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Layout & Distribution: Valéria Kozakova

Consumer Needs in Financial Services in Asia

Chris Ip

Summary of today's discussion

Consumers across Asia are becoming wealthier, older, and more sophisticated in their behaviors and attitudes towards financial services.

- **Rising affluence and high net worth across Asia.** The population of affluent and high net worth individuals is growing rapidly across Asia
- **Rapidly ageing population across Asia.** An increasing imbalance between Asia's non-working and working population is increasing the need for retirement products
- **Shift to investment products.** Across Asia, consumers are increasingly shifting their investments from deposits to investment products – this is the largest growth in retail AUM growth today
- **Ubiquity of technology increasing influence of online channel.** The online channel is becoming an increasingly influential channel in financial services

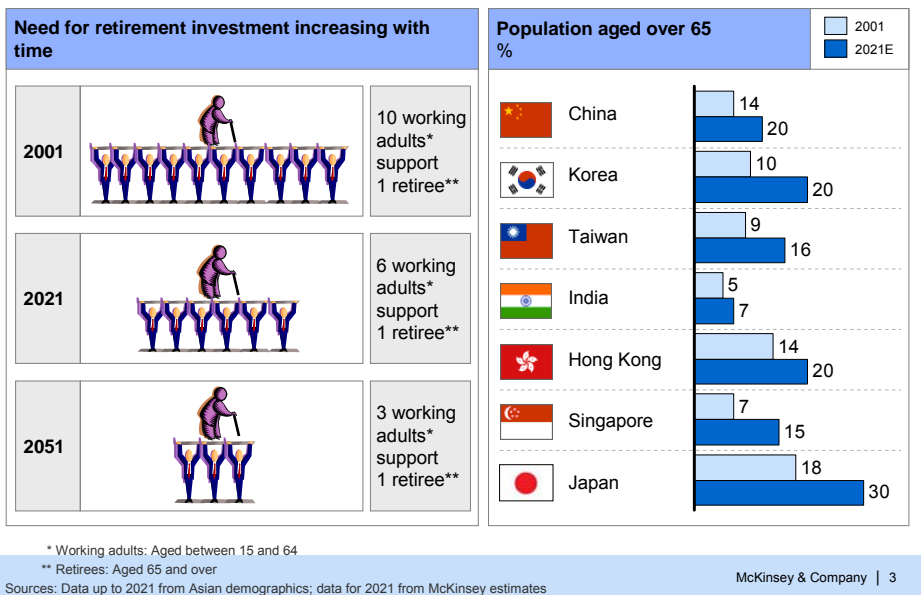
This requires providers to upgrade to a multi-channel, multi-segment marketing and sales model and innovate in the way they engage consumers

1 RISING AFFLUENCE – HNW AND AFFLUENT POPULATIONS GROWING RAPIDLY ACROSS ASIA

HNW individuals Defined as \$878k + investible assets					Affluent Defined as \$88k-\$878k investible assets				
Personal financial assets \$ bn					Personal financial assets \$ bn				
		2006	2012E	CAGR 2006-12E %			2006	2012E	CAGR 2006-12E %
China		439	1,029	15.0	China		828	1,430	9.5
Korea		351	527	7.2	Korea		452	690	7.2
Taiwan		94	176	10.1	Taiwan		226	389	9.1
India		50/263 *	113/565*	15.2/14.2*	India		75/201*	138/439*	12.2/14.0*
Hong Kong		201	314	7.6	Hong Kong		251	364	6.2
Singapore		50	88	7.2	Singapore		63	88	5.0
Malaysia		31	63	11.9	Malaysia		50	88	7.9

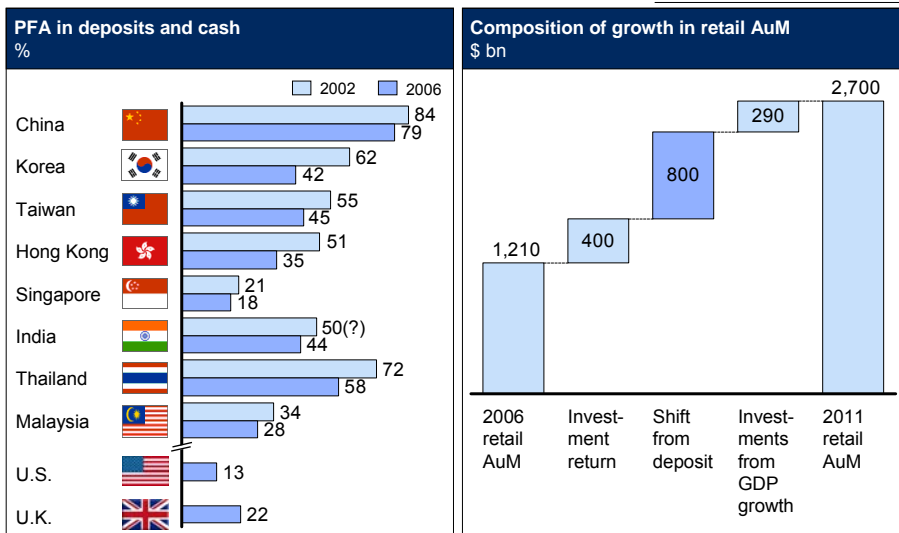
* Values for nonresident Indian
Sources: Datamonitor; Merrill Lynch/Cap Gemini, "World Wealth Report" (2006) McKinsey & Company | 2

