

# TSAM Series: The Transformation of Asset Management

*In association with BackBay Communications*

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The Summit for Asset Management



By TSAM and BackBay Communications

# | Foreword

As part of our preparations for TSAM Boston 2017 Congress and Expo, we surveyed nearly 100 senior decision-makers from our network across all areas of operations at some of the world's leading asset management companies.

Providing their insights on the operational and strategic priorities for their firms, they help build a picture of an industry that is undergoing a wave of digital transformation projects as firms look to leverage technological advancements and unlock their data assets to achieve a wide range of business benefits.

We hope you find this study of interest and would welcome your feedback and observations.

**Jonathan Wisner**  
*Director, Osney Media*

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# Methodology

98 senior decision-makers at asset management companies from Osney Media's contact database were polled between 28<sup>th</sup> September and 13<sup>th</sup> October using an online collection methodology. Respondents came from across all areas of operations, including client reporting, technology, marketing, investment, accounting and finance, performance measurement, risk management, senior management and product development (see fig 1).

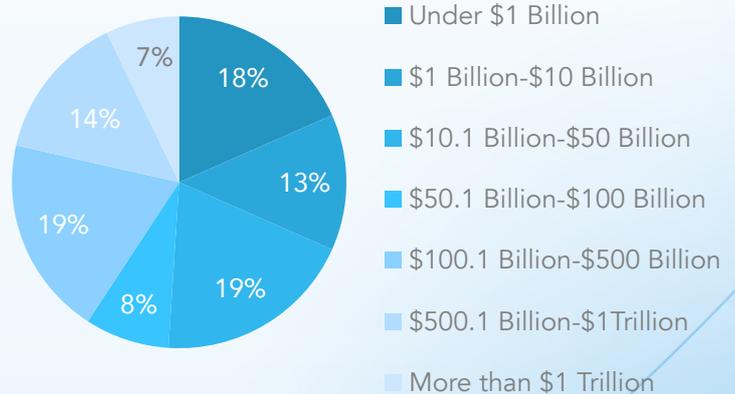
Companies ranged in size from boutique firms with less than \$1 billion assets under management up to global investment managers with over \$1 trillion of assets under management (see fig 2).

Half of the respondent sample were at firms headquartered in Europe, with over a third at US firms (see fig. 3)

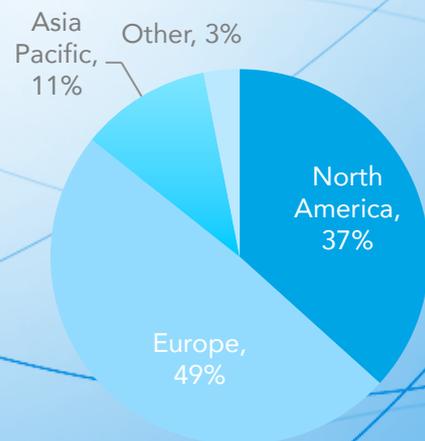
*Fig 1: Which of the following areas within your organization are you responsible for?*



*Fig 2: What is your company's AuM?*



*Fig 3: Where is your company headquartered?*



# Executive summary

## Technology expenditure set to rise as asset managers embrace digital transformation

In an effort to improve efficiency, support business growth and enhance the quality of service delivered to their clients, the majority of asset managers are either currently undergoing digital transformation or soon will be. As a result, technology expenditure looks set to increase with the vast majority anticipating bigger budgets dedicated to technology in the next 12 months.

## Cybersecurity continues to pose a key risk

A significant number of respondents reported that their organization has suffered an IT security issue that has affected their ability to operate in the last year. There is also a growing focus on information security from the regulators and as such the majority expect expenditure on cybersecurity to be at least short term.

## Big data takes center stage

Projects designed to leverage the massive amounts of data available are also a key part of many asset managers' technology strategies. While only a handful of respondents said their organization has developed a data lake, over one-third say they are currently developing one. This may be driven by a growing recognition of the value of data by senior management teams

# Transforming through technology

The asset management industry is in the midst of a radical shake up. Faced with greater pressure on costs, mounting competition from new entrants to the market, changing consumer behavior and regulatory change, the vast majority of respondents say their organization is either contemplating (31%) or undertaking (41%) a digital transformation project. Some 7%, that could be classified as digital leaders, have already completed digital transformation projects. One in five (21%) of companies have no plans to embark on a digital transformation. (fig 4)

Respondents commonly identify a wide range of business objectives driving their firm's digital transformation strategy; improved efficiency is chief among them, cited by 44% of the sample. Supporting business growth (33%), improved client reporting (31%) and improved technology (29%) were also identified as priorities by at least one in four respondents. (fig 5)

Fig 4: Is your organization currently undergoing a digital transformation?

