

AN EXPLORATORY STUDY ON THE TREND AND THE DEVELOPMENT OF
PRIVATE BANKING SERVICES IN HONG KONG

by

LEE YUEN-YEE ANNISA

李婉儀

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APPROVAL

Name : Lee Yuen-Yee Annisa

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(Name of Supervisor)

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ABSTRACT

Private Banking Service (PBS) is a broad term composing of different customized services to clients. In Hong Kong, it has become more popular in recent years as the economy is becoming better.

In this study, the services provided by the chosen retail banks is reported. This is followed by a SWOT analysis as well as the application of the existing service into a marketing model. An in-depth interview with potential clients are conducted. The questions collect information about their concepts and perceptions to PBS as well as the expectations of investment institutions.

The recommendations are presented which are generated from the results of the research. These retail banks should review their existing marketing strategy in the six weapons namely *product, service, price, communications, sales force and distribution*. They should put more effort on service, communications and distribution weapons. Convenience is seen to be one of the important criteria for potential clients to consider PBS. It is also essential for the banks to convey message to clients that it is not a service for the very wealthy and to build an image that they are able to deliver professional investment advice. More proactive approach such as telemarketing can be introduced as a new distribution means. Further study of the issue can be conducted by focusing a

specific bank and analyze it based on the different profiles under the marketing model. Thus a more concrete marketing plan will be formulated to promote the service.

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CHAPTER I

INTRODUCTION

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CHAPTER I

INTRODUCTION

Bankers nowadays are providing a variety of services such as different types of accounts, credit cards, foreign exchange, etc. By facing intense competition from different banks, new products and services are needed to serve, attract and retain customers. Private banking is becoming a more popular service to customers catering to their different specific needs. Bankers provide more personalized services which relate to the needs of family, business and investment of their clients.

In the past, private bankers catered exclusively for the wealthy clients. These clients can be individuals or corporations in different scales. The bankers provide services including devising investment strategies, customizing portfolio as well as advising on how to minimize tax bills. They can help clients to invest overseas or structure assets in ways that reduce exposure to risk. Most banks required a minimum requirement of US\$500,000 to US\$1,000,000 from clients. They usually charge the clients in terms of the percentage of their amount of investment.

However, banks are lowering their minimum requirement in order to make the service more popular. They also target at the "tomorrow 's wealthy". This group of people is the middle market - people with liquid assets of more than US\$100,000. The service provided will be more on a non-discretionary basis. That means the clients have full control over how their money is invested.

As Hong Kong people are becoming more affluent, they have more savings. However, with the low interest rate in banks, most people prefer to invest their money and speculate in stock market and real estate market in order to curb inflation. Viewing this potential market, bankers in Hong Kong can promote private banking service (PBS) to them with more convenient and inexpensive services.

In the report, the current development of PBS in Hong Kong will be discussed and some of the existing services provided by different banks as well as evaluations will be presented. In addition, there will be a competitor profile illustrating the services provided by non-bank institutions such as brokerage firms and mutual fund houses. There will also be a comparison of the banks and the non-banks institutions in terms of their service to the clients.

Apart from studying the institutions which provide PBS, a SWOT analysis in Hong Kong situation will be discussed in terms of its dynamic environment. A detailed analysis is presented to examine their impact on PBS. The results of in-depth interviews of the research relating to the potential clients are analyzed.

This is followed by a detailed marketing strategy of promoting PBS to the potential clients.

Objectives of the Project

In this project, the objective of the study is

- to examine the current development of private banking services (PBS) in Hong Kong;
- to examine the market potential of PBS in Hong Kong and
- to formulate a marketing strategy for PBS in Hong Kong

Scope of Study

The scope of the study will be concentrated on the services of devising investment strategies and customizing portfolio in which most banks in Hong Kong are doing, targeting at the middle market. In the report, PBS will only be discussed on an industry base rather than on a specific bank.

Since there are so many banks in Hong Kong and with the limited time and resources, the study will be limited to the scope of major retail banks namely Citibank, Chase Manhattan Bank, Hongkong Bank, Standard Chartered Bank and Hang Seng Bank. These banks are chosen as the study targets since they have significant scale and popularity among Hong Kong people and they are promoting PBS relatively more than other retail banks. Their unique services will be examined which is followed by an evaluation of the services.

What is Private Banking ?

Private banking includes all personalized services provided by the banker to individuals. It consists of a wide range of services which are more than those provided by a corporate banker -- devising investment strategies, customizing portfolios, advising on how to minimize tax bills.¹ More importantly, the banker will help clients to invest overseas or structure assets in ways that reduce exposure to risk, to secure property mortgages and set up offshore trusts for their children and pension plans for themselves.² All these are defined as PBS which can be seen as a very broad and personalized business to individuals.

However, not all services are provided by all bankers. They tend to choose some services they have strengths or are good at which specialize and position themselves differently. In this study, it will only focus on the services of devising investment strategies and customizing portfolios of retail banks only.

The investment consultant of retail banks would first understand the clients' needs and their expected return of the investment. They can do this by examining their past investment plan or portfolio and asking their preference. The consultant would then provide the client a new portfolio based on the collected information to suit their particular needs. The portfolio may include different investment tools such as stocks, mutual funds, foreign currency and

¹ Lotte Chow, "As Hong Kong's British Rule Runs out, Private Banks Help the Cash Leave, too", The Wall Street Journal, 07/06/95, p. 1

² Frederick Balfour, "In Asia, Rivalries on Rise Hot Competition among Bankers in Hong Kong", International Herald Tribune, 05/18/95, p. 5

fixed deposits etc. Though there may be cases that one or two of all the mutual funds may belong to that bank or is the subsidiary of it, usually, there are many other fund houses available for the clients to choose from.

To sum up, it can be seen that private banking has a broad definition including many kinds of personalized services. PBS was traditionally provided for the wealthiest group in the town. However, there is an emerging trend that banks are targeting at the less wealthy group too.

In Hong Kong, the PBS of these banks mainly includes devising investment strategies and customizing portfolio through their investment executives. They will give advice to the clients with a portfolio mix of different investment means such as stocks, mutual funds, foreign currency and fixed deposits etc., depending on the variety of products specific banks have.

This study will examine the current development of PBS of the most popular retail banks, its market potential as well as developing new approach in formulating marketing strategy for these banks.

In the next chapter, the current development of PBS in Hong Kong will be discussed. There will be an overview of the existing PBS provided by the most popular retail banks as well as their competitors. They are the non-bank institutions namely brokerage firms and mutual fund houses. A SWOT analysis of PBS from the perspective of these retail banks will be presented so as to

examine its market potential in terms of the business itself and also the dynamic environment they are facing.

CHAPTER II

CURRENT DEVELOPMENT OF PRIVATE BANKING INDUSTRY IN HONG KONG

In this chapter, the existing PBS available in the retail banks and also the non-bank institutions will be discussed. It is believed that these institutions have their own competitive advantages and play different roles in serving the customers. By understanding the distinct approaches of these institutions and also the environment they are operating in, it will be possible to match the needs of the potential clients as well as the services they provide and generate a new marketing approach in targeting the "tomorrow's wealthy" group.

Services Provided by Banks

The retail banks in Hong Kong provide investment services to the clients and in this study, five banks will be discussed namely Citibank, Chase Manhattan Bank, Hongkong Bank, Hang Seng Bank and Standard Chartered Bank. Their unique approach and services of each of them will be discussed.

Citibank

The Bank provides mutual funds from nine mutual fund houses. All the clients are required to open a bank account with minimum US\$20,000. An annual payment of HK\$600 will be charged to the clients. The Bank will ask their clients to fill in a questionnaire to tap out their attitude towards risk.

The Bank offers various investment tools such as stocks, foreign exchange and mutual funds for the clients. Mutual fund houses will charge a commission of about 5 percent. No switching fee is required if clients change from one fund house to another. Normally, the fee will be charged if clients invest directly in one fund house and then switch to another. Clients will be given a monthly statement reporting the present portfolio and specific investment consultant will review the portfolio half-yearly.

