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Refining the Advisory Proposition and Driving Efficiency

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Is the concept of advisory relevant to wealth managers in Asia?

I think it is certainly relevant. Accenture published in June the most comprehensive study on Asian wealth management, including 3,400 investor responses, from those who have USD100,000, all the way up to ultra-high net worth. One of the questions was exactly putting this cliché to the test, the cliché being that Asian investors do not value advice, certainly won't pay for it, and feel like they know what they want to do, are self-directed, and will come to the firm for as much product as possible.

We asked these investors, including in Thailand, to what extent do you associate with different personas? The validator persona, which is the persona where they want the firm or the RM to intermediate, to help them understand options and the tradeoff of those options. Or the self-directed persona, where they feel like they just want to execute themselves and pursue things autonomously. Or the delegator persona, where they just want to give all the responsibility and decision making to the firm, or those who are unsure, as in they don't even know how to get started.

What you see in Asia overall is that 40% are the advisory or validator persona, making it the number one persona. And then, number two is the execution persona, but it's only about 30% of those surveyed. So, to me, that tells us that it's clearly here to stay. It's a real market agnostic belief of what an Asian investor is like.

The challenge, of course, is that advisory is not being widely offered by the industry, and the proposition is currently somewhat lacking at scale. What we've done is define exactly what clients want regarding advice. The first building block are the goals or the outcomes, as advice shouldn't be divorced from an emotive result that means something to that client. And in Asia, these areas of advice are the 'big three' of growing wealth, protecting wealth, and, preparing for retirement and then transferring wealth. But there are also a lot of very specific goals

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that are still quite important, such as lifestyle purchases, healthcare, buying property - whether that's commercial, residential, or whatever it might be. But the idea is if you can anchor to these goals, you're going to have a more productive, meaningful conversation with the client and the client's going to get more value.

The second is the proposition, which should be end-to-end. It's not just providing products that are suitable. It's about being able to come up with an overall portfolio that helps the client meet the goal, and the products are almost a follow-on from that. And this portfolio-led approach is supported by relevant contextual market research and insights, safe custody, and the overall experience.

The third building block is the channel. And as we see in Asia, the most important channel is still digital, especially the mobile application. But very closely following the digital channel, is the RM. So it's digital first, but RM-enabled to bring it all together.

How can RMs become more efficient?

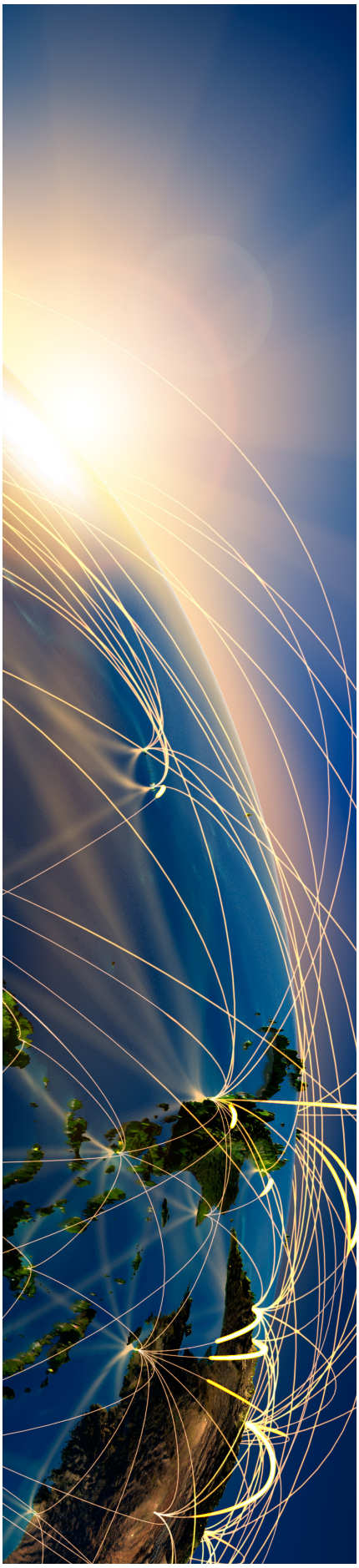
It depends on the segment, but let's take the affluent to high net worth segment - USD100 to invest as an individual, all the way up to a couple of million. In this segment there can be up to 300 clients RMs are trying to serve. And as you can imagine, these are fairly demanding clients. 300 clients for one RM, that's not very easy to do at scale. And so, as a result, they only speak to probably 20 of them, and the other 280 are barely talked to. So that's suboptimal.

Our reasoning for this, other than just the firm's constraints, is that RM productivity is extremely constrained. RMs spend about 50% of their time in Asia on average - again, from the surveys that we've done - on non-revenue generating activity. Such as going into product systems to check their status, doing paper-based workflow for onboarding, internal training, admin, sales, preparation, whatever it is. And part of that is driven by the fact that they're working with anywhere up to 20, 30 different tools - from Excel through to product systems, through to CRM, and so forth. And none of these tools talk to one another.

