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FIFA Perspectives

June 2013

700 IFAs across India benefit from FIFA's MFU initiative



FIFA's MFU juggernaut rolled into Hyderabad on 7th June – marking the 8th city that FIFA has organised its MFU presentation and feedback sessions in. In all, over 700 IFAs from across the country have had the opportunity to get a detailed preview of MFU and have given valuable feedback to Mr. John Mathews of HDFC MF, who is an active member of AMFI's committee that's driving this critical project.



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With a view to creating greater awareness amongst the IFA community regarding the basic features and functionalities of the MF Utility platform, FIFA along with AMFI, has already organized nationwide presentations on the MF Utility platform across major cities and towns such as Indore, Pune, Bangalore, Delhi, Kolkata, Mumbai, Ahmedabad and now Hyderabad on Fri, 7th June 2013. More than 700 of FIFA members and IFAs across various parts of the country have so far attended the very detailed presentation by Mr. John Mathews, Sr. VP and Head - Client Services at HDFC AMC. He is one of the members of the AMFI Committee on the MF Utility Platform or MFU as is fondly called by Mr. John Mathews. FIFA members and fellow IFAs have gained very good insight on the workings of this platform and have also given very practical and knowledgeable feedback from an IFAs perspective on the working of the Platform from their day to day experience.

This pan India initiative is one of the many Knowledge Sharing Platform initiatives by FIFA and we hope many more regional Associations and fellow IFAs join FIFA to take advantage of all such activities that FIFA undertakes. Now, with the all inclusive Central Executive Committee with representatives from North, South, East, West (excluding Mumbai) and Central zones as well as one compulsory representative from each regional association member being established, there is a much more compelling reason to join FIFA to strengthen the united voice of IFAs and also take advantage of all the knowledge sharing activities being undertaken by FIFA.

The above events are free and open for all FIFA members and special IFA invitees. FIFA is organising these presentations in other cities too depending on the availability of Mr. John Mathews, in order to cover as many cities and towns across the country. We at FIFA are trying to get as much feedback as possible from the IFA community to Mr. John Mathews and through him to AMFI so that the Platform develops into a smooth and versatile utility which hopefully streamlines all the day to day problems of the IFA Community.

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Dealing with direct

Members of FIFA



Direct plans came into focus last week, when SEBI Chairman mentioned that over 20% of flows are now coming through direct plans. As is widely recognised, bulk of these flows have come in from large corporates and to some extent from the SME and HNI segments. Wealth Forum spoke with some of FIFA's successful members across different cities - most of whom serve the SME/HNI segment which is seen as vulnerable to competition from direct plans - to understand how direct plans have impacted their business and what steps they have taken over these last 6 months to counter the threat of direct plans.

Bharat Phatak, Wealth Managers, Pune

(Client segments served : corporates, SMEs, HNIs and mass-affluent individuals)



We haven't seen any material impact on our business over the last six months due to direct plans. This holds true even for our corporate clients. Of course, we went and spoke with each one of them right at the onset, and discussed the introduction of direct plans with them individually. Our corporate clients have all chosen to continue investing through us - in fact apart from advice, they are actively also looking at outsourcing treasury operations to us. This doesn't mean there will be no impact in future - but right now, we haven't really lost business to direct plans. Same holds true with our HNI clients. The fact that we spoke with our larger HNI clients about direct plans right at the outset, I think, helped enhance our credibility in their eyes. In terms of strategies to deal with direct, I don't think we have introduced any new service - client expectations have always been high and it has always been our endeavour to meet their expectations. So, there's really nothing new we are doing, after direct plans came in - other than the fact that we proactively spoke to clients and appraised them of this alternative.

Yogesh Sharma, Y S Capital, Mumbai

(Client segments served : corporate, SME, HNIs)



We have not lost any of our AuM to direct plans. But honestly, I wouldn't know if some clients made incremental investments through direct plans. I think we have been able to protect AuM because clients see the value in our proposition - which includes advice and constant interaction, liaison with their chartered accountants, online support and so on. In fact, a couple of my clients - who are businessmen - actually sympathised with distributors and felt that introduction of direct plans is really an unfair trade practice and that they would feel quite strongly if such a thing were to happen in their own lines of business. Post introduction of direct plans, our interactions with clients has certainly increased. There is clearly more effort all of us have to put in - there is no doubt about that. But, if you ask me, new client acquisition is getting impacted - particularly in the SME and corporate segment - not due to direct plans - but due to unhealthy and unethical price related competition from some of the larger distribution houses. That to me, and to advisors like me who like to play by the rules, is actually a bigger threat - when it comes to new client acquisition.