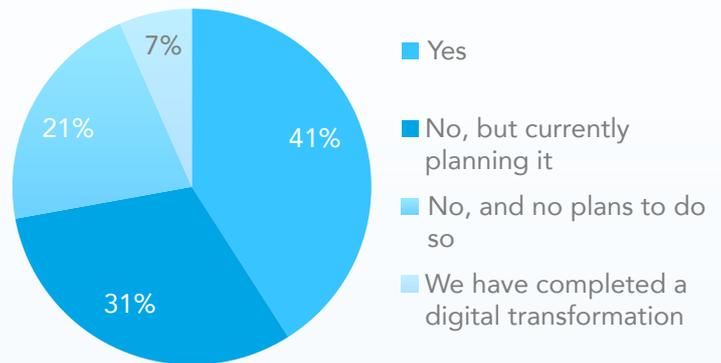


Fig 5: What are/were the key business priorities for undergoing a digital transformation? (select up to three)



# Transforming through technology

Given the number of digital transformation projects either planned or underway, it is unsurprising that only 5% of respondents expect their organization's expenditure on technology to decrease in the next 12 months.

The proportion expecting expenditure to increase has risen from 57% in 2016 to 72% this year. (fig 6)

One area that is ripe to be addressed as part of asset managers' digital transformation is mobile.

Over half (57%) of respondents said their company does not currently have a mobile strategy in place. (fig 7)

A similar proportion (53%) describe the quality of their mobile offering as either 'poor' or 'very poor'. Given the improvements firms are looking to make to their service offerings and the growth of mobile services, it's likely this will become an area of greater focus. (fig 8)

Fig 6: How do you expect expenditure on technology in your organization to change in the next 12 months?

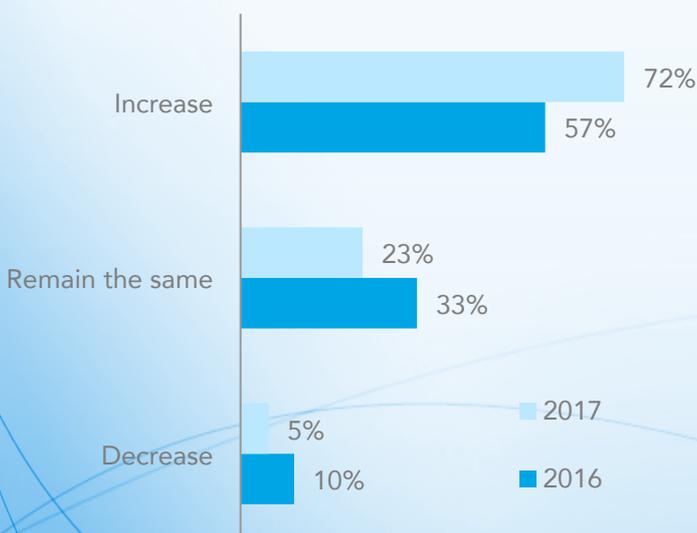
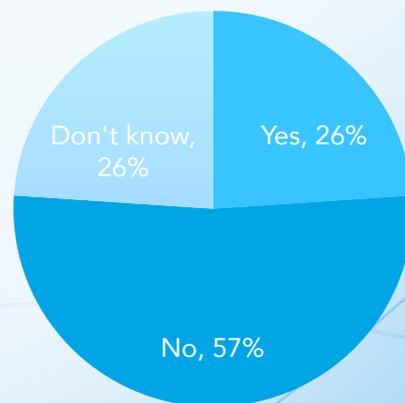


Fig 7: Do you have a mobile strategy in place?



# Transforming through technology

Transformations seem to have their limits, however, and the role of nascent technologies, such as blockchain and cryptocurrencies, are not widely expected to be significant in the asset management industry in the short-term.

