Wealth management in the Philippines: is choice the key to success?

The wealth management landscape in the Philippines is not what it used to be. Our digital world is changing our financial services expectations, including investment needs. In January 2021 there were 73.91 million internet users (67% of the population) in the Philippines. And last year the region had 152 million mobile phone connections. Add to this the fact that the average Filipino age is now 26 and it's clear that offering just traditional relationship-based wealth is not sustainable.

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A new generation of Filipino investors

According to the data analysis company Wealth-X, over USD15 trillion of wealth will be passed down from Baby Boomers to their children and grandchildren by 2030 across the globe. However, in the Philippines the opportunity is thought to be even greater. In a recent webinar hosted by Dr Queena Lee-Chua from Ateneo de Manila University, she highlighted that 80% businesses are family-owned corporations. Often made up of several generations including young entrepreneurs, with a high net-worth, this generation must be served.

However, this growing number of possible investors with high net-worth have markedly different views on how and where they manage their wealth. Their lifestyle and ethics often mean that they are likely to have different investment preferences (such as sustainable investments), investment styles (opting to be more actively involved in investment decisions), as well as servicing (preferring mobile apps over branches).

Digital needs in the Philippines vs. personal relationships

To date, digital wealth products have focused on automated, robo-advisory models. These address the demand for wealth advisory services beyond high-net-worth individuals (HNWIs) and focus on supporting the growing number of the new 'middle class' within the region.

Often classed as mass affluent and emerging affluent, these audiences are the high end of the mass market, or individuals with USD100,000 to USD1,000,000 of liquid financial assets plus an annual household income over USD75,000. These are being created by increasing education levels within the region, and a growing number of digital entrepreneurs along with a greater number of women entering the workforce, and those within the expatriate community.

Robo-advisory wealth services enable clients to have instant, self-service access, automatic support and tools to allow them to invest without the need to converse with a personal relationship manager. It can

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enable those that are not used to investing to now be guided through intuitive, simple interfaces and model scenarios. These are great tools, tools that many HNWIs should benefit from, however, a robo model really only works for a mass-affluent audience. It doesn't support the sophisticated needs of HWNI's.

So what happens if the mass-affluent client demographic develops into a HNWI? And on the other side, what if you have a HNWI individual that is digitally savvy and expects to be supported 24/7, with instant access to automated tools and functions?

Achieving the best of both worlds with optionality

In consideration of all these elements, the solution to servicing the growing young and/or digitally savvy HNWI in the Philippines (and prepare for those that will become HNWIs) is to offer real choice through a hybrid approach. Hybrid models, by their very nature, retain the flexibility to vary the approach according to different demographics – and as those demographics change.

A hybrid model allows clients to be offered the service that best suits their individual needs and chose how they want to be supported. Depending on these needs, the advice or support available is human or self-service, supported by intelligent analytics and offers real value:

- It enables clients to be serviced more efficiently (only support when there is a real need).
- It allows advisors to walk through proposals, optimizations and simulations in real-time; and
- It ensures relationship managers remain productive and focused on clients when it matters most, which in turn improves scalability for banks.

Rather than impeding the client relationship, it actually encourages collaboration, supporting in-person and remote advisor and client conversations through a multitude of channels, going way beyond the next best trade concept.

However, there is a common misconception about one aspect of a hybrid service: the self-service approach. In contrast to robo-advisor online wealth management platforms mentioned above, which only offer automated portfolio management, the self-service model is complimentary to the personal direct access of the relationship manager. It allows clients to gain insights and complete actions that historically would have been undertaken by an advisor as an administrative function. These self-service functions are designed with HNWIs in mind, intuitively offering them support based on their profile, as opposed to mass affluent functionality that is designed for a different demographic.

One example of a successful hybrid model is the launch of PostFinance's end-to-end digital platform during the initial COVID confinement period. As one of the largest retail banks in Switzerland, PostFinance wanted to expand their range to include wealth products to customers wishing to diversify away from low-yielding savings products. The platform offers a seamless and engaging end-to-end customer journey to both advisory and discretionary customers and, unsurprisingly it is seeing massive take-up adding around 6,000 customers and CHF 300m in assets under management within the first nine months alone.

Enabling choice through hybrid

PostFinance's success in part can be attributed to them recognizing the importance of how clients wish to interact with their bank varies and evolves throughout their relationship along with the market environment. There will be periods when bank clients wish for independence, and at other times they'll seek guidance on the risks involved. They might even want the bank to handle everything.

In this age of digitalization, financial institutions shouldn't have to choose one model or the other and neither should their clients. Clients are individuals, with individual and changing needs and your service offering should reflect this. It's important to realize that digitalization goes way beyond offering online channels, it means no need to compromise, and there is no reason why you (or your clients) should. ■