

Study on the Development Status and Innovative Prospects of the Financial Wealth Management Industry

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Abstract: In recent years, with the further dynamism of China's financial markets, a myriad of personal wealth management products offered by commercial banks have emerged, contributing significantly to the development of these banks. The prevalence of the Internet in the financial industry has granted online financial products a prominent place. Simultaneously, it has imposed more stringent requirements on business innovation and financial services in commercial banks. Given the intensified competition in the financial market, commercial banks aiming for higher performance must continuously change their mindset, drive innovation, and transform financial wealth management products to better position themselves in the fiercely competitive financial market. This article primarily analyses the status of wealth management products in commercial banks. It explores strategies for innovation and development of these products, aiming to provide insights to enhance commercial banks' development levels continuously.

Keywords: Financial wealth management; Development status; Innovative strategies

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1. Introduction

Since 2015, the non-performing loan ratios of national banks and other financial institutions have been increasing annually. To maintain stable profit growth in such a market environment, financial institutions and banks need to continually explore new channels better to meet people's demand for wealth management products. Many domestic banks and financial institutions have promptly adjusted their strategies, effectively combining individual wealth management products with customers' consumption needs through large-scale retail strategy. This has turned personal wealth management products into a blue ocean for industry development. Moreover, against the backdrop of the continuous development of the national material living standards, the growth of material wealth has strengthened some residents' investment and wealth management awareness. The demand for bank wealth management products among residents is gradually increasing. Launching more innovative and valuable wealth management products in the complex and ever-changing financial market environment has become a key focus for developing the financial wealth management industry.

2. Overview of Development Theories for Wealth Management Products

(1) Product lifecycle theory

Professor Raymond Vernon from Harvard University once asserted that the product lifecycle essentially determines a product's marketing capability in the market. Like human beings, each product undergoes distinct phases in its lifecycle upon entering the market, including introduction, growth, maturity, and decline. When a new product enters the market environment, it replaces existing products in terms of functionality and economic

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value, leading the original products into a gradual decline until they are phased out of the market. Financial wealth management products introduced by the financial industry also have lifecycles. To avoid the impact and crises brought about by the decline of products fundamentally, the financial wealth management industry needs to continuously innovate and develop to stay relevant and succeed in the financial market.

(2) Wealth growth theory

With the ongoing globalisation of the economy, domestic markets are gradually aligning with international markets, resulting in a continuous increase in people's income and personal wealth accumulation. The wealth growth theory generally suggests that individuals will have an investment demand when wealth accumulation reaches a certain level. Considering issues related to investments' safety, profitability, and liquidity during the investment process, different demographic groups have varying investment needs. This implies that the market's demand for financial wealth management products is highly diverse. To meet the service needs of different investors, many financial institutions innovate and develop new wealth management and financial products, driving the innovation cycle and development of the financial market.

(3) Financial innovation theory

In the course of the world's financial progress and development, innovation has always been a significant driving force for the transformation and development of financial markets. As scientific and technological advancements integrate into different industries, these cutting-edge technologies also contribute to the innovation and transformation of the financial industry, gradually transitioning from traditional finance to online finance^[2]. Currently, to prevent excessive speculative financial activities, regulatory authorities have introduced a series of norms and constraint systems. To gain profits, many financial institutions or banks need to consider the compliance and legality of transactions and continually innovate financial wealth management products to align with the diverse demands of the public. Therefore, risk transfer, technological innovation in the financial industry, and circumvention of policy control have become fundamental drivers of financial innovation development.

3. Current Development Status of Personal Wealth Management Products

Taking an example of wealth management products introduced by a particular financial institution in China, registered and established locally in 1985, the institution primarily engages in wealth management products related to credit settlement and urban savings.

