



By Tan Beng Wah

A Growing Business Franchise

A business can exist because it is able to provide a product or service which is needed by the customer or a need has been “created” by the business for the customer. As the Malaysian economy develops, the need for financial products and services can be fulfilled through various sales and services platform.

Some offer one product or one line of products as it is efficient and the customers appreciate the focus given by the business. It is an attractive business model because it is simple and can create value either through a high volume of transactions or a high-touch, personalised and tailored boutique offering. Medical insurance offered either through mass marketing or multi-level marketing is an example of single product offering generating a high number of transactions. There are examples in some developed economies where sophisticated and personalised medical insurance are offered exclusively to the high net worth market. As products become commoditised, it becomes more difficult to maintain the latter approach.

A product or service goes through different stages of marketing development. We are in the fortunate position in Malaysia (this is true for most parts of Asia as well), that at our stage of development, there are significant business opportunities which allow various market segments to exist. Businesses can target the mass market, affluent markets as well as high net worth and knowledgeable consumers. While the marketing of a single product through high volume transactions is still a significant market, it is getting to be very challenging for businesses to maintain adequate margins without substantial investments in business acquisitions.

This translates to the need for greater economies of scale; as well as lower compensation and the need to achieve higher transaction numbers per distributor associated with the business. In today's business environment, various factors can impact a business resulting in cycles of plenty and paucity. The business and the people involved in the business

see large fluctuations in their income. On the other hand, the number of high net worth individuals who have achieved a very high level of knowledge are likely to have their own accountants and corporate financial advisers, the balance of which would prefer to deal with larger corporations rather than individual financial service or product providers.

Financial Care Centre

CIMB Wealth Advisors Bhd (CWA) has found a small but developing market for financial advisory service through our Financial Care Centre (FCC). But the challenge for the advisory service is to convince customers to pay for the service to make the business monetarily viable for the financial planning practitioners who serve this market. Hence, often the financial planner draws his income from both advisory services as well commissions from the execution of the plan.

We have a small practice of about 20 competent and enthusiastic financial planners who are supported by an integrated infrastructure from management support, product and service offerings and a sophisticated financial planning information technology (IT) platform interfaced with up-to-date value of assets that enables meaningful interpretations of customers' investment information.

What differentiates this practice from others in the marketplace is our ability to provide a suite of products through our institutional unit trust agent (IUTA) license and our ability to source other financial products on a business-to-business basis with strategic partners as well as from the CIMB Group. These include unit trust funds from five unit trust management companies (UTMCs), insurance and *takaful*, credit cards, mortgage loan referrals, estate planning services, private equity investments, structured instruments and a complete suite of banking products – some of which are provided on a referral basis. This should be significantly enhanced when Bank Negara Malaysia

approves our application for a financial adviser's license which will allow our financial planners to source insurance and *takaful* from different providers.

CWA has also invested significantly in providing the infrastructure and the management focus on this business as we believe that this is going to be an important emerging business. The infrastructure and the management focus also provide great value to the other distribution platforms, the 4,300 strong agency force which operates from our 38 branch and agency offices throughout the country. The business practices, service and sales methodologies used in the business are researched and first applied in our FCC before being modified for the agency force. This allows our agency force to be ahead of the marketplace with superior service and sales practices.

The Multi-Product Distributor on an Open Architecture

CWA's larger distribution platform found a significant segment of the market's financial products and services which has moved from mass market product offerings to customers who begin to question the value of the product offering and how these products and services can meet their personal needs. Our multi-product platform, enabled by the various business licenses and business relationships, creates a one-stop centre that is unrivaled in the agency distribution business.

Even so, what is more important is our ability to train our agents to make an offering of multiple financial products through our *Total Financial Freedom* bundled solutions approach. For instance, in the offering of a *Business Value Protection Solution*, we can bundle wealth accumulation instruments, with insurance or *takaful* as well as a trust Instrument for effective asset distribution. This benefits the customer tremendously as a value added superior solution has been provided to the customer without

