THE SWISS-ASIA LINK – CREATING MORE CONNECTIVITY

The opportunity to build greater connectivity between the Swiss and Asian wealth management markets is increasingly apparent. Whilst Swiss managers face many challenges in making the most of accessing Asia, there remains a huge untapped pool of wealth for them to reach if they do it right, according to panelists at Hubbis' SWISS-ASIA Wealth Exchange 2014 in Zurich in late October.

PANEL MEMBERS

HERWIG VAN HOVE
Notz Stucki Group

BRUNO PATUSI
Ernst & Young

DANA RITTER
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With Switzerland's wealth management industry experiencing one of the most significant states of flux of its history, banks and other advisory firms are looking increasingly to Asia as the catalyst for growth.

There are certainly plenty of opportunities to build on the Swiss brand in Asia, and a lot of investment dollars flowing eastwards.

However, there are crucial differences between the two regions which should be borne in mind.

For example, the demographics in Asia are very different; while the average age of a client in Switzerland is typically between 65 and 75, the range in Asia is more like 45 years of age.

Accessing Asian clients must, therefore, be done in a different manner, and convincing them in the same way of the need for wealth management services is likely to be tougher.

Yet for those European institutions with a long-term view on Asia, a quality team and the commitment to establishing a presence on the ground, there is scope to build stronger connectivity with Switzerland.

These were some of the main conclusions of panel speakers at Hubbis' SWISS-ASIA Wealth Exchange 2014 in Zurich in late October.

BUILDING THE BRAND

An important part of breaching the Asian market is finding the balance between sticking with what firms know, and having the agility to adapt to what the client wants, says Herwig van Hove, managing partner at Notz Stucki Group.

In terms of the former, Swiss managers do hold an important advantage in terms of branding.

"The perception of Swiss private banking [in Asia] is quite good," says Van Hove. "Anything with the word 'Swiss' in front of it is seen as high quality."

Dana Ritter, Co-founder and managing director of Dragon Wealth, agrees that branding is Switzerland's biggest asset, yet argues it needs to be localised when entering Asia.

HERWIG VAN HOVE

Notz Stucki Group

"The biggest challenge is converting that brand into a resonating product set that matches the cultural norms in Asia," he explains.

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CHALLENGES AHEAD

While Swiss wealth management in Asia is not a new story, there is still some way to go before independent managers, and even some of the largest banks, can really claim a grasp on the region. "The foothold is definitely there," says Ritter. But a key challenge is to thrive over those already well-established in the region who understand the very different dynamics.

Even UBS, for example, which is by far the largest Swiss player on the ground in the Asian market – has yet to snare a significant chunk of the huge potential from the region's growing pool of investible assets, adds Van Hove.

One of the biggest challenges wealth managers are facing in Asia is convincing potential clients of the value-add.

This is a challenge as many of them are first-generation wealth.

According to Van Hove, his biggest competitors are not other wealth managers, but cash, real estate and fixed income investments.

BRUNO PATUSI

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DANA RITTER

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Many such wealthy individuals in Asia have established significant cash-generating businesses, particularly via real estate, so new players in the market are faced with an enormous challenge to convince such individuals to turn their money over, explains van Hove.

> There is also much to be done to improve the value chain in the wealth management space, especially since much of the growth of business has been built on outdated IT infrastructures

Cost is another important factor to bear in mind.

"Labour costs are enormous in Asia," says Bruno Patusi, partner, wealth & asset management leader at Ernst & Young.

There is also much to be done to improve the value chain in the wealth management space, especially since much of the growth of business has been built on "outdated IT infrastructures", claims Patusi.

> It is essential that any wealth management professional seeking to do business in the region has some kind of local presence

This does, however, spell potential benefit for smaller and more innovative firms, as the banks will need more time to get up to speed, he adds.

SUCCESS FACTORS

Despite the hurdles, there are several crucial factors to remember when looking to build connectivity between the Swiss and Asian markets.

First, it is critical to understand the very different approach to doing business in Asia. For example, it is comparatively easy to secure a meeting with a wealthy potential client in Asia, says Van Hove.

However, the leap to translating that meeting into an actual business opportunity will be greater.

Similarly, flexibility around such meetings is vital, as a follow-up meeting will typically happen far faster than it does in Switzerland. As such, it is essential that any wealth management professional seeking to do business in the region has some kind of local presence.

"Unless you are local and ready to drop everything to go where [the client] wants to meet you, that opportunity goes away again as quickly as it came," says Van Hove.

It is also vital to remember that Asia as a region is vast. "Asia is not one market, it consists of different countries, and as such there are different regulatory regimes that come into play," says Patusi.

Client interests and needs also vary between the developed markets like Singapore and Hong Kong, and those largely still in their infancy, such as Indonesia.

Despite the initial costs, however, there remains a huge amount of untapped wealth for Swiss managers to focus on in the Asia market.

The real key to accessing this opportunity is longevity.

"Anybody who comes to Asia in the hope for a quick buck and fast growth has to think again," says Van Hove. This is ultimately a business of trust, he explains, and it will take some time in the Asia market to adapt offerings and ultimately gain that trust. ■