

# Technology helps Drive Dramatic Opportunities in Mass Affluent Wealth



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**“By freeing up processing and administrative time for RMs, they can then focus on what they do best, which is building deeper customer relationships and advising, to generate more revenues for the banks or financial institutions. Also, with technology, the profitability threshold can be lower.”**

## **What is the mass affluent opportunity within Asia?**

I believe the mass affluent opportunity in Asia is huge. Let's say, if we just focus on Southeast Asia in particular, studies from various sources, like from the BCG and others, have shown that the mass affluent segment will rise by 8% year-on-year, until 2030. And that will account for about 21% of the region's combined population.

In addition to that, the general population of Southeast Asia is relatively young, about 60% are below the age of 25, education level are rising, there's an increasing number of expatriate workers in Southeast Asia, and also, as you know, smartphone penetration is very high. And young professionals are very digitally savvy, with online service embedded into their daily life.

Thus, with the need of systematic wealth accumulation, I believe, there are tremendous mass affluent opportunities for financial institutions, who are primed to take advantage of it.

## **Are there any trends or needs that you have seen within certain countries within Asia?**

Yes. There's some trends. So let's say, in higher wealth countries, like Singapore and Hong Kong, I believe, there's a segment of client, we call it the mass affluent, which falls just under the private banking or high net worth individual segment.

So, they are largely underserved, or not served at all. This is partly due to the efficiency and capacity of the relationship manager; as you know, each RM can only service a certain number of clients, so it's only natural to prioritise those clients at the top of the pyramid, which are the private banking, or high net worth individuals.

As well, in emerging markets, we are seeing a trend for financial inclusion, leading to wealth inclusion, requiring affordable access to financial investment. This trend falls in line with the growing middle class in emerging markets, and represents an attractive client segment for wealth managers.



## What do you see as the current limitations for the mass affluent segment within the region?

I believe the mass affluent segment is still relatively underserved, as a lot of financial institution or wealth managers in the region, they still lack the technology for an end-to-end digital client journey. An end-to-end digital client journey means, that all types of administrative tasks can be done online and automatically, such as paperless onboarding, without any human interaction.

The current situation has also put severe pressure on reducing the business operating costs, which resulted in a worsening profit projection in the industry. As well, the millennials, who made up a substantial portion of the mass affluent segments, they're savvier, they tend to lean towards technologies, and might not trust financial advisors, who charge high fees for passive investment.

## How can these limitations be overcome by financial institutions?

These financial institutions, they can stop the limitations by embracing technology. Basically, by enriching their digital channels, and empowering the RM advisor with technology. Some might think that going digital results in less human touch, but it is more often than not the opposite. By freeing up processing and administrative time for RMs, they can then focus on what they do best, which is building deeper

customer relationships and advising, to generate more revenues for the banks or financial institutions.

Also, with technology, the profitability threshold can be lower. The emergence of robo-advisors, which is a digital platform that utilises automated solutions and algorithms for investment, the financial institution and wealth managers are able to reduce the number of human advisors they employ, and offer more consistent advice, and scale-up the operation very efficiently.

With Covid-19 it has become necessary today to digitalise the business operation, so that the staff can function irrespective of their working location. And technology has also helped to reduce the fees, and keep overheads low.

## Are there any considerations that need to be made by financial institutions to ensure financial wellbeing for the mass affluent client?

Yes. Basically, by providing the right digital investment platform to the mass affluent, such as the robo-advisor, financial institutions can now provide wealth management expertise through digital channels, to customers who once didn't have the access to financial advisors.

In addition, digital increases insight, which allows for greater level of understanding, both in terms of player needs and griefs. With that, the

proposed model portfolios can be low cost, well diversified, and personalised to each customer risk profile, to ensure the customers can reach their financial goals on their terms.

## How can Financial Institutions and technology providers support the mass affluent opportunity within APAC?

Financial institutions in general, should provide fully or hybrid digital investment platforms, that increases overall customer experience. So, with the incorporation of artificial intelligence and machine learning, this also means that over time, the digital platform can provide personalised financial advice that could outperform that of the traditional advisor. Along with ease of access, flexibility of lower costs, which is why we are seeing the mass affluent leaving traditional wealth advisors for digital wealth advisors.

As for the technology providers, they can provide fully road-tested, very stable, and fully enterprise-ready platforms, and it can be taken out of the box, and implemented very rapidly and intuitively into the cloud, in order to support the financial institution in their digital transformation. ■



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