Chase Manhattan Bank

The Bank provides mutual funds from five mutual fund houses. Clients are required to have a bank account with no minimum deposit amount. However, each fund will need at least HK\$15,000 as minimum investment amount and an annual payment of HK\$680 will be required. The Bank provides only foreign currency and mutual funds, but not stocks. It helps clients to figure out their risk tolerance by examining their past portfolio and filling in a questionnaire (See Appendix I). The investment consultant will then enter all the data into the computer simulation program and provide a new combination of different investment tools.

The Bank will collect 5-5.5 percent as the commission for the fund house. A switching fee of 1 percent of the amount will be charged whenever the clients have to switch their funds. They do not need to pay another 5 percent commission. Clients will be given monthly statement and the investment consultant will review their existing portfolio quarterly. Clients can now use telephone to rearrange their funds and portfolio namely Jardine Fleming and Fidelity with transaction amount no less than HK\$35,000. Besides, the clients can get back their funds by four days which is earlier than those from mutual fund houses which normally takes seven days.

Hongkong Bank

The Bank only provides over 20 funds of its own organization, HSBC. It will charge an initial commission of 5.25 percent of the amount invested. Also, each fund should have at least US\$1,000 invested by the clients. The latter will be charged a switching fee of 1 percent of the amount.

The Bank will prepare a statement every three months for the clients investing less than HK\$500,000 and a monthly statement for those having an investment over this amount. Also, the investment consultants will help the clients to make a portfolio mix with investment more than HK\$1,000,000. The investment consultant will review the portfolio on the request of clients.

Standard Chartered Bank

The Bank offers over 20 choices of different mutual fund houses. Clients will not be charged any initial fees but only 3-5 percent commission given to the fund house. No switching fee will be charged but a minimum HK\$20,000 per fund will be needed for investment.

Clients will be asked to fill in questionnaire and the investment consultant will then prepare for a portfolio mix tailor-made for them (See Appendix II). Clients can also refer to their situation to the same investment consultant from time to time and monthly statement will be sent to them. Also, they can get a quarterly bulletin from the Bank analyzing the market situations.

Hang Seng Bank

The Bank offers seven choices of mutual fund houses. Clients are required to invest at least HK\$20,000 in each fund and to pay a commission of 5-5.5 percent to the fund house. They need to pay the commission again if they switch from one fund house to another but paying less if they switch within the same fund house.

The Bank will serve only as an agent, therefore, they do not intend to give investment advice through their investment executives. The latter will not provide any portfolio mix for clients and a quarterly statement will be given to the clients and there is no further review of the customers' portfolio.

Evaluation of bank services

These are the most popular retail banks in Hong Kong and from the services they provide, their approaches to their clients are quite different. Obviously, Hongkong Bank targets more at the well-off clients (those with more than HK\$1,000,000 to invest) providing personalized services like preparing portfolio mix and frequent review of clients' portfolio. The Bank treats them much better in terms of the service than those who invest less than HK\$500,000. Also, the Bank does not offer many choices to clients but only mutual funds under HSBC. In Hongkong Bank, the service to clients less than HK\$500,000 is similar to the approach of Hang Seng Bank that they are acting as an agent rather than investment advisor to provide investment service. The service provided is more impersonal and institution-based. They do not intend to establish a closer relationship with the clients but only as a middleman between the fund house and the clients.

On the other hand, Citibank, Chase Manhattan and Standard Chartered are operating its PBS in a similar approach aiming to establish a closer relationship with clients disregard their relatively small investment amount (under HK\$1million). The clients can discuss with the investment consultants about their needs and expectations of the investment and then the latter formulate a new portfolio for the former. There are wider range of choices for clients to choose from besides the mutual funds under their own organization. Others, for instance, Jardine Fleming, Fidelity, Templeton are also available.

In Hong Kong, there are a few large mutual fund houses namely Jardine Fleming, Fidelity, Templeton. These fund houses provide similar services to clients.

They usually have at least 30 funds in different regions and countries. Clients will be required to fill in a questionnaire indicating their expectation towards the investment (See Appendix III). They will charge 5 percent of the initial investment as commission but with increasing discount when investing more. Usually the fund houses can earn 4 percent out of it. Each fund will require at least US\$2,000 of investment. Clients will be charged a 1 percent switching fee and 0.5 percent of the amount as redemption fee if they close their account.

These fund houses act more like an agent rather than advisory investment institutions with customized portfolio satisfying specific needs. The clients will be given quarterly newsletter and monthly statement listing their existing fund arrangement. The weekly market commentary will be given upon request. These fund houses are providing more convenient services to the clients to rearrange their portfolio through telephones.

Brokerage Firms

In the brokerage firms, the brokers is the key element in the company to contact their clients. Usually they provide services for clients in different investment services for instance stocks, mutual funds and margins. The brokers cannot make cold calls to their clients but once the clients call them, they can make follow-up calls. Also, they can also get new clients by the referrals of existing

Moreover, these banks also makes use of their existing resources and provide other related service to the clients such as phone-banking and monthly statement as well as quarterly news . However, the banks are not able to refer clients to the very same investment consultant every time. One investment consultant has to hold for about a hundred accounts and they may have to spend most of their time in meeting and calling clients which do not make them available for each client all the time. On the other hand, this is very important since the clients can feel that their portfolio and needs are being understood thoroughly by the Bank. The following table summarizes the charges and the choices each bank has :

	Citibank	Chase Manhattan	Hongkong Bank	Standard Chartered	Hang Seng
no. of fund houses	9	5	1 (HSBC)	20	7
charge	HK\$600/ yr	HK\$680/ yr	none	none	none
commission	5 %	5-5.5 %	5.25 %	3-5 %	5-5.5 %
switching fee	none	1%	1 %	none	5.5%at most
minimum investment	US\$20,000 in account	HK\$15,000 / fund	US\$1000 / fund	HK\$20,000/ fund	HK\$20,000/ fund
investment tools	stocks, mutual fund, foreign currency	mutual fund, foreign currency	stocks, mutual fund, foreign currency	stocks, mutual fund, foreign currency	stocks, mutual fund, foreign currency

Services Provided by Non- Bank Institutions

The investment services provided by non-bank institutions are mainly the investment brokerage firms and mutual fund houses.

Mutual Fund Houses

clients. This can be seen as a powerful means for them to expand their client base. The brokers will get their commission depending on each transaction they make for their clients. It is around 0.3 percent of the amount invested. Charging this percentage, the brokerage firm and the broker can get commission of 0.1% each while the other 0.1% is for administration cost.

Usually the brokers can maintain a rather close relationship with the clients. They will contact the clients about the market changes frequently and report them the prices of their current stocks or funds in their portfolio.

It can be seen that mutual fund houses can satisfy the needs of clients who have a more definite choice of investing into specific fund house provided with convenient service. On the other hand, the brokerage firms have their competitive advantage because of the close relationship with the existing clients and also their influential referral power which has high successful rate.

SWOT Analysis of Retail Banks in Hong Kong

In order to understand more about the market potential and also the nature of business of PBS provided by the retail banks in Hong Kong, a SWOT analysis will be presented. The strengths and weakness of these retail banks in providing PBS will be examined as well as the opportunities and threats they have to face within the dynamic environment as a whole.

Strengths

One of the most important factors of the rising popularity of private banking services is that the customers can save their time to invest and leave the analysis and administrative work to the investment executives. They will look after the portfolio of the customers and do different kinds of analysis to them which will be presented to them in monthly statement or quarterly bulletin. The only thing the customers need to do is to indicate what type of risk they want to bear as well as the return they expect or any specific need. These investment executives are then expected to formulate a tailor-made portfolio for the customers.

It can be seen that there are more choices for the customers if they invest through their banks. They usually have different kinds of mutual funds and unit trusts as well as stocks which include different fund houses and unit trust. There are a wide range of choices for the customers to choose from. As banks would only make a profit by the annual fees as well as the percentage of the invested amount of individual customers rather than on the number of transactions, it is believed that the banks would provide a relatively more objective analysis.

Besides, by providing other banking services to the customers for instance, credit card and different account service, these retail banks already have the information of these customers. It is a huge potential market and private bankers can make use of these information to contact them actively and offer them tailor-made services to satisfy their unique needs in a more coordinated and integrated approach.