2 ASIA'S POPULATION IS AGEING RAPIDLY WITH GROWING NEED FOR RETIREMENT SERVICES



3 IN MOST MARKETS, CONSUMERS ARE SHIFTING THEIR FINANCIAL ASSETS FROM DEPOSITS TO INVESTMENT PRODUCTS

ASSET MANAGEMENT EXAMPLE



Sources: Bank of Japan; PBOC; China securities and futures yearbook; Taiwan Central Bank; Taiwan national statistics; MAS; Bank of Korea; U.S. Federal Reserve; UK office of national statistics; SITCA; TSE; HKMA | McKinsey & Company | 4

4 BROADBAND PENETRATION ACROSS ASIA EXCEEDING WESTERN ECONOMY LEVELS

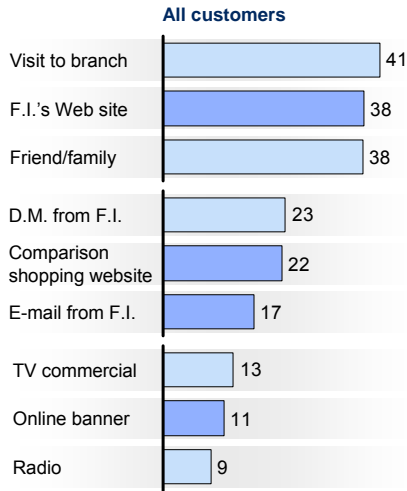
Country/region	Broadband penetration Percent of Households, 2008	CAGR, 2008-12 Percent
Hong Kong	74	2
Singapore	79	3
Australia	63	4
New Zealand	50	8
China	20	17
Japan	53	5
Russia	12	20
W Europe	54	7
E Europe	41	9
United States	65	4
South America	17	14

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4 ONLINE CHANNELS BECOMING INFLUENTIAL

PERCENT OF RESPONDENTS INDICATING THAT THE SOURCE WAS VERY INFLUENTIAL IN DETERMINING CONSIDERATION SET

Non-online sources
Online sources



- Online channels are more powerful than many realize**, growing to be as important as offline channels in customers' purchasing decisions
 - A financial institution's Web site compares to recommendations from friends/family and visits to the branch
 - Comparison shopping Web sites and e-mail are as important as direct mail, especially for savvier segments
 - Online banners are as good as or better than more expensive traditional media
- Given importance of these channels, financial institutions should continue to invest in them** and tailor their content and messaging (including advertising) to the segments they are targeting both on and off their websites

Source: McKinsey FIG Digital Marketing KIP, McKinsey US online banking consumer survey, ethnographic interviews

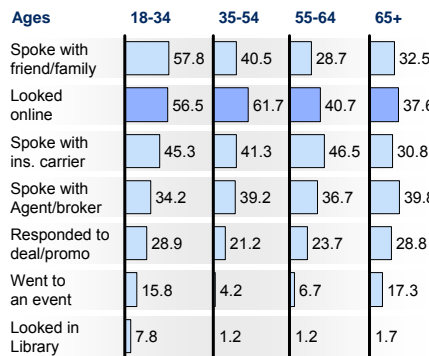
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4 THE INTERNET HAS BECOME A LEADING SOURCE OF INFORMATION FOR HEALTH/MEDICAL INSURANCE

Percent

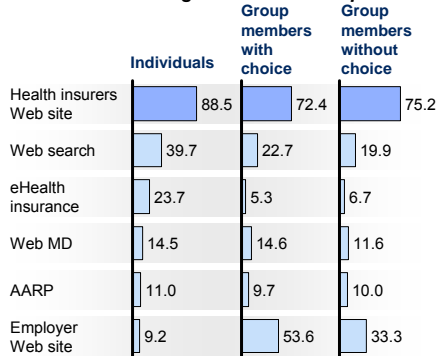
Individual members

Question: *When last considering health insurance plans, what steps did you take to understand your health plan options?*