(1) Classification of wealth management products

Currently, based on the different types of wealth management products offered by this financial institution, products can be categorised by other currencies, corresponding markets, service targets, and wealth management periods. According to currency classification, wealth management products can be divided into Renminbi (RMB) wealth management products and foreign currency wealth management products. Based on market segmentation, wealth management products can be broadly categorised into fixed-income, capital market, and international market wealth management products. Wealth management product periods can be classified into fixed-term and non-fixed-term types. Based on investment tools, products can be further classified into bond investment wealth management products, trust wealth management products, new stock subscription wealth management products, bills investment-type wealth management products, and others. According to the classification of service targets and population, products can be divided into personal wealth management products and private banking wealth management products. This financial institution offers a wide range of personal wealth management products, including various derivatives such as foreign exchange, index-linked products, and stocks. However, the institution has many products due to the rapid introduction of new wealth management products in the financial market. After the initial launch, many of these products cannot introduce derivative products quickly. Many customers also need

more channels to purchase these products, a phenomenon common in other financial institutions.

(2) Development status of different financial wealth management products

Currently, Renminbi wealth management products are the flagship products introduced by this financial institution. The returns and risks of these products are usually determined by the basic investment capital, which operates through specific wealth management tools. With the ability to control risks, these products can continuously introduce derivative wealth management products through the combination of basic assets and innovative basic assets^[3].

Foreign currency wealth management products are mainly related to international exchange rates and interest rates, with some involving credit and index-linked foreign currency wealth management products. The returns of these products rely on professional operation, making them inherently attractive to customers holding foreign currency wealth management products. The institution's operation of foreign exchange wealth management products includes structural foreign exchange wealth management products and Huicaitong wealth management products.

However, for products like Huicaitong, no corresponding purchasing channels are established on this financial institution's official website and application (APP). Taking the example of the Wealth Return Arbitrage Foreign Exchange Wealth Management product introduced by the institution, this wealth management product is primarily linked to exchange rates. Currently, customers can purchase currencies such as the US Dollar and Euro, with investment periods ranging from 98 to 350 days. The operation of this product relies on relevant currency market funds or bond-type assets. Suppose a customer purchases a product with an investment period of 180 days, and the US Dollar to Renminbi exchange rate rises in the international market during the investment period. In that case, the customer can gain corresponding exchange rate gains. Additionally, the customer can enjoy an expected standard return of 1.5% on this basis.

4. Challenges in the Development Process of Wealth Management Products

(1) Insufficient innovation in wealth management products

For an extended period, Chinese banks and financial institutions have demonstrated a relatively weak overall innovation consciousness, influenced by factors such as the external environment of the financial market and technological advancements. The capability to introduce innovative wealth management products needs to be more robust^[4]. With the backdrop of economic globalisation, competition between banks and other financial institutions has intensified. Continuous innovation and development are imperative to secure a position in the complex financial market competition. A thorough analysis of recent wealth management product data reveals that a particular financial institution in China predominantly channels its wealth management fund projects into traditional avenues like bonds and bills. The returns from these funds primarily originate from the real economy, such as the construction of nationally beneficial road bridges and the development of tourist attractions. However, many relationship managers treat wealth management products as channels and tools to attract savings customers. While this approach is not entirely unreasonable on the surface, it somewhat dampens the proactive thinking in innovation for financial institutions' wealth management products.

(2) Lack of innovative talent in wealth management product development

Examining the innovation level of wealth management products in a certain Chinese financial institution, it is evident that most of the products are concentrated in provincial regions. However, there needs to be more innovative talent for wealth management product development in other branch institutions^[5]. Concurrently, diverse demographic groups exhibit varying demands for wealth management products in the current market. The financial market has officially entered a new era of diversified development in wealth management products,

requiring managers and executives to understand the trends of financial markets and marketing principles. This understanding, combined with comprehensive knowledge and practical experience in the implementation of wealth management products, can facilitate the provision of more convenient wealth management services. Although there has been a continuous increase in the training efforts for financial wealth management talents within provincial scopes in recent years, establishing professional teams for personal wealth management services and private banking VIP services, the support for talent in their branch institutions still needs to be improved.

