side."

By contrast, the higher up the wealth pyramid and further along the generational path people go, the more intelligently wealth is deployed.

In Singapore, for example, where there is a third generation of clients in some cases, more and more family offices are being created. "These clients are tired of paying fees at private banks," says Henning. "They have hired experienced investment people to run their money and get the best deals possible, and they want to deal direct."

It tends to be the entrepreneurial business owner, typically still generating wealth, who wants to be autonomous in their decision making.

This also partly explains the ongoing issue of the limited penetration of discretionary portfolio management and other forms of managed solutions in Asia.

Closely tied to this is, again, the shortage of people advising clients who are able to properly explain and then deliver on the value proposition.

"I would say that in more mature wealth management markets, bankers in general tend to be more polished and experienced at having the types of mature conversations needed with their clients about their portfolios at a macro level," adds Henning. This is helped by their ability to bring along the discretionary portfolio manager to the meeting, for example.

By contrast, some international banks run their discretionary offering in Asia out of their headquarters, rather than locally. Yet this doesn't allow them to give clients the direct or regular access to the investment experts which is expected at that level.

As a result, if bankers in Asia are not always comfortable introducing other specialists to the relationship, the opportunity to help broaden and deepen the advice is lost, adds Henning.

DIGITAL TO PLUG THE GAP

To some degree, the growing influence of digitisation of wealth management – to varying degrees at different types of institutions – can help bridge the advice gap.

Beyond automating the onboarding process as far as possible, there is potential to do more with digital when it comes to the discovery piece. In this way, an adviser or banker can use online tools to create pie charts and other visual aids to prompt investors and show them what they can do with their portfolios, explains Henning.

Then, once they create a portfolio, the bank can be more proactive in how it prompts them with ideas.

"I don't subscribe in a big way to the concept of robo-advice, but more digitally-enabled advisory," says Henning.

This will help those bankers and advisers which struggle to keep up with their 50-plus (or more) relationships.

"As we automate more of the process, and create more intelligence through feeding live data into a system, and monitoring the client's portfolio, then the prompts will tell the bankers when they need to call the client, because something has happened which is relevant to that individual," says Henning.

As these platforms continue to develop and get refined, banker productivity should rise and also help plug some of the gaps that exist today. ■