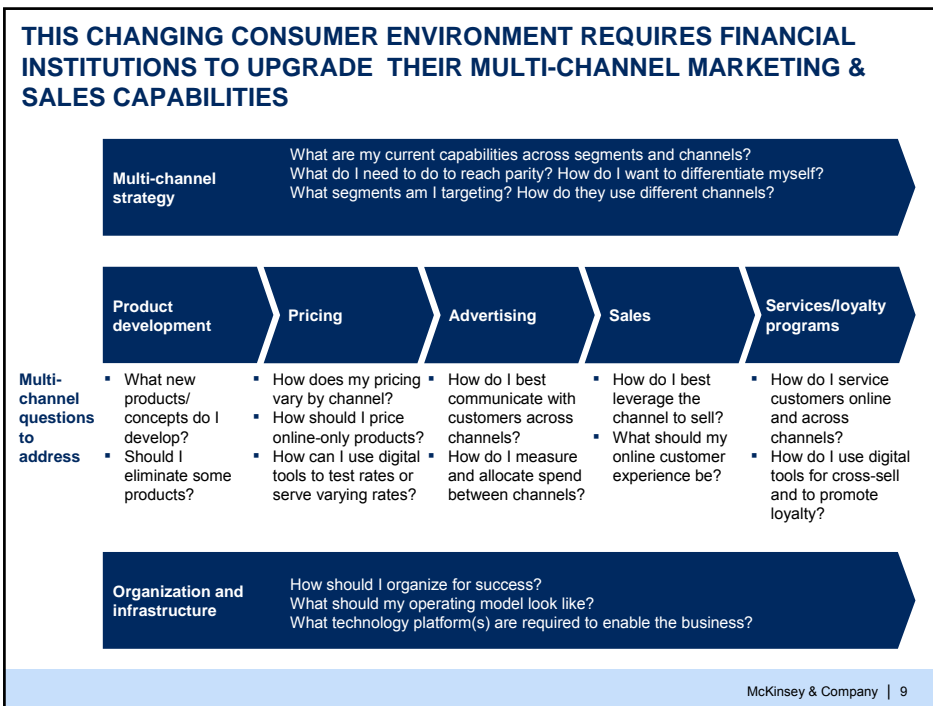
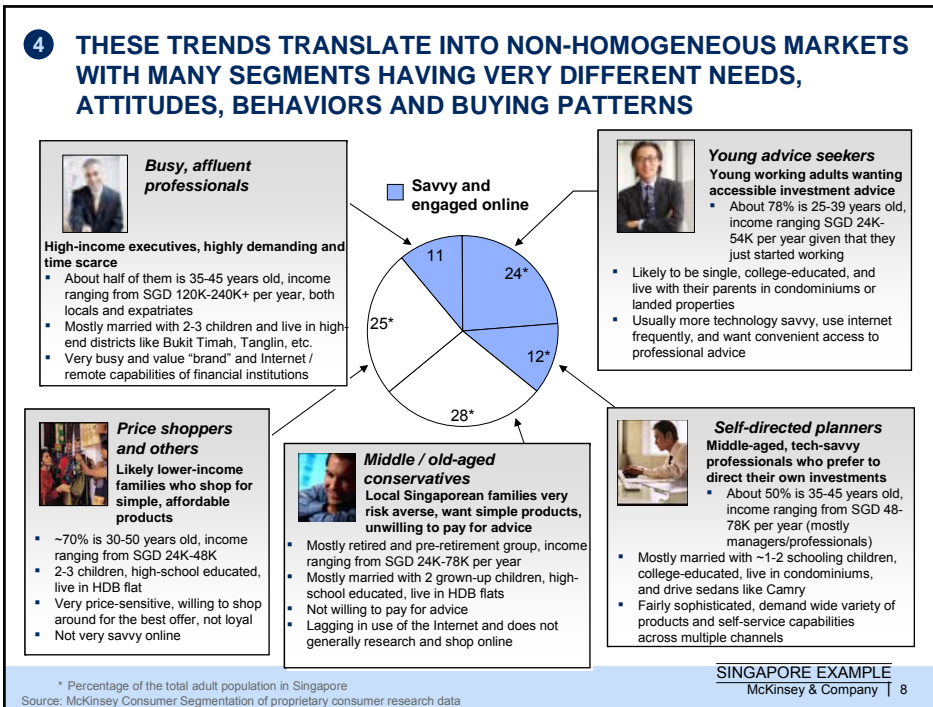
Online sites visited

Question: *Where did you look for information when last considering health insurance plans?*



Well over half spoke with HR department, but one-third also spoke with a friend/relative or their current insurance carrier
Source: McKinsey consumer health insurance survey, 2007

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- **Shift to investment products.** Across Asia, consumers are increasingly shifting their investments from deposits to investment products – this is the largest contributor to retail AUM growth today
- **Ubiquity of technology increasing influence of online.** The online channel is becoming an increasingly influential channel in financial services

This requires providers to upgrade to a multi-channel, multi-segment marketing and sales model and innovate in the way they engage consumers