TEMENOS
The Banking Software Company

Interview with Martin Frick, Head of APAC, Temenos

Private wealth technology and banking trends in Asia

Why did you join Temenos?
MF: What attracted me to Temenos was its industry leadership and the range of multi-product solutions it offers to the financial services market. I believe that all the ingredients are there for Temenos to become very successful in Asia Pacific, and it is my mission as Regional Director to develop these advantages into strong regional growth.

What in your view is Temenos' value proposition and its sources of competitive advantage?
MF: The breadth of its solution offering gives it a significant competitive edge, as does its global reach, multi-sector customer base, market intelligence and highly-talented staff.

Why did you move from banking into banking technology?
MF: Banking technology vendors very often lack the ability to really understand the value they can provide to a bank's capabilities, especially when it comes to discussions with C-level executives. I was amazed to see how few of the senior people on the vendor side have ever worked for a bank in a senior position. So I believed that, with my experience, I could provide value to the vendor side and the buyer side, as well as expanding my knowledge in banking.

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The private wealth market is facing a host of challenges – new regulatory changes, the growing sophistication of customers, redundant technology and ever-increasing costs. How do you feel private banking technology providers are equipping these institutions to overcome these challenges?
MF: Many vendors have the technology at hand to address at least some of these needs; what they often lack is an understanding of the context their specific technology will be working in. The separate functions and disciplines within a bank are highly interlinked, so just understanding one piece of it is often not good enough. From my perspective, providers are generally well equipped on the technology side, but need to improve on consulting clients and supplying them with real solutions to their business problems.

What do you think is the most pressing operational issue for private wealth technology providers to tackle?
MF: The most pressing need in Asia, at least, is to fight the ever-growing cost on the sales side of the business. This means private wealth service providers have to seriously think about more efficient ways to place advice or products with clients. Naturally, things like improved digital channels, better data analytics and advised portfolio solutions will be high on the agenda of all major players.

A recent Temenos white paper entitled "Leveraging technology to capitalize on the transfer of wealth to generations X & Y" outlined that the intergenerational client retention rate of wealth management firms is sometimes as low as 5%. Can you elaborate further on why this is so and how technology can rejuvenate the operations of a private wealth management institution?
MF: Bad succession planning on the wealth management provider side seems to be the root cause. We are all aware of the importance of succession planning for entrepreneurs, but the same applies for wealth advisors. Wealth advisors should learn to understand and address the needs of the next generation much earlier. What was good for the father does not have to be good for the son. CRM, data analytics or channel technology can support the advisors in these analytics.

Do private wealth providers in Asia stand to benefit from tougher regulations being enforced on European institutions, such the changes being made to MFiD?
MF: Based on my experience, these regulations tend to become more and more international. There are Asian countries that profit from being free from these regulations in the short term, but they are likely to have them imposed in the medium term. It is not advisable to base a full business model on the current regulation discrepancy, so even if such clients can be won, you will need to have strategies in place to retain them.

General banking trends / Asia

The financial services landscape is facing growing disruption through technology such as 'cloud' 'mobile', and 'analytics'. How does this disruption affect financial institutions in Asia and which is the most pressing?
MF: Mobile and analytics are the most pressing things in Asia. The market penetration with mobile and smart devices is just amazing. Naturally people also want to use these gadgets to consume mobile services.

Now, obviously, these devices are also very well suited to push things to the customers, which in exchange demands better analytics to make the information very targeted. Financial institutions also face fierce competition from non-banking players like Alibaba or Webo, technology providers reaching strongly into the payments and microfinancing areas. This will further affect financial institutions.

Do you think the growth prospects for Asia are better than in other parts of world? Why?
MF: Based on the demographics of Asia and the still comparably low starting point, the growth prospects are amazing. However, many people have illusions about the nature of this growth. In some Asian countries, the distribution of wealth is still very concentrated, and, until these societies become more inclusive, growth will always have its limitations.

Where do you see the most growth coming from in Asia? Please elaborate on both countries and segments.
MF: China and, to a lesser degree, India will continue to be the big growth drivers for the region. There is still huge untouched potential in their domestic markets.
Other countries to be watched closely are Indonesia and Malaysia. The growth rates in both economies have been impressive. This naturally also creates a lot of wealth. What will not be as predictable though is at what point this wealth starts to become more evenly distributed. The structural issues these countries face are immense. Aside from the real high net worth individuals, the mass affluent segment will have the steepest growth rates.

World trade is growing faster than GDP and, in Asia, there is a preponderance of SMEs with huge financing needs. Do you see big opportunities in the areas of trade finance and payments?
MF: Trade finance is a very hot topic in Asia. Most of the players in Asia predominantly produce goods for the purpose of exporting them. As such, it is essential for them to be able to rely on efficient and reliable trade finance partners. Given the still impressive growth rates, this will not stop soon either. I am more hesitant to predict big improvements on the payments side. The biggest obstacle is the lack of trust the partners typically have in each other. The common principle is still goods against payments, and payments will only take off on a big scale if the rate of companies billing their customers increases. Otherwise, progressive economic systems like Singapore still predominantly rely on exchange of cash or cheques.

Asian consumers tend to be much more advanced in their use of technology than western consumers. What do you predict to be the next major innovation in banking services in Asia?
MF: It's hard to say what the next innovation will be, what can be seen though is that innovative concepts are slowly coming to a maturity level where they can be commercially efficiently applied. Examples are Amazon-like recommendation concepts for financial investment products, or Facebook-like investment communities, as well as a broad range of non-banking entrants starting to become important in classical banking spaces, mainly on the payments side.

Martin Frick is Head of APAC at Temenos.
To discuss any aspect of this interview or to arrange a meeting please contact at mfrick@temenos.com

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