

Can the celebrity push help mutual funds?

Famous personalities can now come forward to endorse mutual funds. How will that change the mutual funds landscape in India? Experts discuss:

Kayezad E. Adajania



(L to R) Vishal Kapoor, Aashish P. Somaiyaa, Nimesh Shah, Vishal Dhawan

Securities and Exchange Board of India (Sebi) has allowed celebrity endorsements to raise awareness about mutual funds though they cannot advertise for products or fund houses. Will this help or hurt the industry?

Vishal Kapoor,
chief executive office, IDFC Asset Management Company Asset Management Co Ltd

Commitments need conviction. An investment commitment needs much more. Despite its obvious and several proven advantages, a mutual fund as an investment concept needs to be understood by the average saver. It's only natural that the mutual fund industry has been trying hard to increase understanding and awareness of the benefits of long-term investing, and how mutual funds can help. However, a key question remains: what's the motivation for our average saver to be interested in listening to this 'sales pitch'? That's where a familiar face, a respected voice, a trusted personality can make a big difference.

Communication research has proven that an effective message from a well-chosen celebrity is distinctively heard, internalised, and is more likely to be acted upon. For mutual funds, Sebi's recent relaxation, allowing celebrity endorsement, can act as a catalyst to accelerate the industry message of the benefit of mutual funds. Used effectively, this can help overcome the inertia many savers have of learning more about this product—whether through media or through various industry-led awareness camps.

A celebrity endorsement could open the door, but the industry must work together with distributors to not just welcome, but also carefully guide the investor for a long term, successful investing journey.

Aashish P. Somaiyaa,
managing director and chief executive officer, Motilal Oswal Asset Management Co. Ltd

When the Prime Minister of India has an agenda to open bank accounts, promote financial inclusion and go digital and cashless, I don't think there is any better celebrity we can enlist. Acceptance of mutual funds as an entry route to the market is gaining popularity in the background of low interest rates and a perceptual cloud over real estate and gold as asset classes. Having said so, mutual funds specifically are a capital market animal with lack of awareness on one side and awareness with wrong perceptions on the other.... The purpose of enlisting a celebrity endorser would be to...make people sit up and listen to the messaging. To that extent, celebrity endorsement might help if we have a sharp message to deliver. After that it is the quality of messaging, the promise and expectations emanating from it and ultimately the performance investors get on investing. Managing mutual funds for wealth creation is all about dealing in probabilistic outcomes. We all know that when we don't control outcomes, the best we can do is to ensure consistency and quality of inputs. This comes from a process. How mutual funds can take an investor towards her goals in a process-oriented manner is the more critical aspect of messaging, as compared to who relays the message eventually because the latter, in absence of former, may result in mis-buying.

Nimesh Shah,
managing director and chief executive officer, ICICI Prudential Asset Management Co. Ltd

The various investor education initiatives undertaken by the industry in the past, in support with the distributor community and the media, have surely borne fruit. The results of the same are visible over the last several quarters, which is an encouraging trend. But much more needs to be done. Bringing in celebrities is a step in this direction.

Even though the pull of financial products has increased over the last 2 years, market penetration remains largely skewed towards top-tier cities. There is still significant inroad to be made for mutual funds in the smaller cities of the country, largely due to lack of awareness about the benefits of investing in mutual funds. It is here that celebrities' pull is likely to lend support on the ground. We welcome Sebi's move of allowing celebrities to endorse mutual funds. This is because we believe this is a prudent move by the regulator, in way of increasing awareness about mutual fund as a financial product, thereby enabling growth of the mutual fund industry.

However, while roping in a celebrity, the industry has to be mindful of the image of the celebrity and, more importantly, how they are perceived in their real lives. Further, there are plenty of celebrities who are actually using the mutual funds route for their investments and have benefited from it. It will be useful to engage them for this purpose

Vishal Dhawan,
founder and chief executive officer, Plan Ahead Wealth Advisors

Celebrities' endorsements will enable the mutual fund industry to have a level playing field with other products that vie for a share of the consumer's mind and wallet; such as banks, insurance, gold and real estate. With penetration of mutual fund being significantly lower than other financial products in India, and also much lower as compared to global standards, celebrity endorsements could enhance the penetration of this category of assets. However, celebrity endorsements by themselves are unlikely to be enough, and will need to be accompanied by significant 'on the ground' financial literacy and consumer education initiatives so that the experience of first-time investors is good. One of the challenges that need to be addressed by the mutual fund industry through celebrity endorsements is that mutual funds are not a separate asset class, but essentially a vehicle to create exposure in a structured and professionally managed form to multiple asset classes including equities, fixed income, gold, and also permit global exposure. This will go a long way to enable investors to use mutual funds as a much larger proportion of their investment wallet, as they could otherwise look to cap mutual fund exposure due to the belief that they already have 'enough' mutual funds in their portfolio and now need to find other investment products.