Despite the growing use case scenarios for these technologies, only one in five (20%) believe that they will become a part of asset management operations to any great degree in the next 12-18 months.

Indeed, over one-third (36%) said they will have a very limited impact. (fig 9).

Fig 8: How would you rate the overall quality of your company's delivery of mobile products & services to clients?

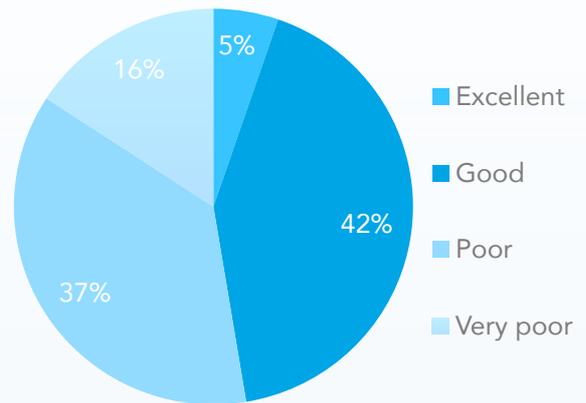
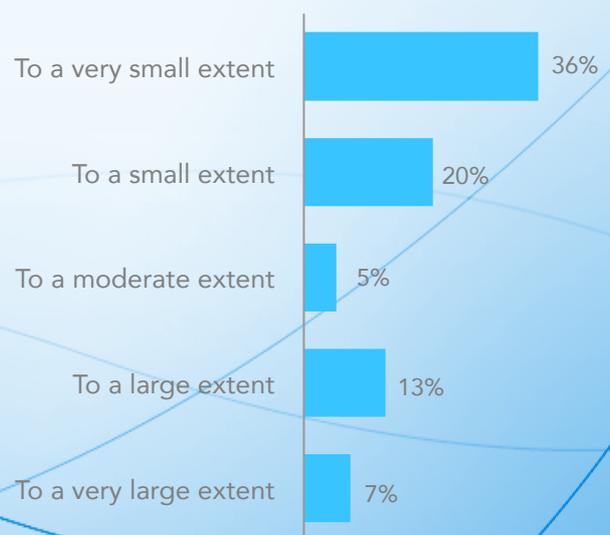


Fig 9: To what extent are blockchain and cryptocurrencies likely to become a part of asset management operations and technological provisions within the next 12-18 months?



# Cybersecurity

Cybersecurity is one of the key issues for businesses, governments and institutions globally; barely a week has passed this year without a report of a cyber attack.

Asset managers are no exception; in the last 12 months, nearly one in five (19%) respondent organizations experienced an IT security issue that affected their provision of service. (fig 10)

Given the industry's critical role in the smooth running of the markets, cybersecurity is currently a key focus for both firms and regulators. With GDPR and the NIS Directive coming into force in the EU in 2018, firms operating or with clients in the region will need to bolster their IT security.

It therefore comes as little surprise that 72% of respondents said their organization plans to maintain or increase their cybersecurity expenditure in the next 12 months. No respondents said their organization has immediate plans to decrease expenditure in this area. (fig 11)

Fig 10: Has your organization experienced any IT or information security issues that have affected the provision of service over the last 12 months?

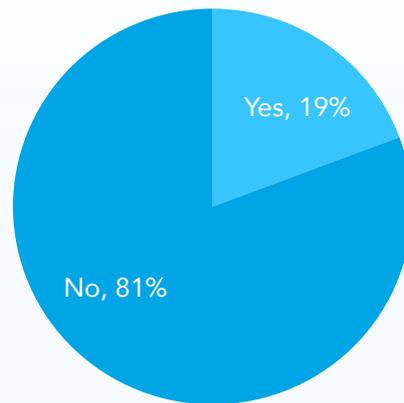
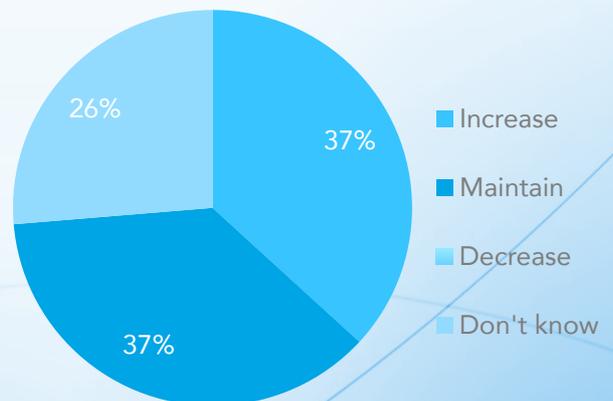


Fig 11: Does your organization plan to increase, decrease or maintain expenditure on cybersecurity in the next 12 months?



