

New Age Investors set to change the Capital Market Landscape



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Traditionally dominated by market-savvy investors, the Indian capital markets may soon see a sea change on the emergence of affluent household's participation in India's growth through mutual funds and other managed products. The new-found behaviour has not gone unnoticed. Traditional as well as new-age brokers, along with boutique wealth managers and banks,

scramble to set up their propositions. Interestingly, the re-emergence of discount brokers has not rattled the market place, a benevolent sign of things to come, however engaging with these new age investors are proving a challenge.

Internet Trading Value in the CM segment compared with trading volumes on the NSE

| Year | Enabled Members | Registered Clients | Internet Trading Value (Rs cr) | % of trading volumes |
|---------|-----------------|--------------------|--------------------------------|----------------------|
| 2010-11 | 387 | 56,40,513 | 7,65,271 | 10.7 |
| 2011-12 | 428 | 61,48,447 | 5,97,430 | 10.63 |
| 2012-13 | 445 | 62,68,798 | 5,83,073 | 10.76 |
| 2013-14 | 459 | 68,74,574 | 6,27,478 | 10.99 |
| 2014-15 | 480 | 63,59,312 | 10,05,984 | 11.62 |

Source: NSE Fact-book 2015

Unlike before, investors are now social-media conversant. This makes servicing them a tightrope walk. Unmet expectations can lead to instant brand erosion through negative reviews. Increasingly, buying decisions are influenced by reviews and ratings, and less by advertising blitzkriegs.

Moreover, traditional methods of client engagement have turned ineffective. A closer look at the 'new age' investor, one realises the conundrum faced. Traditional service requirements (of meeting clients periodically or of a dedicated relationship manager) have been replaced by the need to digitally engage with clients. In fact, many customers refrain from personal meetings, rather preferring to receive email communications and order notifications through mobile/applications, with access to query-driven solutions and suggestions while still being

personalised. Thus, technology has not only become a differentiator but the primary driver of service.

In this complex business environment, investors still face the proverbial dilemma – when to invest and what to invest in. At AnandRathi, we urge clients to keep it simple and uncomplicated – and long term. The time spent on assessing products or stocks can be better utilised to determine one's overall asset allocation (all assets/investments from jewellery to savings-account balances) as such asset-allocation decisions impact 90% of one's long-term returns. It may also bring about the perception of how assets have performed against the silent killer – inflation, and the opportunity to assess wealth creation over a protracted tenure. It is often seen that client's investment behaviour is governed by his/her risk appetite, which is determined by their experience in equity investing, even as only a minuscule proportion of their wealth is exposed to this asset class for a limited period.

This realisation has given Advisory the edge, one which segregates discount brokers from others, providing much-needed clarity when segmenting clients – a segment which requires advice and one that does not. Both at different price points. The 'new age' investor lies in the former and is not on the hunt for the lowest deal, unless one commoditises it.

Technology-driven advisory not only seems to be an effective way of engagement but also is proving to be cost effective. The only thing that proves costly is the lack of time. For example, even before browser-based trading could establish itself, we have seen mobile-trading volumes threatening to overtake the former. Now, firms are scrambling to ensure clients are engaged through their mobile phones as effectively as through websites. A fine balance between brick-and-mortar advisories and a "virtual" client engagement may provide the edge to firms in Indian capital markets.

SEBI has already permitted the use of the e-KYC service launched by UIDAI. The Aadhaar e-KYC service provides instant, electronic, non-repudiable proof of identity and proof of address, along with date of birth and gender (digitally signed and encrypted). Besides, it gives an investor's mobile-phone number and e-mail address (if available) to the service provider, further helping streamline the process of service delivery. E-KYC may be done at a service centre utilising biometric authentication as well as remotely using an OTP (One Time Password) on a website or through a mobile-phone connection.

This may just be the requisite fillip to see the emergence of a flipkart, or housing.com in "investment advisory".