5. Innovative Development Strategies for Financial Wealth Management Products

(1) Introduce distinctive financial wealth management products

Considering the various issues inherent in the working systems of financial institutions and banks, taking the development of a certain bank as an example, the branches of this bank at the local level are essentially similar to those of other banks. The personal wealth management products these branches sell mainly revolve around the wealth management products launched by the headquarters. The mindset of most branch network points when promoting personal wealth management products is geared towards achieving performance targets, with less emphasis on the innovation and development of product services. Suppose such a mindset persists in the long term. In that case, employees are prone to forming inertial thoughts, potentially leading to a significant problem of homogeneity in wealth management products in the market. To truly stand out in the development process and market, it is essential to introduce highly competitive and innovative wealth management products. Understood within the context of customer needs, creating personalised and individualised wealth management services is crucial ^[6]. Firstly, personalised personal wealth management products should be introduced for specific demographic groups. Using successfully launched wealth management products of various types as examples, it is necessary not only to establish a small number of teams with a focus on the innovation genes of wealth management products but also to popularise the concept of wealth management innovation to every bank management personnel, continually exploring the innovative potential of business personnel and finding highly creative new wealth management projects based on an understanding of customer needs. Secondly, create a series of wealth management products for different regions, promote the extension and expansion of wealth management product series, and establish eye-catching brand wealth management products to attract customers.

(2) Innovation and reform of the wealth management product development mechanism

Currently, the types of wealth management products launched by commercial banks and financial institutions in China are diverse, and the speed of product updates in the market is breakneck. However, for many commercial banks, the innovation and development mechanisms of wealth management products have always faced problems such as a relatively slow response speed and ineffective communication between upper and lower levels. Compared to some small and micro-sized banks or other financial institutions, wealth management product decisions at larger banks are often slow, with relatively long approval cycles ^[7]. For instance, in the design phase of innovative wealth management products, although many commercial banks' headquarters have already approved them, the sub-branches still need to report to the general manager for approval. During the approval process, the headquarters faces audit requirements from dozens of provinces and cities nationwide, resulting in a relatively long waiting period, which slows down the response speed for new product launches. Furthermore, many headquarters are unaware of sub-branches actual needs during the project approval process. There is an information gap between the cognition of innovative wealth management products and the local staff's lack of understanding of customers' financial needs and characteristics in different regions. As a result, the headquarters. However, considering that many banks' electronic purchasing interfaces are overly complex and lack a streamlined process for one-click purchases, this also leads to many buyers being unsure where to start when facing the purchase homepage. Therefore, it is necessary to adhere to the reform of the wealth management product expansion and innovation development mechanism,

streamline unnecessary approval processes, demand rapid responses from upper-level headquarters to the needs of lower-level branch institutions, closely monitor the changing development trends in the market, and continuously improve the launch and service mechanisms of wealth management products.

(3) Unearth and promote high-quality talent driving wealth management product innovation

In recent years, many banks and branch institutions have placed special emphasis on cultivating wealth management product innovation customer managers. More customer managers who understand customer needs are developed through systematic training programs. Customer managers in key wealth management product positions are generally required to obtain qualifications such as CFP in financial wealth management and pass internal exams and certifications within the bank or financial institution before facing clients. Many large bank wealth management managers have obtained certification certificates such as CFP. Additionally, many banks annually select high-skilled professional talents in the wealth management business from sub-branches and branch institutions. Staff is required to possess comprehensive knowledge and professional qualities in various aspects, including securities, insurance, foreign exchange, funds, and precious metals. From these, individuals with outstanding achievements and innovative qualities are selected through mentoring programs to build a high-quality wealth management product manager team. Simultaneously, an assessment mechanism adapted to product managers should be introduced. By setting more precise assessment indicators, it is possible to examine wealth management managers' innovative consciousness and ideological concepts. Furthermore, establishing joint talent cultivation systems with other large banks or branch institutions, utilising external research, and employing big data, online courses, and remote education models continually strengthen customer managers' cognitive and research capabilities regarding the wealth management product market. This can be achieved while providing adaptive and personalised wealth management services under the premise of fully understanding customer needs.

6. Conclusion

In conclusion, the innovation and development of wealth management products are an inevitable trend in the development of the financial industry. In recent years, the quantity of wealth management products launched by domestic financial institutions and commercial banks has experienced a leap, and against the backdrop of the rise of Internet finance, wealth management products have indeed gained favour from numerous investors and consumers. Therefore, it is crucial to adapt to the development trends of the financial market by continuously enhancing the quality of personal wealth managers, innovating the development mechanism of wealth management products, and introducing distinctive wealth management products through multiple measures. This approach will foster continuous innovation in wealth management products and keep them at the forefront of the market.

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