# Data elevation

There is widespread agreement among the respondent sample that senior management teams recognize the importance of data and regard its value as an asset. This perception has strengthened over the last year with 72% believing this to be the case now, compared to 63% last year when the question was asked. (fig 12)

As the transformative power of data becomes more widely recognized, firms are making investments designed to unlock its value. Over one-third (36%) said their organization is currently developing a data lake, that will give them the ability to manage big data and potentially derive new insights and improve their operations. This is a sevenfold increase on the number that have already developed one.

With a further 21 percent say their organization is planning to develop one, it seems data lakes are more than just a passing fad and that in time the majority of asset managers anticipate being able to incorporate big data into their operations. (fig 13)

Fig 12: Do you believe that your senior management team sufficiently recognizes the importance of data as an asset?

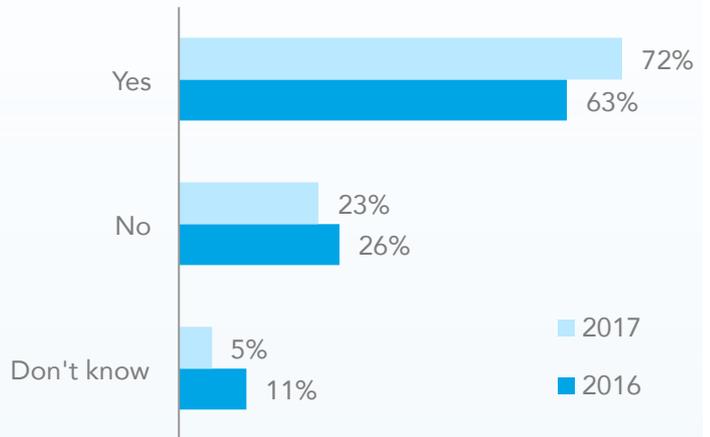
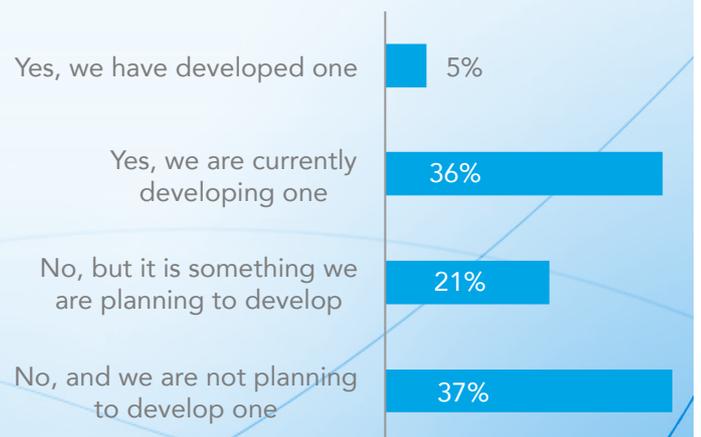


Fig 13: Does your organization have, or is it looking to develop, a data lake?



# Regulatory regime

Understanding the reporting requirements associated with new regulations is the most frequently cited challenge firms have encountered when it comes to regulatory reporting in the last 12 months, with 42% of respondents citing it.

Data issues also figure highly in the list of challenges. More than a third (36%) identified access to data as one of their primary challenges over the last 12 months, while 40% said quality control, of which data forms a large part, has been a key issue. (fig 15)

Despite this, confidence is high about preparedness for data requirements under new regulatory regimes. Only 14% believe their firm is not fully equipped to handle the data demands of the likes of GDPR and MiFID II. (fig 14)

Fig 14: Are you fully equipped for the data requirements of upcoming regulatory regimes (e.g. MiFID II, GDPR)?