Another advantage of retail banks providing the service is that they have a capital base and are subject to the regulatory arrangement set by the Hong Kong government. This can give confidence to the customers about the creditability of the banks.

Besides, since the retail banks are more well-known to the public and by having a very close relationship with their existing customers such as trade finance service or mortgage loan, they have a reputation as reliable banks with a good credit rating, offering comprehensive services other than private banking service. All these make the banks have competitive advantages over the other and non-bank institutions by their unique bank image and also close relationship with their existing clients in retail banking industry.

Furthermore, these banks have excellent distribution network in promoting the services through the branches they have all over Hong Kong. This is especially an advantage for local banks. For example, Hongkong Bank has 250 branches here whereas Hang Seng Bank has over 130 branches including one in each of Hong Kong's MTR station. Citibank has only 26 branches on the island.

Therefore, it is seen that the time saving aspect, more choices, bank's credible image with client's information as well as its excellent distribution network can increase the bargaining power of the banks in providing PBS to the clients.

Weakness

It is observed that not many people know about PBS and how it works in a bank. Though there are more retired people and civil servants using the service, the

To sum up, PBS is still not a popular service compared with other investment institutions. This is even worsened by its lack of resources such as professional manpower to provide service to clients.

Opportunity

Not surprisingly, there is great opportunity for the banks to develop their PBS in Asia, including Hong Kong. Asian countries have high savings rates. In Hong Kong, China, South Korea, Taiwan, and Singapore, the gross savings rates is about 35 percent which is an extraordinarily high rate compared to the United States of 3 percent.³

Besides, the average GNP growth rate of these Asian economies for the past decade has been around 8 percent. Add this figure to the 5 percent average inflation rate for the region and roughly there is 13 percent average growth in nominal GNP.⁴ Looking at all these figures, banks should not underestimate the potential growth of the Asian people's savings and income which is an attractive market for the bankers. Also, it is estimated that the market for PBS would grow almost 30 percent a year during the next five years, double the global average.⁵

Usually the Asians choose a private banker to hedge their bets by splitting their liquid assets among competing firms. This allows rich clients to play one bank

³ Bryan Batson, "Thinking Globally, Acting Locally for Citibank, Asia is Consumer banking Paradise", China Business Review, 05/01/93

⁴ Ibid.

⁵ Frederick Balfour, "In Asia, Rivalries on Rise Hot Competition among Bankers in Hong Kong", International Herald Tribune, 05/18/95

off another and also helps prevent others from knowing the full extent of their wealth. Therefore, banks can tap for this segment in which they may be clients of the other banks or financial institutions.

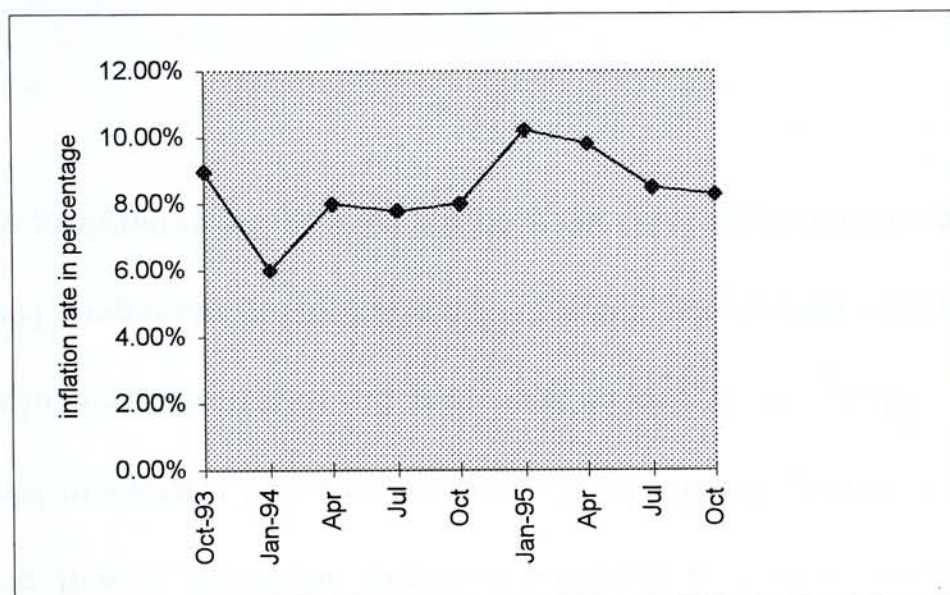
Also, by the closer business and political relationship between Hong Kong and China, the economy of Hong Kong and China will be closely linked. There is increasing Chinese becoming private banking clients. Banks has become popular as a haven for clients who are seeking a stable home for their funds after Hong Kong is returned to Chinese sovereignty.

Apart from all these, political situations and world recession can have great impact on its economic environment. A typical example is the real estate market. The property market was quiet as a result of rising interest rates and government measures to curb property speculation. Government measures include a mortgage ceiling of 70 percent, a ban on the resale of unfinished flats before assignment, an increase in the minimum initial deposit paid to developers on new flats from 5 to 10 percent of the average selling price, and the reduction of the quota for internal sales of uncompleted flats from 50 to 10 percent. In December 1995, the government decided to extend the pre-sale period restriction for uncompleted flats from nine months to twelve months.⁶

According to the Rating and Valuation Department, the actual price index for selected residential developments in the secondary market in October 1995 was

⁶ <http://www.tdc.org.hk>.

26 percent lower than the peak in April 1994. The review also found that the prices of flats in the primary market in October 1995 have dropped between 30-45 percent from the peak in April 1994.⁷ This is even worsened by the existing inflation rate as seen below ⁸:



Source : Government

The dropping value of the property market in Hong Kong as well as persistent inflation rate surely result the people to find other ways to invest their money to avoid depreciation. Viewing the low interest rate of banks in savings (less than 5 percent in fixed time deposit), private banking can be a means for them to invest their money in both short-term and long-term needs. In fact, the growing of Asian economy as well as the relatively unstable real estate market in Hong Kong are great opportunity for PBS to expand and reach the potential clients.

⁷ "Measures Stabilize Property Market", Eastern Express, 12/06/95

⁸ Duncan Hughes, Sauw Yim, "Inflation Falls to 8.4pc as Food and Rents Ease", South China Morning Post, 11/22/95

service is still limited to the more well-off executives and entrepreneurs which is only a narrow market segment. It is less popular among the common people vis-à-vis other institutions like investment advisory and brokerage firms.

Another weakness is its lack of resources to develop the services. The service remains as a small part of retail banking operation receiving little attention. This is due to the relative priority of these banks in business. They put heavy emphasis on retail banking, credit card, mortgage loan and trade finance business. This is also related to the following weakness in the aspect of the quality of investment executives.

Private bankers are supposed to provide personalized service to customers in devising their portfolio according to their needs. To be ideal, once a customer has chosen a bank, he/she will usually choose the person who makes him/her feel most comfortable to be his/her "relationship manager".

The best of them will seek to get into the psyche of the customers to the extent of helping them confront a host of personal business decisions. It will be very different in accommodating the needs of entrepreneurs and retirees in terms of the portfolio mix. However, it can be seen that the investment executives in Hong Kong may not be able to play the role of a relationship manager. They are limited in number which cannot keep up with the pace of the expanding market segment.

The brokerage firms and mutual funds Threats

There is keen competition in private banking business provided by other non-bank institutions such as mutual fund houses and other investment brokerage firms. These institutions have good relationship with the clients through their brokers. Also, as they are specializing in investment service, there are relatively more resources in terms of manpower and professional knowledge.

Besides, these financial institutions are improving its service by its automated systems. Fidelity, for example, employs five people in its Hong Kong office, and has invested heavily in computer systems to monitor the executions brokers provide fund managers. With automated trading, these back-office people can tell at once if the execution they have received is fair, whether the price they were charged was actually the right price at the time and whether their order was given priority treatment.⁹ This can give more confidence to the clients about the quality of decisions of these brokers.

Therefore, it can be seen that the economy of Asian countries including Hong Kong and China is developing relatively faster than the developed countries. More people are investing their money by means of different investment tools. The retail banks, with their existing client base and credible image, should make use of the competitive advantage to compete with other players in the market.

