Business Line

‘We’re trying to innovate & use transparent pricing’

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THE BL INTERVIEW

As financial services industry evolves and revenues come under pressure, Reliance Securities, the broking and financial products distribution arm of Anil Ambani’s Reliance Capital, is leveraging technology to cut costs while also acquiring customers. B Gopkumar, CEO, Reliance Securities, explains all in an interview. *Excerpts:*

What do you make of the primary market this year? Are you seeing interest from retail investors’ wane after SEBI made ASBA mandatory?

I think there have been good quality IPOs, but with small issue sizes. And it’s nice to see companies from south India coming to the primary market; earlier they used to be just from Gujarat or Maharashtra.

The ASBA (application supported by blocked amount) requirement by SEBI works well if you have a three-in-one account given by a banker-broker. If as we do, you have to collect physical IPO forms from customers, it is more difficult. But it’s too early to say if this has affected retail interest because we haven’t seen any big IPOs yet.

We’re still talking to SEBI and we’re waiting to hear what they have to say. I think we still get 10-15 per cent of IPO application forms offline.

How is the broking industry changing for you?

We have around 2 per cent of the market share in retail broking. What we’re trying to do now is quite different from what the market is doing. One of the reasons the retail investor doesn’t come is because he is not informed. Given a choice, he can take these decisions.

We launched our Tick platform recently. On a single dashboard, it tells you how many brokers are recommending a buy, apart from what Reliance Securities is recommending. It also gives you a health score on fundamentals, there’s news analytics. Customers want to take informed decisions, so this one dashboard gives you a complete picture.

We’re trying to innovate and use transparent pricing to get customers.

Are you worried of the challenge you face from discount brokers?

We’re trying to create a pay-as-you-go model called value broking, which is becoming popular globally. If the customer doesn’t want research, he can trade with us at the cost of a discount broker. The top five or six clients we acquired last month in fact came from discount brokers — they didn’t want anything except a platform. I am willing to give that. I’m equivalent in pricing and better in facilities when it comes to a discount broker.

In the last three years, our systems have never been down. That’s the guarantee I give as a value broker. If you look at the top three brokers, once a month for about an hour they go down. Also, globally, the online model is cheaper than offline.

On the financial products distribution side of your business, has it become more difficult as commissions fall?

Here too, the banks take a large pie of the distribution business because they have captive customers. So, for me to bring down my customer acquisition costs, I need to use technology. We will soon be launching a robo advisory to sell mutual funds. The reality is that we have to switch to technology. We can no longer sell to retail clients with the brick-and-mortar format.

In the next 12-18 months, many distributors will make the switch to technology. We’ll see some interesting models develop, I think, as fees go down and innovation becomes necessary. Robo advisors are doing a lot to convert/ bring retail investors into mutual funds. While on the broking side, discount brokers are not creating a new market, the good thing about online advisors is that they are creating markets.

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> **B GOPKUMAR,**
> CEO, Reliance Securities