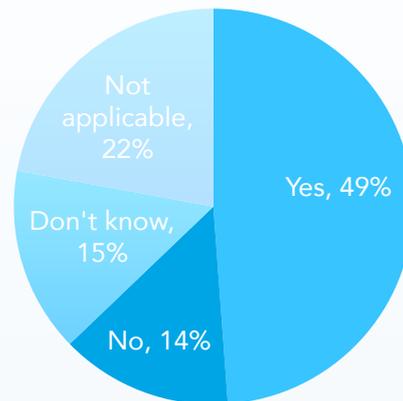


Fig 15: What are the biggest challenges you have faced in the last 12 months when it comes to regulatory reporting? (select up to three)



# Regulatory regime

Despite the optimism over the data demands posed by new regulation, overall many respondents still feel their organization has some way to go to before they are ready for both MiFID II and GDPR.

Nearly one-third (29%) of respondents believe their organization is not yet ready for MiFID II, despite it being scheduled to take effect in January 2018. (fig 16) A similar proportion (31%) say that they are not ready for GDPR, which comes into effect later in 2018. (fig 17)

While there has been some speculation that peak regulation might have passed with the lighter touch rhetoric of Trump, the respondents to this survey are not so confident. An overwhelming majority (82%) believe that the regulatory burden is only set to increase in the coming years, compared with just 2% that believe it will decrease. (fig 18)

Fig 16: Are you ready for MiFID II?

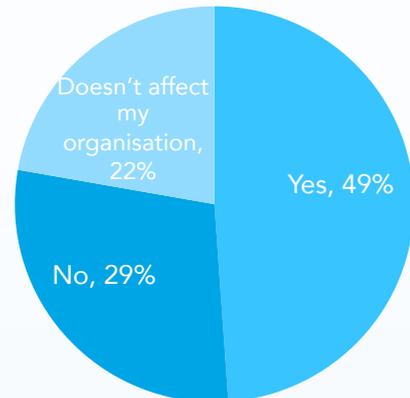


Fig 17: Are you ready for GDPR?

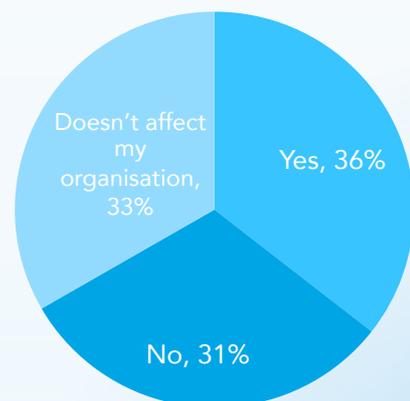
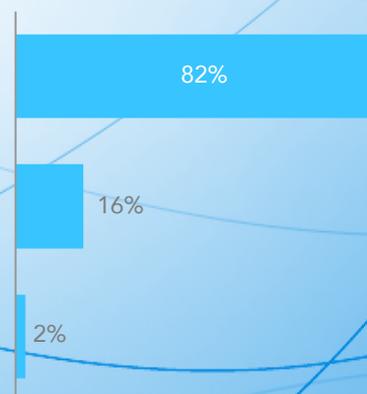


Fig 18: How do you think the regulatory burden for asset managers will change in the next three years?

The amount of new regulatory reporting requirements will increase

The amount of new regulatory reporting requirements will remain the same

The amount of new regulatory reporting requirements will decrease



# Performance

The extent to which performance teams work with their colleagues within the investment team varies by respondent organization. Nearly half (45%) say the two teams work very closely. On the other hand 21% say they don't work very closely and 4% say they don't collaborate at all. (fig 19)

It's a similar story when looking at the integration of performance and risk analysis into the investment process. Four percent say the two disciplines are not integrated at all, while a quarter (26%) say they are very well integrated. (fig 20)

Performance system improvements are a key focus for the majority of the respondent sample. In the last 12 months, a quarter (26%) have updated or consolidated their performance measurement platform, while nearly half (45%) plan to do so in the next 12 months. (fig 21)

There are a variety of reasons for this with 25% looking to improve the quality of their reporting and 22% looking to reduce costs. Thirteen percent of respondents have been forced into a system replacement due to vendor consolidation or the retirement of their existing platform. (fig 22)

Fig 19: How closely does your performance team work with your investment team?