Due to the number of tools, and 'the swivel chair effect', as well as the fact that these tools aren't orchestrated, the RM is not being fed with contextually relevant information they can use at a given point of time. Because the current structure cannot anticipate when the RM is next meeting that client, or if that client has activity that needs to be discussed. So then, all of the burden as a result falls on the RM, making them think about, of my 300 clients, which ones am I meeting tomorrow? What was the last thing we talked about? Do I have to go back into system A? And what's going to be relevant? I have to go into system B, C, D and put a manual Excel together to actually come up with a proposition. That's at its worst. But you apply that over 300 meetings, and all of a sudden, you have an issue. So that's the problem statement.

We do see significant demand in the market for a couple of things. The main one is tech-enabled is the concept of an 'RM cockpit'. I don't mean CRM. I mean an orchestration tool or layer that can pull from CRM for prospecting and onboarding. It can pull from your portfolio management system for advisory, and your next best action system. It can pull from the order management systems for execution. And it can stitch together whatever you are using for servicing. And as a result, the RM has this full cockpit of information. And analytics on top of that information that helps them do their job better at scale.

And the second lever, which is a bit more emerging, is just to



fundamentally rethink the role of the RM. When if you give them a tool that allows them to be a bit better with, I don't know, onboarding, servicing, there's a fundamental question which is, does an RM - your most expensive resource or line in the P&L - add any value *at this point*? If they don't add value (and my hunch is they're not adding value in these elements), why is that even something that comes across their desk, or why do they have to perform any action at all? If you can automate or take away in some fashion these activities - let's say there's 30 activities, but only five activities where an RM adds any value, you can take away the other 25. And all of a sudden, an RM can serve 300 clients even without a system because they've *just got to do those five things*, and can now do them *really* well. But clearly, the implication is your ability to actually automate this stuff, will push these 25 tasks to another team. It needs to be very carefully done and very effectively delivered, from a client experience perspective. So I'm not saying anybody's cracked that nut yet, but if you want to think about the art of the possible, that's where you really unleash productivity.

How does Thailand compare to other SE Asian markets?

There are a lot of similarities. The concept I mentioned earlier around the need for advice, that holds true in Thailand. That's on the client side. The concept of RMs being unproductive in how they spend their time, that's even more acute in Thailand in terms of spending half their time on non-value adding activities. Where I think it's different is the demographics of Thailand compared to, say, Singapore, which I know quite well. In Thailand, you've got tens of millions of people. You've got a very young population, extremely digitally savvy, quite affluent. And will increasingly get more affluent, given those characteristics that I mentioned before.

In an advisory model, which we're so strong on, how do you deliver that at scale? Because, clearly, if you throw RMs at the problem, at some point, you either run out of the RMs, or the service is just going to be so poor, looping back to that problem of coverage. So, clearly, they need to have digital solutions.

There are probably two or three levers here. The first lever is the RM productivity topic. How do you give them this cockpit so they can, at least, be better able to serve and get 50% of their time back. But this is a tactic. It doesn't change completely the game.

The second lever is a bit of a confluence. One of the things we talked about in the room was this confluence of advisory and DPM (discretionary portfolio management). Advisory doesn't mean it has to be an RM that leads the discussion. And advisory can be digitally delivered. It's just that the client wants the firm to be intermediating in that relationship. So if you take that concept that they want the firm's expertise, and then you take digital, you can start to move towards a digital DPM model as the way to deliver advice. And further to that, I mean that advisory is still up front - What are my goals? What are my outcomes? What are my constraints? Then it goes into more of a typical DPM model where it's automatically rebalanced. You don't need hordes of investment counselors and RMs actually rebalancing, and you can do it almost every day. And you give clients (as that process is going, because it's digital) the opportunity to personalize at various points. So you're getting the best out of discretionary portfolio management in a way by personalizing it and making it more regular. So that's the second, more proposition-related lever that allows you to scale this delivery, especially in the lower wealth segments, where there's tens of millions of people.

The third is, and again, putting customer experience, and what clients are going to need, at the start, at the heart, is the omnichannel integration. So even if you identified that, as a bank, 30% of your clients are really demanding advisory. And of this 30%, 80% want to go down a self-driven journey using mobile channels, there's still going to be certain points in time where there's a risk that they drop off the sales process, or wherever they're going to get stuck, and therefore not buy. Or where there's a risk that they're going to have a negative experience, such as in regard to portfolio performance, and they could be an attrition risk. If you can identify these points in the journey, and give them a branch out or an integration path to a human channel, then they get the best of both worlds. You can scale delivery because it's digital first, human second. And you're still bringing in your expensive human capital, but you're it is now super targeted at the point of the journey where it's going to make an impact. ■