⁹ Henry Sender, "Hong Kong: Automated New Business", Far Eastern Economic Review, 02/24/94

The brokerage firms and mutual fund houses are now providing better and more convenient services to the clients. Also, by the increasing demand of PBS in Hong Kong, these retail banks should pay attention to the resources needed in providing PBS such as the quantity and the quality of the sales force and the availability of other support systems.

The SWOT analysis is useful in examining the strengths and weakness of the business provided by the retail banks as well as the environment these banks are facing. In the following section, the existing PBS of the retail banks will be presented in a marketing model consisting of six weapons namely product, service, price, communications , sales force and distribution. The marketing strategy of the service will then be analyzed which will be followed by the interviews with the potential clients to see whether the existing strategy matches with the needs of the target segment.

Chapter III

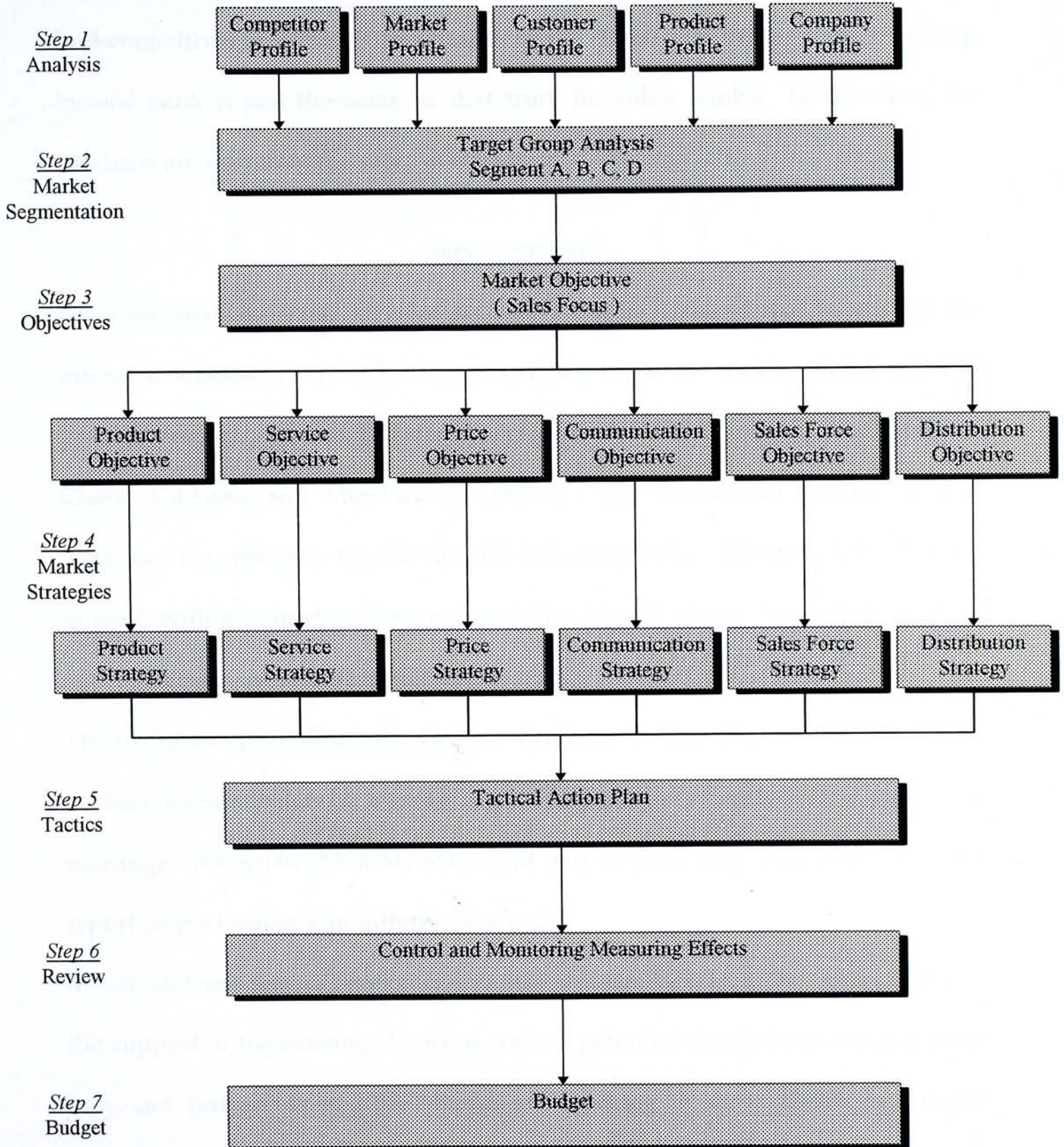
APPLICATION OF EXISTING PBS IN MARKETING MODEL

In this section, the existing PBS will be evaluated in terms of the six weapons in marketing model namely, *product, service, price, communications, sales force and distribution* provided by Dr. Charles Steilen. This model is presented in the next page. The application of the model to the existing service is important. It can clearly show the approaches and emphasis of these retail banks from their perspective. These strategies reflect the weight of each weapon being used to attract customers. In fact, all these strategies will be evaluated based on the results of the interviews with the potential clients and a modified approach and strategy may be needed.

Product Strategy

Regarding the product of PBS, it is the stocks, mutual funds available in the bank for clients to choose. In fact, except Hongkong Bank, all other banks provide choices of different mutual fund houses to clients. On the whole, the banks in Hong Kong do focus on the product strategy by providing wide variety of mutual fund houses as choices.

Marketing Model of Dr. Charles Steilen



However, it should be noted that the wider range of choices is not the only way to differentiate one bank from another even though the banks provide fund houses which are their own subsidiaries. It is because all banks and even brokerage firms provide similar choices to the clients and those funds providing by one bank is just the same as that from the other banks. In this case, the products are normally the same everywhere.

Service Strategy

From the analysis in the previous section, it can be deduced that because of the intense competition among banks, the existing banks are making much effort to provide more convenient and direct service to clients. This is especially true to Chase, Citibank and Standard Chartered. The investment executives will introduce the service to the clients with follow-up calls. Clients will be allowed to work with a trained professional to define their tolerance for risk and design appropriate investment strategies.

The banks also provide comprehensive electronic hotline that enables customers to check account balances, transfer funds among accounts, roll over accounts and exchange currencies. Monthly statement will be presented as well as quarterly report on performance in different markets.

In fact, all these services are crucial to differentiate itself from the others and win the support of the existing clients as well as potential clients by providing them easy and fast access to PBS. Banks are working to serve clients in a more seamless approach. For instance, the phone banking service are now available to

both saving and investment accounts so that clients can rearrange their money by one call only.

Besides, the phone banking service is not yet available in all mutual fund houses or brokerage firms. Surely, the more coordinated and integrated service is an advantage of banks to attract more existing clients to PBS which is a lucrative market for the banks.

Price Strategy

In PBS, the banks charge similar annual fees, around HK\$600. The commission charged will be around 3-6 percent. Also, the minimum investment amount in each fund is around HK\$20,000. Pricing does not seem to have great effect on banks in formulating its existing marketing strategy. This is because the products available are normally the same and they charge similar price. Because of the existing support systems such as phone-banking service, the banks having these service, do not charge higher annual fees for this kind of service which is seen to benefit their clients.

Besides, the banks make profit by extracting part of the commission charged which is a fixed percentage. Banks such as the Hang Seng Bank, no annual or initial charge is applied. At the same time, they just act as a middleman of the fund houses that no extra service is provided to the clients.

Communications Strategy

The banks in introducing PBS to clients, use television advertisement as their main communication means. In the advertisement, they project the image that the bank can provide them with professional and expert advice on investment.

Besides, the banks are targeting at the more well-off people including the executives which is reflected in the advertisements too. It can be seen that Hong Kong people are more affluent now and since the banks have lower their minimum amount, the existing advertisement needs changes in its approach regarding its target.

Brochures are also available in different branches for potential clients. However, it is more of a passive approach rather than a proactive one. Potential clients normally will not take one and even if they do, there will not be any follow-up explanation and introduction of the service.