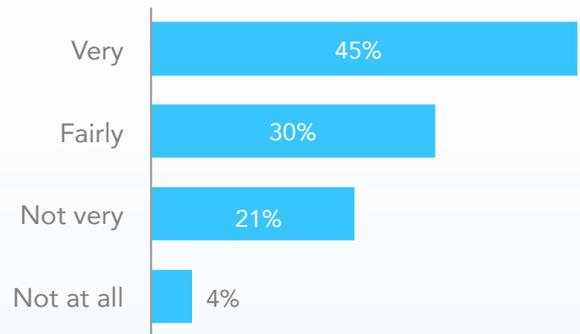


Fig 20: How well do you believe performance and risk analysis is integrated into the investment process?

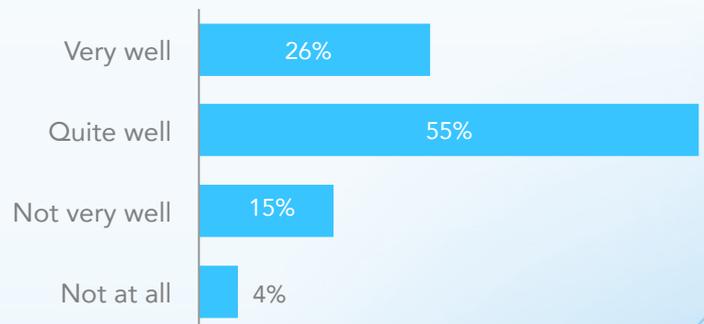
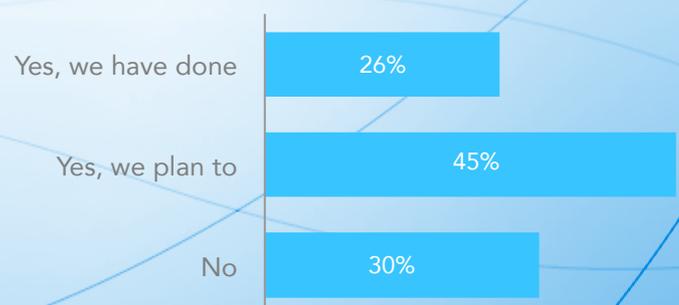
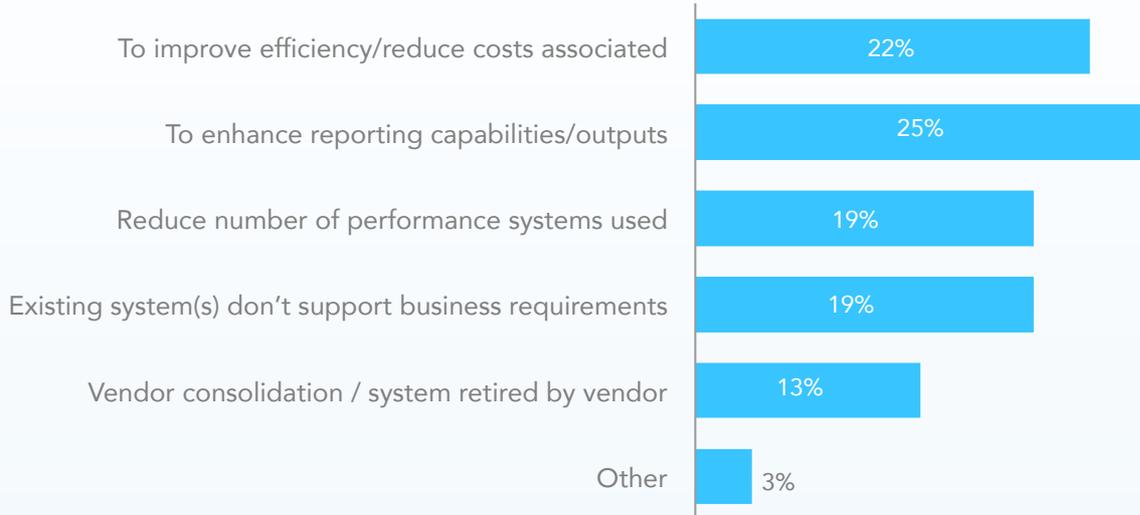


Fig 21: Have you, or do you plan to update or consolidate your performance measurement technology in the last/next 12 months?



# Performance

Fig 22: If yes, why was this?



