

Understanding China's wealth landscape

Jennifer Zeng of Bain explains some of the key findings of the firm's recent report on the Chinese wealth management industry, and discusses what this means for the development of the market.

Based on the findings of Bain's 2015 China Private Wealth Report, the market is still very robust, growing at 16% over the last couple of years annually, said Bain partner Jennifer Zeng.

The growth is still mainly in the first generation, with 60% being entrepreneurs and business owners. There is also a growing group of professionals in senior management roles within large companies and foreign enterprises, who have made good investments in property and the stock markets.

At the same time, China's HNWI individuals are becoming increasingly sophisticated, she added.

This is seen in two ways: first, their primary wealth goal is wealth preservation and wealth inheritance – in contrast to wealth creation as previously; and secondly, they are increasing their focus on overseas investments, looking to diversify risk as well as seeking returns.

This has created more competition in private banking market in China, especially as clients now seem to place more trust in wealth managers. Within the local landscape, Chinese private banks dominate the market, explained Zeng.

Ultimately, she said clients choose their wealth managers based on expertise, brand name and the services level of the relationship managers.

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In line with market trends, many wealth managers now realise the importance of really understanding customers' needs, said Zeng, and look to advise them on their asset allocation rather than just continuing to push products.

Given the change in investment behaviour from growing wealth to preserving it and passing it on, she said customers are increasingly looking for products onshore with a lower risk-return profile as part of an asset allocation strategy.



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Also, HNWI clients are interested in passing on their family values and work ethics, and educating the next generation in terms of 'spiritual inheritance'. ■