Inquiry hotline is designed for potential clients in obtaining information and introduction of the existing PBS from the investment executives. Usually, they will send the information in documents to the potential clients. After that, follow-up calls will be made in order to identify the interests of the potential clients towards the bank 's PBS. The hotline is not a proactive means. This is because this means highly depends on the initiative of the potential clients to call at the first place.

Sales Force Strategy

The main sales force in PBS is the investment executives who provide advice in portfolio and promotion of the service to potential and existing clients. In fact ,

the investment executives have increasing workload because of the expanding business in banks. One investment executive might have to deal recruitment with over 100 clients. These investment executives are relatively young , around late 20s to early 30s, college graduates with a few years of work experience. Over 80 percent of the investment executives in Hong Kong is under 35 years of age.

There may be doubt that this group of young executives can really have the professional knowledge and understand the needs of the clients in designing appropriate portfolio mix for them. This is especially true when clients can range from yuppies to retired people or housewives. They may not be able to understand the mentality of the different walks of life and this can affect the quality of the service and expertise. All these are important issues to be considered as PBS is becoming more popular now.

Distribution Strategy

Regarding the distribution channels of PBS, branches of different banks are useful in delivering the service to clients. They are distributed in different districts including residential and commercial areas and are easily accessible by the clients. Also, they are good places to introduce PBS to the existing clients with saving accounts in the bank. However, the investment executives and the relevant information are not available in every branch to serve the customers especially the remote and small branches. The customers may instead have to call the hotline to get the information or go to another branch. It is also seen that

phone-banking will be a trend and take the lead in dealing with different kinds of transactions. As a result, there will be fewer customers visiting the branches. Therefore the existing distribution through branches may not be adequate to reach all the target segment.

To sum up, by analyzing the existing PBS in the marketing model, it is concluded that the retail banks focus more on product and service aspects to satisfy the clients. They tend to provide wide variety of choices and include more direct and convenient service which is already applicable to the retail banking industry. Price is seen to be less significant in which these banks are emphasizing on. Whereas, as there is growing demand for PBS, existing strategies in sales force, communications and distribution may not be adequate to meet the changing environment and target.

In the next chapter, a research will be conducted to identify the market potential of the PBS in retail banks. This section focuses on the perspective from the point of view of the potential clients in investment services. Their opinions and ideas are served as a basis for the modification and reformulation of the existing marketing strategy and approach discussed above.

CHAPTER IV

RESEARCH

The research will gather expectation and demands of the potential clients towards investment services. This section is particularly important as the information collected from the potential clients will be used to evaluate the appropriateness of the existing strategy of the retail banks and new approaches will be formulated based on the results of the research.

Objectives of the Research

The objectives of the research are :

- to identify the awareness and perception of potential clients (those with savings of at least HK\$500,000) to private banking services in Hong Kong;
- to identify their existing investment tools and the institutions providing the service as well as their level of satisfaction towards them;
- to identify the level of satisfaction towards their existing banker(s) and
- to identify the criteria of potential clients in choosing the institution to invest for them.

Scope of Research and Design

The research is designed in questionnaire form. As all of the questions asked are of open-ended form and in order to secure more detailed answers for this exploratory study, personal interviews were conducted instead of distributing questionnaires to them.

With the limited time and human resources, 15 potential clients were asked. They were from all walks of life but with at least HK\$500,000 in their saving accounts. They will be asked a list of questions, one at a time and the interviewer recorded the interview in a cassette tape for generating analysis later on. The interviewer would not add any subjective comment but act as an initiator to generate their thoughts on the subject.

Findings

Among the 15 potential clients, they all came from different walks of life. Here are their profiles :

Age	Occupation	Sex	Awareness of PBS	Investment means
27	sales manager	M	yes	stocks
32	accountant	M	yes	real estate, foreign currency
34	retail shop manager	F	no	stocks, fixed deposit
35	taxi-driver	M	no	stocks, fixed deposit
37	secretary	F	yes	stocks, foreign currency
37	civil servant	M	no	real estate, fixed deposit
39	nurse	F	no	stocks
40	housewife	F	no	stocks, foreign currency
40	entrepreneur	M	yes	stocks, real estate
45	entrepreneur	M	no	real estate
45	insurance agent	F	yes	stocks
47	secretary	F	no	stocks, foreign currency
53	housewife	F	no	fixed deposit
60	retiree	M	no	fixed deposit, stocks
62	retiree	M	no	foreign currency, stocks

The interviewees were asked to answer a list of questions attached in Appendix IV.

Question 1 -- awareness of the service and details of service

Not many of them noticed the existence of the service. They knew about the service mostly from the advertisement on TV.

Among those who knew about the existence of the service, they could not tell much about the details but rather a general picture of how it worked. They did not know the charges of the bank and what service would be provided to them. Also, they were not clear about the variety of product they could choose from a bank. Most of them thought they could only buy stocks and foreign currency and knew little about mutual funds.

However, they felt that the service targeted at the more well-off people like those in high managerial and executive post. The perception came from the advertisement they saw and little involvement in the service by their friends with similar background of theirs. Also, those who were aware the service could only quote Citibank and Chase Manhattan Bank in providing the service. Two of them can also quote Standard Chartered Bank.

Implications

This question addressed to communications strategy used by the retail banks. It seems that they are not quite successful in introducing the service to the target population and also the advertisement may mislead them that it is only for the very wealthy. The banks should find ways in communicating and explaining

the service to the potential clients and also to convey the message of their new target.

Question 2 -- interviewees' investment means and institutions

In this questions, the answers were more diverse. Most of them had invested their money by different means. Four of them bought real estate in both Hong Kong and China for rental use or speculation through real estate agents. Others said that they did not have much money to put into real estate. Rather they all bought stocks from their brokers in brokerage firms. Ten of them put their money in their fixed deposit or foreign currency account.

Implications

It can be seen that the targeted group , with savings at least HK\$500,000 will probably invest their money in different means. Except for the real estate market, all other investment services can be provided by the bank and it will be a great opportunity to attract the group to invest through their bankers instead of the non-bank institutions.

Question 3 -- the choice of financial institutions

The interviewees who bought stocks all sought assistance from the brokers in brokerage firms. Out of eleven of them, eight found them as their friends and relatives knew the brokers and by the word of mouth, they themselves bought stocks through them. Others just called up an institution and asked information. The institution then made follow-up calls to continue their contacts.

They overall felt that the institutions were performing well and also the brokers. They were quite satisfied with the close relationship between the brokers and themselves. The brokers would actively contact them about the market changes and prices and gave advice to the clients and they could access the brokers easily. But the final decision power lied on the hands of the clients. However, they sometimes felt that the brokers may impose their wills on them especially when there are significant fluctuations in the market.

Implications

From this question, it is realized that this group of people do rely heavily on brokerage firm to invest for them. Their friends and relatives are seen to be powerful and influential opinion leaders in which they can access the service. Also, there is a close relationship between the brokers and the clients. All these are important issues to be considered by the banks in competing with the brokerage firms which is more popular than banks as an investment institution.

Question 4 -- their current banks and perception of quality service

All of the interviewees had more than one bankers. Mostly they had accounts in local banks like Hongkong Bank, Standard Chartered Bank, Hang Seng Bank and Bank of East Asia, United Chinese Bank, Shanghai Commercial Bank, Nanyang Commercial Bank, Wing Lung Bank and Kwong On Bank.

Ten of them had three saving accounts of different banks and five have two. They spread the money into different accounts and not all accounts were used actively throughout the year.

The interviewees thought that there was difference in service providing by different banks. Generally, they thought that the service of the larger banks like Hongkong Bank, Standard Chartered Bank, Hang Seng Bank and Bank of East Asia provided better service. There were constantly new products and service being introduced, good courtesy of the staff and numerous branches for customers' convenience.

However, the waiting time of these banks was longer and the wide variety of service may result confusion sometimes with only brief explanation from tellers. They also thought that the handling fees of these banks were much higher in service such as gift coupons.

Whereas, the smaller banks could provide better service in the sense that they could explain policies and new service to customers in more detail and there were fewer customers and waiting time could be saved. Also, the tellers knew most of their customers and a better and closer relationship was built between them. However, these banks may not provide other service to customers like phone banking service, account book machine.