# Marketing & communications

Asset managers are clearly focused on providing relevant, targeted and useful information to help support their corporate narrative and bring them closer to their audience. Content marketing, cited by 60%, is widely seen as one of the most effective channels for corporate communication, coming in ahead of the company website (58%) and conferences (51%). (fig 23)

Given the perceived effectiveness of thought leadership content, it's not surprising that the most widely produced forms of content are market commentary (83%) and white papers (71%). Multimedia is also a commonly deployed tool, with over half (56%) producing video content and, interestingly, 13% producing podcasts. (fig 24)

With firms look at new ways to get closer to their clients and prospective clients, respondents are generally keen to produce more content across a variety of media. Nearly half (46%) would like to produce more whitepapers and the same amount would like to increase the volume of market commentary produced. Videos, blogs, webinars and podcast are also all popular. (fig 25)

Fig 23: What are the most effective channels to use when telling your corporate story? (select all that apply)

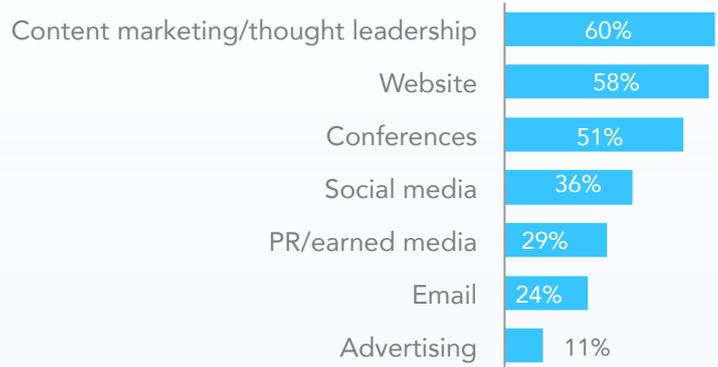
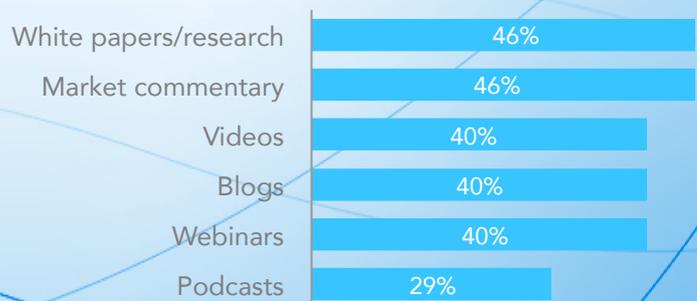


Fig 24: Which of the following types of content does your organization currently produce? (select all that apply)



Fig 25: Which of the following types of content would you like to start producing or produce more of in the next 12 months? (select all that apply)



# Marketing & communications

A broad range of measurement techniques are employed to measure the success of marketing programmes, with leads generation (49%) most commonly used. Website traffic is also a widely used measure (45%) as is client retention (41%). However, nearly one in three (31%) say their company has no formal evaluation criteria in place to measure marketing effectiveness. (fig 27)

It is widely considered that AI technology will impact marketing to some degree in the next 12-18 months. Only 16% believe it will be insignificant while 18% believe it will have a major impact. (fig 26)

Fig 26: What impact will technologies using AI have on marketing in the next 12-18 months?

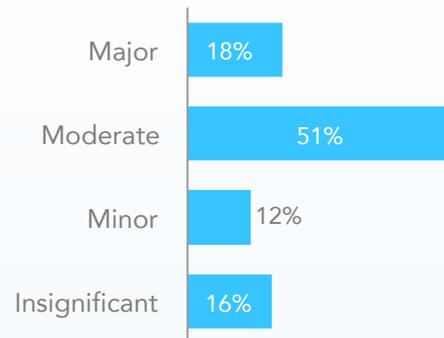


Fig 27: How do you measure the success of your marketing activity? (select all that apply)