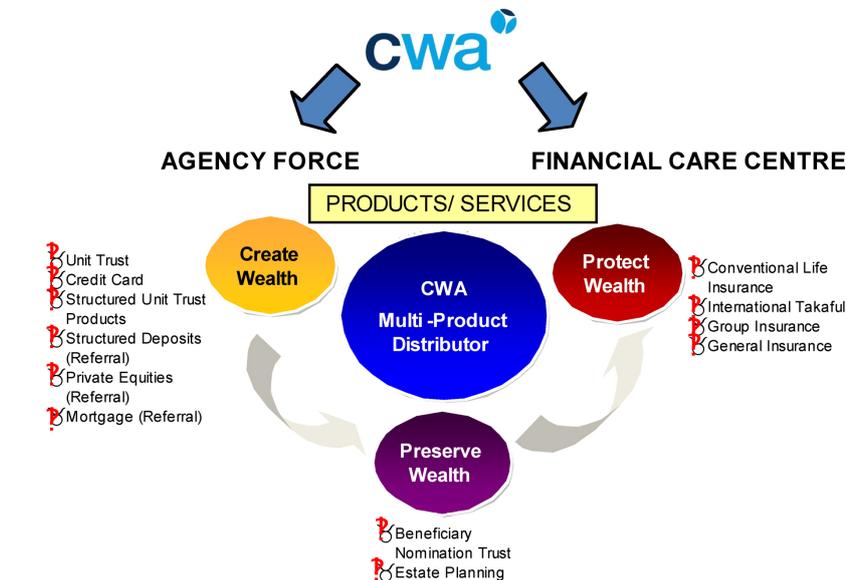
the need to approach three different distributors who may not be able to articulate this integrated approach for the customer. The distributor similarly benefits from being able to offer a solution in an integrated manner without having to go to three different manufacturers and forming a business relationship with them. He also benefits from three streams of income with one solution offering. Most importantly, he does not suffer from the ups and downs of a single product market as he is always catering to the needs of the customer, rather than being subject to the vagaries of market cycles in a single product environment.

Best of Class Holistic Solutions

In addition to an extensive product range that we provide for our distributors, we have also innovated bundled solutions to meet the needs of our customers. The *Business Protection Solution* is an example. We have also innovated similar solutions to meet customers' needs for an education plan for their children and also the retirement market which we believe will be a growing opportunity which cannot be ignored. We also see the need for estate planning both in the conventional market as well as in the larger market of Islamic estate planning. These services will help our consultants and financial planners to add value to customers in a manner that is unique in the marketplace.

CWA's three-in-one *Education Plan* is another example of the innovation we make to provide a superior solution for the consumer. The underlying asset accumulation instrument is a *Target Dated Life Cycle Fund* which is invested in a diversified portfolio of asset classes. The premise is that throughout the duration of the plan, more risks can be taken at the beginning of the plan and a more conservative approach is used nearer the time when the education fund is needed. This allows the fund to generate between eight and 12 percent per annum returns depending on the duration of the fund.

Should an unexpected event occur such as natural or accidental death, terminal illness or total and permanent disability befalls to the plan owner, the fund is topped up to the level it was planned at that point in time. This is superior to plans that only waive the contribution and build up to the planned amount at the end of the planned period. As this is an investment plan, there is no penalty to partially redeem or fully redeem the investments during the plan period and is facilitated by a trust instrument.



Empowering our Business Partners

In order for this business model to work, much effort has been placed on training and education and the maintenance of standards of practices in the marketplace. Systematically we build upon new agents coming into CWA, the new agent development training programme, the manager level training, and most recently, CWA launched the Leadership Trophy Series. This is a high-impact business leadership and agency management training programme tailored for our agency leaders. The two-and-a-half-month comprehensive programme is aimed at developing dynamic leaders capable of building and managing high-performance agencies based on business entrepreneurship. We strive to develop forward thinkers who are well equipped with the proper skills and relevant knowledge to drive CWA to greater heights.

On the other hand, the FCC's main focus is to develop strong customer networks as it reaches out to customers who see the need for a holistic approach to managing their wealth. CWA holds a Capital Market Services License (Financial Planning) which enables us to provide comprehensive financial planning services as well as to execute the plans our clients. However, we do also offer plans on a modular basis. For the FCC, education and training focuses on providing the support necessary for these professionals to provide independent advice to our clients.

The Ultimate Financial Services Engine

As we move forward, we plan to put the final piece of this model in place over the next 17 months. We have provided the products and services for the market segment identified. We have ensured that our people are able to identify, analyse and provide the right solutions to meet the needs of the customers through the empowering them with skills, knowledge

and marketing support.

To put the final piece of cog in our financial services engine, we are building a comprehensive business platform which is enabled by the best-in-class customer relationship management system – a database engine that manages customers, products and distribution information – and integrated by a compensation engine. This will allow the management, the distributor and the customer to have a single view of the various products and services offered to the customer and enables CWA to provide superior service even though the products and services are sourced from various parties.

What will be interesting is the ability of a distributor to bundle a solution 'on the fly' as the customer reveals his needs and be able to present this holistically to the customer. The distributor will be compensated based on the total solution that he provides without the need to worry about which product to focus on and thereby receiving multiple streams of income which is more stable than depending on one source of income.

At CWA we believe in the business associate who is working with us as an agent or a financial planner to serve the customer. He/she should feel adequately empowered to perform his/her task and believe that he/she is fairly compensated, given the right support through training, products and services as well as infrastructure. We also believe that a customer deserves to be served by a true financial planning professional who is empowered to assist him to efficiently meet all his financial needs, if not directly, then through a referral of product or service provider and thus truly be able to *create, protect* and *preserve* the customer's wealth. ⁴⁵

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