Implications

The banks should expect that their potential clients can have wide range of choices to choose from even they decide to use banks as their investment institution. Also, retail banks should make use of their own strengths in the industry to improve their existing systems and service as well as its operations so as to satisfy the clients on the whole instead of only a particular kind of service. This may be help to improve the image of the bank too.

Question 5 -- considering bank as an investment institution

In this question, their opinions were more diverse. Four of them perceived a bank only as an institution for saving up their money. They would consider to use it for fixed deposit and foreign currency account. They did not trust their banks having the expertise in helping them to look after their portfolio and buy the stocks and mutual funds especially in large banks mentioned above. They would rather go straight to the brokers whom they knew well and mutual fund houses in which they perceived as more specialized.

The others said that they might consider to invest through the banks only if they knew more about the service and how the bank can help them. A closer relationship between the investment consultants and clients was preferred like the existing broker-client relationship.

They would consider having their current bankers as their investment institutions as they had more confidence and trust in them. They could transfer money more easily and the banks have more branches. They would choose

banks rather than the brokers and mutual fund houses if more service and convenience was available as well as their expertise.

Implications

This question is related to the image and credibility of the banks within the minds of the target group. It can be done through the reformulation of communications strategy. The banks should also not neglect the existing clients with their saving accounts since the latter are more likely to use their current bankers as their investment institutions.

Question 6 -- criteria of choosing financial institution

The first thing they looked for was the service. This included market analysis, regular market report, inquiry service and easy access to and closer relationship with investment executives. Also, the ability to deliver expertise in investment service was very important. Unless the customers perceived their banks having their professional expertise, they would not consider them to be their investment institutions especially when they had their own brokers.

Besides, convenience is also essential. It would be good if they can arrange their investment account in any of the branches of their banks in Hong Kong. Furthermore, the interviewees would be impressed if there was 24-hour phone banking and inquiry service.

They concerned also the fees charged to the service by the banks and the variety of products they had. Twelve of them considered an annual fee of HK\$600 was

acceptable because they have numerous branch and service like phone banking. However, the interviewees thought that the banks should not charge fee for any extra service introduced. Did they have to choose, they would rather choose a large bank as investment institution since they were more well-established and more service to them.

Implications

This question is the most important one in tapping out the needs of the potential clients. The banks should pay more attention on the sales force strategy as the bank is not regarded as a professional investment institution comparing with other non-bank institutions. The pricing and service strategies are also important as the potential clients do consider these two aspects significantly.

Limitations of the Research

In this report, convenient sampling is used. Personal interviews were conducted through questionnaires to people with savings at least HK\$500,000. In fact, using convenient samples may have problems of representativeness. Their views may not reflect the true picture of that of all the target segment though they are part of the target population.

The use of convenient sample is due to the limited resources and time. Obviously, by using the unbiased probabilistic sampling, the degree of representativeness will be higher. But surely, higher cost will then be incurred

because of more manpower and time. In this project, personal interviews were conducted by only one interviewer. This can minimize interviewer bias and maintain the consistency of the results.

Also, only a limited number of questions were asked in this study. It should be noted that these questions may not be comprehensive enough to cover all possible factors and ideas. Some may be neglected and not asked.

Despite all these limitations, the results in the research can be served as a guideline in modifying the existing strategies of PBS used by the retail banks. The results show that all the six weapons are having relative importance for contributing to the new marketing strategy. In the next chapter, the recommendations to PBS will be presented which is based on the results got in this section.

CHAPTER V

RECOMMENDATIONS

In this chapter, new approaches to PBS by the retail banks will be presented. All the recommendations will be based on the results of the interviews in the research which will be used to match the existing strategies in the six weapons in the marketing model. Under the marketing model, the target segment will be identified which is followed with specific market objectives and objectives in different weapons. However, since the report is an exploratory study, these objectives will be served as guidelines and approaches to retail banks. More concrete tactical action plans, monitor measures and budget will not be included in this report and will require more in-depth study of specific retail banks.

Target Segmentation

Before formulating any marketing objectives and strategies, it is important to identify the target segment. As mentioned in the previous section, the target group should be people with savings of HK\$500,000 with no investment account record in their respective banks.

The size of the target group is different in different banks because they have different client base. However, respective banks can run a computer program to identify this group of people easily with the data in hand.

Market Objectives

Since the target group is switched from the very wealthy to the above-mentioned group, the market objective is to gain market share from this group of people, mainly their existing clients with savings in the bank. However, the exact percentage should be determined by specific bank. In order to achieve the goal, different approaches should be applied in the six weapons.

Product Objective

- to extend its existing product line to include more mutual fund houses and other investment means

Service Objectives

- to provide convenient service to clients through 24-hour phone banking service, home banking service with computers
- to provide computerized system in devising investment portfolios and accurate market analysis for clients as well as monthly statement including all transactions
- to contact clients once a month to understand the current needs of clients

Price Objectives

- to remain the commission rate less than 6 percent
- to charge clients an annual fee of less than HK\$600

Communications Objectives

- to display TV advertisements stressing on the strengths of the banks in providing PBS
- to send brochures to reach the target group about PBS in banks
- to educate the target group who have little knowledge of investment tools like mutual funds by exhibitions
- to promote PBS to new clients by exempting one year annual fee

Sales Force Objectives

- to recruit more staff so that branches in busy areas will have at least three investment executives whereas branches in remote areas will have at least two investment executives
- to recruit experienced investment executives with at least five years in the industry and provide training course to them concerning the psychic of different clients' needs
- to arrange accounts to different investment executives so that clients will always access to one permanent staff

Distribution Objectives

- to ensure that clients can access information of PBS from staff and brochures in every branch
- to extend the existing distribution channels by introducing telemarketing

Marketing Strategy

Product Strategy

These banks should get more update information of new fund houses and try to serve customers with more investment means. Though they may not be able to gain advantage over the brokerage firms, they can surely provide more choices than the mutual fund houses in which they only have funds of their own company and to satisfy a wide range of clients. For instance, Hongkong Bank should include other mutual fund houses and Chase Manhattan Bank can become more competitive by including stocks or even margin as investment means.

Also, banks can combine some investment means with other services such as insurance. Clients in investing through the banks, will automatically enroll in insurance policy without paying extra premium which is already included in the investment amount. In this way, clients can save up part of the money for insurance and the investment service can be more competitive.

Service Strategy

Convenient service can appeal to clients since it can save their time. It is essential for all banks to provide phone banking service in investment accounts too. Clients can then arrange their transactions and check their balance at any time. Because of the relative large size of these retail banks, they have already put in the resources and using these services in retail banking. It is seen as one of the advantages over the non-bank institutions since they do not have fully provide this kind of service. This can also result a more integrated approach to customer service in different banking aspects.

To offer convenience to the young and professional clients, the banks can develop its home banking service, that is clients can do transactions among their accounts by using their personal computers. For example, Hang Seng Bank is now using Hexagon to provide clients convenient service of checking balances of different accounts through their PC. At present, large clients of banks, for instance, big corporations can use computers to deal with transactions through the internet or the internal network of the bank itself.

Computerization offers the clients more accurate and efficient financial analysis and service. Updated new programs can help clients to identify their future financial goals, adjust their personal risk tolerance, savings and protection requirements with computer-aided analysis and financial options.¹⁰ Banks

¹⁰ Raymond Crue, "New Bank Program to Attract Upmarket Clients", Hong Kong Standard, 13/01/96

should also present statement including all transactions every month so that the clients have clear records about their portfolio.

Besides, clients sometimes complain that they do not receive personalized service from banks as the brokers can give them. Therefore, in order to satisfy their needs, the investment executives should actively contact them at least once a month to understand their current needs.

Price Strategy

The banks should remain the commission rate at least the same as those of brokerage firms and fund houses. It is true that the banks have to make profit out of the commission. However, they cannot charge a higher rate so as to remain its competitiveness in the industry. Also, as most of the interviewees felt that an annual fee of HK\$600 was acceptable with the provision of convenient service, the banks can charge to make the profit and satisfy client's need.

Communications Strategy

The target group varies greatly in their occupation, from retired people and housewives to professionals such as accountant and nurse. Therefore, TV advertisement is seen to be an appropriate means to reach these people.