# Client communications

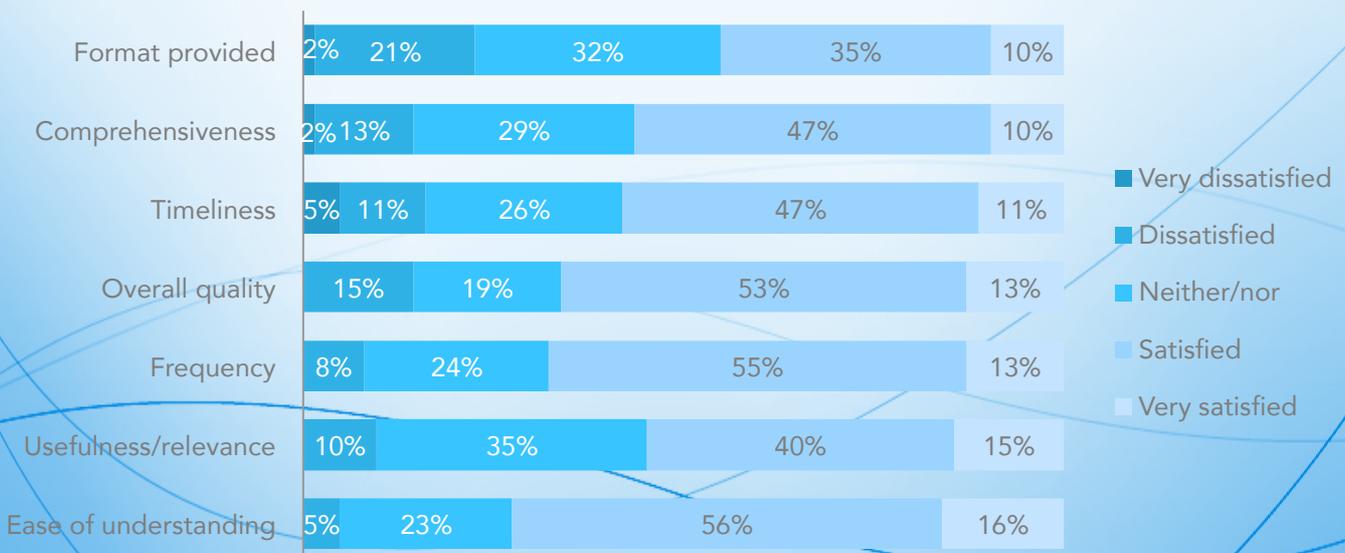
Unsurprisingly, email is the most widely used form of client communication, with virtually all (91%) using it. Face-to-face meetings also feature prominently. Supporting the findings earlier in the report, mobile reporting is not widely used and only 15% are using instant or real time reports. (fig 28)

Few respondents are extremely dissatisfied with the information they provide or are provided with although there is certainly room for improvement. Highest satisfaction is with the clarity and usefulness of reporting, where 76% and 55% respectively describe this as satisfactory to some extent. Highest levels of dissatisfaction are with the format of communications where 23% describe themselves as dissatisfied or very dissatisfied.

Fig 28: Which of the following do you use to communicate with clients? (select all that apply)



Fig 29: Please rate how satisfied you are with the information you receive/ provide to clients on each of the following aspects:



# About

## OsneyMedia

Osney Media is a provider of world class learning and networking events. Specialising within Financial Services, it hosts The Summit for Asset Management (TSAM) - a global series of conferences taking place in New York, Boston, London and Hong Kong. TSAM brings together stakeholders from across asset management and the wider buy-side community, in addition to the industry's leading service and solution providers. Catered for professionals across the value-chain of the business, TSAM co-locates six conferences focused on: Technology & Operations; Data Management; Marketing & Sales Communications; Client Reporting & Communications; Performance & Risk; Regulations & Compliance.

In addition to these events, Osney Media host two key industry groups: The Performance & Risk Association (PRA) and Ops50.

For more information, please contact us at [info@osneymedia.com](mailto:info@osneymedia.com) or call the main switchboard on +44(0) 207 336 4600.

## BackBay Communications

BackBay Communications is a strategic branding, marketing and public relations firm focused on the financial services sector including financial technology companies, asset managers, investment advisors and private equity firms. BackBay takes a brand-centric approach to developing messaging and building integrated communications programs.

BackBay offers a unique combination of content and creativity. BackBay's services include public relations, branding, website development, marketing materials, videos, advertising and social media. BackBay is highly regarded for its thought leadership initiatives and relationships with the major business media. With offices in Boston, London and New York, and international agency partnerships, BackBay serves financial and professional services companies around the world.

For more information, please visit [www.backbaycommunications.com](http://www.backbaycommunications.com).

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