

Why advice must drive product distribution in Thailand

A lack of product diversification opportunities continues to hold back Thailand's wealth management industry, stemming AUM growth. So offering clients the right advice is now key, says Cholathree Pornrojngkool of Standard Chartered Bank.

Although local banks in Thailand have gradually started to offer their customers more than just their own funds over the past one to two years, this emerging trend is still too new to result yet in anything more than a relatively low penetration of existing wealth.

Further, many banks still tend to compete for customers' attention through short-term privileges and perks.

These make customers feel good but add no value to their portfolios. This makes it even more of a challenge for

“The lack of product diversity and investment options continues to hold back growth in the industry.”

According to Cholathree Pornrojngkool, who is head of the priority clients segment at Standard Chartered Bank, based in Bangkok, it is the lack of product diversity and investment options which continues to hold back growth in the industry.

investors to get access to what they really want – more product choice.

By contrast, banks in more developed wealth management centres such as Hong Kong and Singapore look to use their advisory offerings to win new busi-



CHOLATHEE PORNROJNGKOOL
Standard Chartered Bank

ness. “[Thai] banks offer limousine services and spa treatments, for example, which I think will spoil the clients,” says

EXPERT INSIGHTS

Pornrojngkool. “This is [one of the main reasons] why clients put money into deposits and not investments.”

DRIVING CHANGE

To create the right framework and opportunities for investors in the Thai market, the priority for banks should be to spend more time informing customers about their investment risks.

Such efforts need to cover topics like their choice of products and also the

to look for alternative investments. They are willing to invest in higher-risk asset classes, and are more open to any advice before making a choice.”

Another driver of the demand for diversification is the market volatility.

Pornrojngkool also says that the increase in foreign currency deposits in Thailand illustrates the growing internationalisation of portfolios and banking relationships. From his perspective, he

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time horizon for their investments, in order to help them better understand the market, explains Pornrojngkool.

This highlights the broader requirement among the general public for education.

Many Thai people only really get to learn properly about the concept of wealth management much too late in their investment lives. Further, the Securities and Exchange Commission (SEC) seems to be the only regulator which makes a dedicated effort to promoting greater awareness around investment ideas.

The good news, says Pornrojngkool, is that more and more wealthy individuals are adapting their thinking and approach in terms of how they invest. “In the past, clients were loyal to their banks and concentrated only on deposits,” he explains. “Today, they are starting

says such developments give Standard Chartered a good chance to stand out in terms of the advice it can provide clients on products.

THE RIGHT ADVICE

The bank is well-positioned in this way after more than 10 years of offering third-party mutual funds to customers – something Pornrojngkool believes gives it an advantage over local banks.

“We started by offering clients plain-vanilla products, to familiarise them with low-risk investments first. Then we started to educate customers and let them understand the concept of portfolio diversification (giving customers more choice) to manage their risk to suit their profile and investment objective.”

It has been a successful approach. Over a six- to seven-year period, Standard Char-

How to evaluate funds for customers

According to Cholathee Pornrojngkool, Standard Chartered Bank starts its product due diligence process for mutual funds by evaluating the fund house itself.

It evaluates the firm to see if the bank should onboard it or not in the first place.

“Normally we consider [factors like] the AUM market share in the country, management capability, past fund performance and the service provided,” he explains.

Once onboarded, the bank then chooses one or two funds to gauge their consistency in terms of performance. “At the point when we think this is the right product to offer to customers, we get the approval of the group,” says Pornrojngkool.

tered has increased penetration in funds from 10% of client AUM to 50% now.

Pornrojngkool is also quick to add that the bank doesn’t spend time or money trying to compete with the more gimmicky offerings common top woo clients in Thailand. Instead, it realises the value of spending more money on hiring investment professionals, for example, to boost its advisory capabilities and service.

Ultimately, it seems that as the market continues to mature with customers getting better educated and seeking a broader array of investment choices, advice will be the main service to create clear differentiation. ■