The banks should arrange advertisement at night to introduce their strengths in providing PBS such as the variety of products and distribution channels, convenient service, professional expertise as relationship managers as well as their promotional activities. All these are crucial to build a professional image

that banks are also capable to deliver PBS with personalized service. In fact, it will not be difficult as they are not new companies in the town. Instead, they can make use of the already-built image, trust and creditability to extend its product line into PBS.

Besides, banks can identify this group of people by checking all the accounts and then brochures can be sent to them after the advertisements are displayed. All these will be followed up by telemarketers to explain PBS in more detail and also as means of proactive inquiry service.

In the research, many of the interviewees do not know much about some investment tools such as mutual funds. Banks can arrange exhibitions to educate the target group so that they can have more knowledge and information towards them. This can surely help the banks to promote its service and also reach the target.

The banks can promote the service by offering the exemption of one year annual fee to increase trials of new potential clients. Once they enroll in the investment account and satisfy with the service provided by the bank, it is likely that they will continue to use the service even they have to pay an annual fee the next year.

Sales Force Strategy

Sales force strategy is also one of the most important weapons since the banks do not focus greatly on this aspect but which it can affect the image and service of the banks.

Banks should increase its investment executives according to the demands of each branch. At present, not every branch of banks have investment executives in office for inquiry and enrollment service. At the initial stage, at least two investment executives should be placed in branches of busy areas including commercial and dense residential areas. There should be at least one in each branch of remote areas. In this way, the clients are sure that they can know more about the service at any branch.

Regarding the recruitment and training of the investment executives, it is related to the quality of service they deliver to the clients in the sense that they can understand fully the specific needs of the latter and can devise a customized portfolio to suit their personal needs. Experienced staff is a must that they should have worked in similar institutions such as investment banks for at least 5 years, dealing with different classes of customers. The banks should also provide related on-the-job training to them so that they can put themselves into the shoes of their clients.

From the research, it is seen that clients evaluate the ability of the banks to provide PBS highly on the professional expertise they have. Therefore, this aspect is very important not only to satisfy clients' needs but also to spread the word of mouth and build a positive image.

At present, almost all banks do not have specific investment executives responsible to a specific client except with large investment amount more than

HK\$1,000,000. However, in the eyes of the clients, this is an essential part due to their existing close relationship with the brokers.

The investment executives can act as the role of a relationship manager, holding accounts of same group of clients, contact them regularly and give advice to their existing investment portfolio and promote new products of the bank to them. They can go further by integrating with retail banking and provide a more coordinated and seamless approach by advising the clients on banking service as a whole.

Distribution Strategy

Numerous distribution channels through branches is one of the advantages of banks vis-à-vis the non-bank institutions. Thus, banks should make sure that clients can have access to each branch regarding the PBS information booklets or brochures as well as qualified staff to answer inquiries. Each branch should have investment executives, with the ability to devise portfolio by its computerized system.

Furthermore, banks can consider telemarketing as a means to introduce PBS to the target group. Both inquiry hotline and presence of staff in branches are more passive in nature. With the valuable client information relating to their accounts and personal data, banks can reach the group actively by telemarketers. They should be able to introduce the service provided by the banks in PBS, identify the specific need of clients, compare its service with the non-bank institutions and make follow-up calls.

To sum up, it is seen that new approaches should be emphasized on all the six weapons especially service, communications and distribution strategies. They are the main concerns of the potential clients which can be seen based on the research results. Better and more convenient service, appropriate advertisements to the right target group and building reliable and credible image as well as the utilization of the branches and the introduction of telemarketing are the most important approaches these retail banks can consider. It should be noted all the objectives and strategies of the six weapons need further examination due to the exploratory nature of this report. In examining the issue in more depth, a specific bank can be chosen and the marketing model can be applied. Profile analysis will be one of the most important steps in the model which is the foundation of the model. More specific market objectives can be set after then as well as specific weapon objectives. On the other hand, the tactical plans, monetary measures as well as the budget will be worked out based on the recommended PBS strategies.



CHAPTER VI

CONCLUSION

To conclude, the existing PBS business has great room to expand because of its strengths and the environment. It saves time and effort of clients to deal with the administrative work and there is rising affluence of Hong Kong people benefited from the emerging economy of Southeast Asian countries and China. It is also accompanied with the regulatory measures applied by the government on other investment means such as the real estate market.

However, it can be seen that the existing PBS of retail banks does not fully make use of the six weapons in the marketing model. The chosen retail banks emphasize only on product and service strategies which is not sufficient to compete with the non-bank institutions.

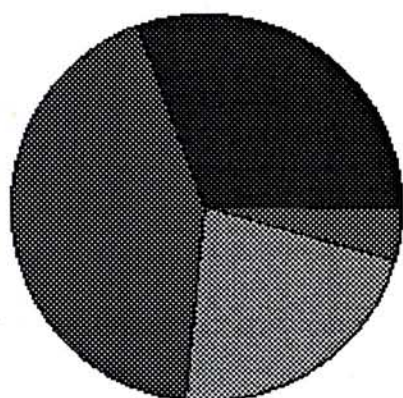
The research of the report can provide some insights for preliminary formulation of the six objectives and strategies for the industry as a whole. More emphasis should be placed on service, communications and distribution strategies. By completing the profile analysis of a specific bank in the marketing model, a more in-depth study can be conducted with more specific objectives, tactical plans, monitor measures and budget considerations.



To : Mr Wong

Prepared By : Catherine Wong

Date: 10/23/95



■ AMERICA GROWTH JF* 30%	\$	91,430
■ ASIAN FUND SIM 43		127,939
■ INDIA TRUST JF 22		66,648
■ KOREA TRUST JF 5		13,992

Return: 24.14%

Standard Deviation: 13.63%

Yield: 0.00%

Sharpe Ratio: 1.37

NOTE: All information and analysis given are derived from historical data available and should not be solely used for your choice of investments. Investors are reminded that the price of units & the income from them can go down as well as up. Past performance is no guarantee of future return.

investment services

risk/reward analysis questionnaire

Understanding Your Risk-Profile

1. Investment History: Have you ever invested in any of the following?

- Unit Trusts & Mutual Funds
 Hong Kong Stocks
 Overseas Stocks
 Bonds

2. Investment Horizon: How long do you expect to hold your unit trusts investment?

- < 1 years
 1-3 years
 > 3 years

3. Portion of Total Assets: What percentage of your net worth do you expect unit trusts investment to represent?

- 1-20%
 20-50%
 50-70%
 70-100%

4. Portfolio Risk:

A. Please choose which of the following best describes your attitude towards investment risk.

- I like to have my entire portfolio invested in low risk assets which fluctuate only slightly in value.
 I like to have a balanced portfolio consisting of high, medium & low risk investments.
 I like to have all my portfolio invested in high risk and high return assets.

B. How would you classify your investment style?

- Conservative
 Moderate
 Aggressive

C. How confident are you that your income over the next 5 years will be sufficient to meet your ongoing expenses?

- Not confident
 Confident
 Very Confident

D. How large an unrealised loss would you be prepared to see before you started feeling very uncomfortable?

- 10%
 20%
 30%
 over 30%

Tell Us About Yourself

1. Education: Secondary University
 Professional

2. Occupation:

- Professional
 Self-employed / Proprietor
 Administrative / Managerial
 Technician / Supervisor
 Sales / Marketing
 Housewife
 Retired
 Student
 Others

3. Marital Status:

- Single Married

4. How did you learn about our investment services?

- Advertisement Referral
 Bank marketing material Direct contact

5. Are you an existing customer of Standard Chartered?

- Yes No

Fill in this questionnaire and fax it back to us at 2513-1931.

