

29 December 2021 (No. of pages:-1)

Japanese report: 12 Jan 2021

Paradigm Shift in Retail Finance

Enhancing the quality of customer-oriented advice across the entire industry is key to success

Financial and Capital Market Research Dept.
Hayanari Uchino

Summary

- When we analyze the business model of U.S. retail finance, especially retail securities, we can derive the equation "business model = value added × profit-making mechanism." It can be said that new business models have been created value added is pursued and reforms are made in the profit-making mechanism.
- In Japan, there is a tendency to focus on the profit-making mechanism. It can be said that the pursuit of value added is lacking. In other words, no matter how much the business environment changes, the essential problem of retail finance in Japan is that it lacks customer-oriented investment and product advice, which is the opposite of product-out sales.
- In this regard, major U.S. brokerage firms have refined the added value of investment advice. Therefore, even in response to the mass market caused by the rise of robo-advice, it can avoid deterioration in the added value of investment advice.
- Regulatory policy also focuses on strengthening "know your customer" (KYC) regulations and strengthening the customer-oriented operational structure to encourage securities companies to provide enhanced investment advice.
- The difference in the level of customer trust between retail securities firms in Japan and the U.S. may be the result of these efforts to improve the quality of investment advice.
- In Japan as well, further efforts to strengthen the quality of customer-oriented advice will need to be made in earnest in the context of tightening regulations on customer-oriented business systems.

Attention

This report is a summary translation. The official document is only in Japanese, included in the DIR Research Quarterly Review (Vol.41).