

A STRUGGLE TO MEET INDONESIA'S WEALTH MANAGEMENT PROMISE

Indonesia still faces challenges stemming from a narrow product offering, a shallow talent pool and low levels of penetration and education among the potential customer base, among other hurdles.

According to the panellists at the 3rd annual Hubbis Indonesian Wealth Management Forum 2014 in Jakarta in late October, wealth management is finally becoming more prominent in Indonesia.

"The banks are focusing on it a lot more, through more recruitment and resources being diverted in that direction," said Jake Wallis, president director of Imperium Capital Indonesia. As a result, wealth management as a concept is starting to

develop its own identity, separate to the bancassurance business, he added, rather than continuing to be a buzz-word.

In line with this, there is a shift from it being a purely product-focused industry to one where some banks are trying to introduce more of a service-oriented, holistic offering,

“ Wealth management as a concept is starting to develop its own identity... rather than continuing to be a buzz-word ”

BAMBANG SIMON SIMARNO
Standard Chartered Bank



added Bambang Simon Simarno, executive director and head wealth management, priority international banking for Standard Chartered Bank in Indonesia.

"We are seeing a lot of advisory related offerings coming into play," he explained, "which shows some positive steps being taken towards a more developed service approach."

Looking at the bigger picture, as the largest economy in South-east Asia, and with a young, dynamic and youthful population, this adds confidence to the market.

PANEL MEMBERS

BAMBANG SIMON SIMARNO
Standard Chartered Bank

IVAN JAYA
Citibank

JAKE WALLIS
Imperium Capital Indonesia

DAVID GORMLEY
NISP Asset Management

MAIKEL SAJANGBATI
MCI

For example, it is now attracting more foreign institutions, such as international fund players, which are entering the market with more conviction, said David Gormley, deputy chairman of NISP Asset Management.

In turn, that creates the potential going forward to introduce a wider array of products for investors.

The fact that wealth management is getting better known is also creating an opportunity to introduce new products offerings to the younger generation.

While the older generation is more comfortable with time deposits and savings accounts, the next generation has more of an appetite for newer investment products, said Maikel Sajangbati, chief executive officer and founder of MCI.

That also highlights the need for many players to further develop their people, given the challenge arising from there being a limited number of talented individuals in the market.

OVERCOMING HIGH HURDLES

Yet speakers were quick to point out some clear hurdles to taking wealth management in Indonesia to the next level. For example, the industry needs to tap all key cities throughout the country. The focus is still largely on Jakarta, Surabaya and Medan, said Gormley. "Until companies start to expand into more regional markets, they won't be able to make the most of the opportunity in wealth management," he added.

At the same time, foreign investors such as international fund managers and insurance companies need to be further convinced that sovereign and political risks can be managed. In the past, Gormley said that created some "false starts".

DAVID GORMLEY NISP Asset Management



IVAN JAYA
Citibank

Clearly regulations are also key to the positive development of the wealth management industry. "They need to be advantageous and compatible with onshore platforms and capabilities," said Gormley. "

We don't want to drive HNWI individuals to seek products offshore or through other channels." To broaden the relatively narrow product offering that exists, one option

– at least for foreign banks – is to try to leverage the products they have available elsewhere in the world.

Simarno said demand has been high for non-Indonesian asset classes and vehicles.

There also remains an urgent need to educate potential clients as to the benefits of various investments and saving products.

“ Until companies start to expand into more regional markets, they won't be able to make the most of the opportunity in wealth management ”

For example, said Ivan Jaya, head of wealth management for Citibank in Indonesia, the number of customers who are accessing mutual funds and other wealth management products isn't growing.

He said there are only about 120,000 customers, out of a bankable population of 40 million. This highlights the need for general investor education about the basics of financial services.

On the flipside, while a lot of people say that they are financial advisers, Sajangbati said that many of them don't have the

JAKE WALLIS

Imperium Capital Indonesia



competency to be professional wealth managers or financial advisers.

Jaya called for specific certification for wealth advisers, and for regulations covering the products which can be launched. Given how important the current, limited crop of RMs are, the talent needs to be more standardised, and there is an urgent requirement for more educated bankers, he explained.

For established firms, marketing and business intelligence represents a further hurdle, added Sajangbati, in terms of the lack of data on what is happening in various parts of the region. This is important in the context of providing local clients with global context and insights.

“As Indonesians get richer, all the way up to UHNW individuals, they need more access to the global market,” he said.

“We don’t have enough connectivity to the international markets.” This is where international banks come into the picture in terms of what they can offer domestic customers, added Jaya.

ADDING VALUE

As speakers discussed ways to bring wealth management to more people in Indonesia, a key element was the quality of people.

Indeed, the relationship between the client and adviser is the most important aspect, said Wallis.

“If advisers are not getting trained to a high standard or following a standardised model, then clients will be told different things,” explained Wallis.

For Simarno, he said that it is the bank’s front-line staff which he thinks sets its wealth management service apart in Indonesia.

And given that some products such as mutual funds are now becoming available through online platforms via securities brokers, with low fees, the quality of the relationship and advice is where the value now lies.

Added Jaya: “A lot of competitors can provide the same product and pricing. The difference is based on the relationships with customers.”

Providing online accessibility is another aspect of creating a more compelling offering to appeal to a wider potential customer base in Indonesia.

For example, speakers said that accessibility via online channels is a major trend for the middle class segment in Indonesia.

ROOM FOR OPTIMISM

Ultimately, careful steps must be taken to increase the capacity-building potential of wealth managers in Indonesia.

The country’s neighbours in South-east Asia have all been working hard to transform the offerings in their local markets from a product focus to being customer centric, said Sajangbati.

The product range must therefore be expanded, he added, to be able to say that there is a holistic approach, rather than just focusing on money markets and also unit trusts.

The broad expectation, however, is that initiatives are moving the market slowly in the right direction.

According to Simarno, for example, with the establishment of the new financial services regulator, Otoritas Jasa Keuangan (OJK), the relationships with fund and bank distributors have improved.

“They come to us for input and suggestions on how to improve the wealth management industry.”

He also said he expects to see regulations that allow investments in offshore assets fairly soon. ■

MAIKEL SAJANGBATI

MCI