My name is: _____

Address: _____

Phone number: _____ Fax number: _____

投資服務

風險及回報分析問卷

閣下投資取向

1. 投資紀錄：您曾否作過下列任何一項投資？

- 單位信託基金及互惠基金
 香港股票
 海外股票
 債券

2. 投資期限：請選出您欲作此投資的期限。

- < 1年
 1-3年
 > 3年

3. 投資比重：此項投資將佔您全部淨值資產百份之幾？

- 1-20%
 20-50%
 50-70%
 70-100%

4. 投資風險：

A. 高風險投資一般具高回報率，請選出下列您對投資風險的看法。

- 我會將本人資產全部放於低風險，升跌幅度小的投資上。
 我會將本人資產平均放在低、中及高風險的投資上。
 我會將本人資產全部放在高風險而回報率高的投資上。

B. 您認為自己的投資方式是：

- 保守
 適中
 進取

C. 您對自己未來5年之內的收入能否足以維持正常生活開支信心如何？

- 沒有信心
 有信心
 非常有信心

D. 此項投資，大概有多少損失才會令您感到極度不安？

- 10%
 20%
 30%
 30%以上

閣下個人資料

1. 教育： 中學 大學 專業人士

2. 職業：

- 專業人士
 自僱/東主
 行政/管理
 技術人員/管工
 推銷/市場策劃
 家庭主婦
 退休
 學生
 其他

3. 婚姻狀況：

- 單身 已婚

4. 您從何處獲悉渣打銀行的投資服務？

- 廣告 經人介紹
 銀行內宣傳海報 直接聯絡銀行

5. 您現時是否渣打銀行之客戶？

- 是 否

填妥此問券後，請傳真至本行2513-1931

姓名：_____

住址：_____

電話：_____ 傳真號碼：_____

JARDINE FLEMING UNIT TRUSTS LIMITED INVESTOR PROFILE

Name: _____ Contact Tel. No.: _____

JF Master Account Number: _____
(if applicable)

An essential first step in planning to meet your financial goals is to understand and clarify your financial requirements and your tolerance to risk. To help you do so, we have devised this simple questionnaire, and recommend that you take a few minutes to complete it. Based on your answers, we will be able to help you decide what type of investor you are and then recommend a model portfolio which may best suit you.

1. Personal Details

Please Tick For Office Use Only

Your age:

- (a) Under 20 15
- (b) 20 to 35 12
- (c) 36 to 50 9
- (d) 51 to 65 6
- (e) Above 65 3 _____ (A)

Marital status:

- (a) Single
- (b) Married

Employment status:

- (a) Both you & your spouse employed 10
- (b) Only you or your spouse employed 6
- (c) Not taking employment/retired 2 _____ (B)

No. of children below the age of 25:

- (a) None 5
- (b) One 4
- (c) Two 3
- (d) Three 2
- (e) More than three 1 _____ (C)

No. of other dependents:

- (a) None 5
- (b) One 4
- (c) Two 3
- (d) Three 2
- (e) More than three 1 _____ (D)

2. Investment Goals

Please Tick For Office Use Only

Which of the following items can best describe your investment goals?

- (a) To beat bank deposit rates 2
- (b) To beat inflation 4
- (c) Prepare for retirement 6
- (d) For moderate capital growth 8
- (e) For aggressive capital growth 10 _____ (E)

What is your time frame for achieving your investment goals?

- (a) Less than one year 1
- (b) 1 to 5 years 3
- (c) More than 5 years 5 _____ (F)

What is your base currency?

- (a) HK\$
- (b) US\$
- (c) £
- (d) Other _____

Do you and/or your spouse have any investment experience with:

- (a) Money market instruments e.g. foreign currency
- (b) Stocks
- (c) Bonds
- (d) Derivatives products
- (e) Unit trusts/mutual Funds _____ (G)
(No. of ticks x2)



How much risk are you willing to take? (To help you answer this please answer the following question.)

If you unexpectedly inherited HK\$1 million, what would you do? (please tick one)

For Office
Use Only

- (a) Put all the money in the bank 0
- (b) Put all the money into an investment offering:
- (1) An 80% chance of a return of \$1.5 million and
a 20% chance of a return of \$0.5 million 10
- (2) A 70% chance of a return of \$2 million and
a 30% chance of a return of \$0.4 million 20
- (3) A 60% chance of a return of \$2.8 million and
a 40% chance of a return of \$0.2 million 30
- (4) A 50% chance of a return of \$4 million and
a 50% chance that you will lose your entire investment. 40

_____ (H)

3. Financial Assets

What is the current value of the net assets owned by you/your household?

(This should include cash deposits, stocks and shares, properties and/or other investments)

- (a) Under HK\$500,000 1
- (b) HK\$500,001 - 1,000,000 2
- (c) HK\$1,000,001 - 2,000,000 3
- (d) HK\$2,000,001 - 4,000,000 4
- (e) HK\$4,000,001 and above 5

_____ (I)

What is your/your household's average regular monthly income?

- (a) Under HK\$25,000 1
- (b) HK\$25,001 - 40,000 2
- (c) HK\$40,001 - 60,000 3
- (d) HK\$60,001 - 80,000 4
- (e) HK\$80,001 and over 5

_____ (J)

How much are your regular monthly household expenses (including mortgage payments/rent, entertainment, food, school fees, etc.)?

- (a) 0 - 30% of regular monthly income 5
- (b) 31 - 50% of regular monthly income 4
- (c) 51 - 70% of regular monthly income 3
- (d) 71 - 100% of regular monthly income 2
- (e) > 100% of regular monthly income 1

_____ (K)

What is the value of your investable assets?

- (a) Under HK\$200,000 1
- (b) HK\$200,001 - 500,000 2
- (c) HK\$500,001 - 1,500,000 3
- (d) HK\$1,500,001 - 3,000,000 4
- (e) HK\$3,000,001 and over 5

_____ (L)

Should you need assistance to calculate your investable assets, a simple Investor Worksheet is attached to help you.

Your Total Score : _____

Score 14 - 49

Score 50 - 85

Score 86 - 120

Conservative

Moderate Growth

Aggressive

INVESTOR WORKSHEET

Increasing your overall wealth...Saving enough for a down payment on your first home...Paying for your children's education...Retaining your current lifestyle after you have retired...Are you financially prepared for these events? If not, you need to analyse your current financial position so that you can determine how much money you have now and how much you will need when the time comes to meet your goals.

This worksheet is purely for your own records and to help you work out how much your household can afford to invest, so do take five minutes to work out your current position.

YOUR FUTURE NEEDS/GOALS (e.g. Retirement income/children's education, etc.)

Need/Goal	When Required (Year)	How Many Years Required	Amount Required Per Year	Total Amount Required
1. _____	_____	_____	_____	HK\$ _____
2. _____	_____	_____	_____	HK\$ _____
3. _____	_____	_____	_____	HK\$ _____
4. _____	_____	_____	_____	HK\$ _____
5. _____	_____	_____	_____	HK\$ _____
TOTAL:				HK\$ _____

YOUR CURRENT FINANCIAL POSITION

To better understand your position, you must identify how much you have available for investment purposes. This should include your current savings, any lump-sum which may become available for investment (e.g. Provident Fund, Insurance, etc), and the surplus income you may have each month, after expenses.

1. Investable Money in the Bank

HK\$ _____

2. Lump Sums You Will Receive in the Future:

Date	Amount
_____	_____
_____	_____

TOTAL: HK\$ _____

3. Monthly Surplus Income

A. Household's average monthly income:

- 1. Salary HK\$ _____
- 2. Interest Income HK\$ _____
- 3. Others HK\$ _____

TOTAL MONTHLY INCOME HK\$ _____

B. Household's average monthly expenses:

- 1. Mortgage/Rent HK\$ _____
- 2. Food/Entertainment HK\$ _____
- 3. Car/Transportation HK\$ _____
- 4. School Fees HK\$ _____
- 5. Others HK\$ _____

TOTAL MONTHLY EXPENSES HK\$ _____

TOTAL MONTHLY INVESTABLE CASH (A-B) HK\$ _____

APPENDIX IV

Questions of interviews

1. Are you aware of investment services provided by banks ? From what means do you know about this service (advertisement, friends/ relatives) ?
2. What does this service provide ? Whom do you think the service is targeted at ? Do you know which banks are providing these services at present ?
3. Do you invest your money like in stocks, real estate, foreign currency, mutual funds etc.? If yes, which financial institutions provide you these investment services ?
4. Why do you go to these financial institutions ? What is good about these institutions in providing the service ?
5. Which is/are your current bank(s) ? Do you satisfy with the existing service provided by your bank(s) ? Which types of services do you think are good and bad ?
6. Will you consider your banks as a means to provide investment service ? Why or why not ?
7. What are your criteria to choose a financial institution to invest for you ?

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