Value-add based on what a bank does best

Industry incumbents and newcomers alike in Asian wealth management must look beyond the desire to show-off their digital prowess and instead leverage their core capabilities to provide what clients want, according to business leaders in Hong Kong at a discussion co-hosted by Thomson Reuters and Hubbis.

Private banking in Asia, and the rest of the world, continues to adjust to changing needs – both internally and externally.

This is forcing traditional leaders to come to terms with a variety of newcomers, ranging from those which are leveraging parent companies with larger and broader financial services businesses, to other players which are premised on new technology, offering a low-frills yet low-fee business model.

The fundamental difference between the two extremes are obvious, but are the result of different approaches to the same challenges of more and more banking services being digitised, low interest rates and growth in passive instruments.

And there remains a genuine need on the part of all wealthy individuals for guidance on how to protect, grow and pass on their assets amid tough markets and complex new rules. Further, there is the rise of new non-traditional wealth managers to consider, with companies like Tencent and Alipay potentially adding wealth management services to their mix

The winning proposition, it seems, is not just based on return 'on' capital, but return 'of' capital.

A key part of this is providing access to asset classes that are not run-of-the-mill or available via digital platforms. They also require advice; investors can do the wrong thing very quickly. At the same time, whatever helps to increase transparency and drive more independence in private banking will see a surge in interest.

But this all depends on the institution's ability to genuinely understand – and then deliver on – the needs of a client, especially when it comes to accessing opportunities which are off the beaten track.

These were among the take-aways from a thought-leadership discussion with private banking leaders in Hong Kong, co-hosted by Thomson Reuters and Hubbis.

NEWCOMERS FROM CHINA

The rise of new players is also shaking up the landscape in the region.

Chinese banks, in particular, are causing quite a stir. They are coming into Hong Kong as well as Singapore to set up private banking businesses to service existing clients as they broaden their horizons and portfolios.

How the incumbent European and US wealth managers will be impacted by such disruption – and therefore respond with strategies to defend their turf and AUM – will be interesting to watch, said practitioners.

Actionable trading insight, content, digital channels to entice Millennials, or simply enhancing service levels and the overall client experience are all among the options.

Yet the cost of acquiring clients is still very high for the traditional players. For Chinese banks, by contrast, they benefit from the long list of existing customers who are looking to diversify and offshore their wealth.

This means more proactively embracing the speed and low cost of digital solutions, but blending this with the value-add of the traditional relationship manager (RM), who works with a specialised team of risk managers to conserve wealth, as well as an investment adviser to seek opportunities beyond the public domain, such as private equity.

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At the same time, Chinese banks need to be able to articulate a clear proposition if they want to attract clients based outside the mainland.

VALUE STILL TO BE FOUND

Amid the race to grow market share in Asian wealth management, the rate of adoption of new technology and digital tools has been a key focal point for many institutions.

As a result, trading fees have plummeted and the Millennial generation knows exactly how much it costs to transact. Commissions are also transparent and there seems little that the private banker can offer which a client is not already aware of.

Yet there is still much value for client to derive from working with an individual adviser who knows them and their goals.

To address this, the answer might be for more firms to find a balance in the digital and human interactions.

This can also help the client to access certain industry sectors or markets that also facilitate horizontal or vertical diversification.

Such a model creates a double whammy – a HNW or UHNW client can reduce their transaction costs while the institution can still charge meaningful fees to compensate for the difficult and time-consuming business of tracking local and global opportunities.

PLATFORM-BASED PROPOSITIONS

The technology for investments is already widespread.

However, the bigger private banks and wealth management institutions continue to invest in their own proprietary or complementary platforms to respond to what customers already do with their other relationships outside of banking.

Yet many of Asia's HNW population are multi-banked, so the key for the smaller players vying for market share is emphasising the value of the relationships they have, beyond transactions.

This is becoming more viable as clients realise the increasing value and need for succession and legacy planning solutions and structures, not just financial instruments.

Asia's wealthy also want suggestions and advice about education for their children and residency or citizenship guidance.

How, for example, should a client view the US in comparison with Australia or various parts of Europe, when it comes to weighing tax transparency versus lifestyle and other important considerations?

For the bigger banks, the unique selling point will inevitably remain their global reach.

The 'Think global, act local' slogan might be a thing of the past, whereas 'Glocal' might start to get a second wind.

These larger financial institutions, especially the consumer banks, will also continue to bang the technology drum, given the challenge in a single individual (RM) serving enough customers sufficiently.

While these organisations appreciate the value of personal relationships and engendering trust, many individuals increasingly prefer the online interaction, with the flexibility to do it at any time they choose.

For these players, platforms are crucial to handle the volume of recurring transactions yet keeping costs low given the preference of clients to pay as little as possible. ■