Dealing with direct

Deepak Chhabria, Axiom Financial Services, Bangalore

(Client segments served : SME, HNI)

We haven't seen any material impact on our AuM as a result of clients switching to direct plans. But, I really won't know if a couple of them have made fresh investments through direct plans. By and large, we are ok on this front as our clients - who are mainly SMEs and HNIs - do see value in the advice, the hand holding and the service we offer. We don't have listed corporates as our clients - which is the segment I understand that has seen the maximum migration to direct plans. Where we perceived that direct plans could be a possible threat, we went proactively and met those clients and discussed this with them. In the discussions, we made it a point to showcase the service that we offer and reminded them of the way we have added value in their financial lives over the years. The fact is that earlier we didn't need to say all this - it was all taken for granted. Now, we have to keep reminding clients about how we constantly add value to them. Value has to not only be added, but has to be perceived to be added - that's the new reality after introduction of direct plans.

Shibu Das, Fine Advice, Kolkata

(Client segments served : HNIs, SMEs, mass-affluent individuals)



I think direct plans have liberated us and allowed us to focus on the clients who really matter. Why do I say liberated? Because, like most businesses, we too had a bottom 20% of clients who value price more than advice and who always look at ValueResearch and MoneyControl and form opinions and then ask us to validate these opinions. When they discussed direct plans with us, we told them upfront that they can save money by going direct and were happy to see them go away. It liberated us from low value work and allowed us more time to focus on clients where we really add value and where we have mutually beneficial relationships. The short term impact on our bottom line is likely to be 5-10% as a consequence of this, but I see a lot more benefits for my firm and for my valuable clients from the fact that we can now focus our energies on serving them better and deepening the

relationships even more. So, honestly, I am happy and feel liberated after the introduction of direct plans.

Sangeeta Jhaveri, Prescient Financial Services, Mumbai

(Client segments served : SME, HNI, mass-affluent individuals)

Our SME and HNI clients continue to be with us - they haven't gone to direct plans. We have however seen some of our mass-affluent / retail clients going to direct plans - they seem to have been convinced by a large private sector bank that their portfolios will be monitored by the bank even if they have money in direct plans. I don't know how this is possible, but we have seen a few clients move as a consequence of this proposal. Other than that, all our major clients continue to be happy to be with us. I think events like what we have seen in the last 4 weeks in debt markets are actually timely reminders to investors of the value that good advisors can add to them. As long as you focus on delivering good advice and excellent service, you will find clients happy to continue with you. I hear from market sources that many large corporates have shifted entirely to direct plans. I also hear that distributors who were very sharply focussed on serving only large corporates have seen their AuMs shrink quite considerably. We don't anyway have any such clients - so to that extent, we haven't seen this happening first hand.

Dealing with direct

Pramod Saraf, Swan Finance, Indore

(Client segments served : SME, HNI, retail)



Direct plans have not made significant inroads into our market. A possible reason is that many large investors have always been price sensitive and have found ways to get good deals for themselves. From our point of view, we continue to focus on positioning ourselves more and more as advisors and financial planners rather than as pure distributors. This helps in demonstrating value to clients. Our strategy to deal with direct is to further upgrade our service. We have spent a lot of time and energy in upskilling and upgrading our operations staff. When clients interact with them on routine service matters, we ensure that they get a far higher quality experience than they were getting earlier. We are also upgrading our IT to ensure we are able to serve clients better. When some clients ask us about direct plans, we explain to them the

efforts we take to ensure high quality advice and service. This helps them evaluate whether they are better off going for some basis points lower in costs or availing superior advice and service, which they will not get if they go direct.

What do you think?

Are clients seeing value in your advice and service or is the price differential so attractive that they are going towards direct plans anyway? Which client segments have seen the largest impact - corporate, SME, HNI or retail? What kind of clients are showing a greater preference for direct plans - those who are net savvy or clients who have not really embraced new technologies? Is new client acquisition getting hindered by direct plans? What strategies have you adopted to deal with direct plans? Share your experiences with your peers across the country by posting your comments in the box below - its YOUR forum !