Digitization is rewriting the rules of competition in asset management. Given the speed at which technology advances, a firm without a digital strategy can quickly find itself falling behind and missing opportunities. Staying current with technology is a competitive necessity for institutional asset and private wealth managers. Of course, it entails an investment, but failure to act will likely prove far more costly in the long run. Now is the time to double down on your digital strategy. Here are six critical issues and trends asset management CEOs must confront to address the strategic challenge posed by the digital revolution.
1. New Pressure On Fees And Transparency

Clients are well aware that digital technologies make possible near-perfect transparency, and they will demand more of it. Investors want to know precisely what they’re getting for the fees they are paying and have the power to compare managers. Firms are already feeling the pressure to be more price competitive. In 2014, aggregate average fees globally declined from 50 to 48 basis points, according to the 2015 Performance Intelligence asset management benchmarking survey. And while global AUM grew by 10.5% over the previous year, industry revenue grew only 6.3%.

Global regulation is putting additional pressure on firms to be more transparent. Reporting and disclosure requirements under such regimes as FATCA and Dodd-Frank in the US, AIFMD in the EU, and Canada’s CRM2 means that firms must have systems capable of aggregating and standardizing data from disparate sources. Managers must also be able to demonstrate that they have the controls in place to measure and manage risk.

Meanwhile, client expectations are changing as to how and when they want to receive information. Static monthly or quarterly reporting is no longer enough. Increasingly tech-savvy clients, whether high net worth individuals or institutions, expect instant access to real-time information 24x7, whether through a web portal or a mobile platform. Firms that can deliver on this expectation with a unified, multi-channel, mobile ready client experience will have a decided advantage over those that cannot.

2. Disruptive Technologies

 Yesterday's emerging technologies are now mainstream and are reshaping the investment landscape globally. Forward-thinking firms are turning to online social communities to connect with peers, clients and prospects. They’re using mobile devices to retrieve portfolio data from the cloud and present it to clients in real time. They’re combining big data and analytics to better understand investment performance, their clients and the overall direction of their business. And they’re offering clients the means to interact electronically without the need for face-to-face meetings or in-person calls.

Market In Transition: Asia Wealth Management

As the number of high net worth individuals in Asia rapidly grows, our survey reveals that banks in the region think their technology is not up to standard to meet customer demands for reporting and analytics.

<table>
<thead>
<tr>
<th>Statistic</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Don’t believe their middle office technology is up to standard</td>
<td>85%</td>
</tr>
<tr>
<td>Don’t think their investment management data and analytics meet client expectations</td>
<td>57%</td>
</tr>
<tr>
<td>Say online and mobile accessibility is a priority for improving client experience</td>
<td>62%</td>
</tr>
</tbody>
</table>

Source: SS&C, Digitalisation of banks in Asia: The transformation of wealth management service delivery
Adoption of these technologies, however, has been slow in the financial arena compared to other industries. With almost daily reports of data breaches and identity theft, cybersecurity is a genuine and legitimate concern. Advancements in technology usually outpace the efforts to regulate its use, but the regulators are catching up. SEC exams increasingly focus on what firms are doing to protect their clients’ confidential data from hackers. The challenge for firms seeking to leverage new ways to connect, store and share data is to ensure they, as well as their technology and service providers, have the necessary security safeguards to protect their clients’ assets and information, and to fulfill their fiduciary duties.

### Market In Transition: Outsourcing

Processes will be restructured and streamlined: many middle-to-back office activities will be consolidated or moved into BPO models as core-system platform changes become a priority to improve efficiency.¹

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Description</th>
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<tbody>
<tr>
<td>33%</td>
<td>Rise in operating margins for asset managers that restructured operating models in the downturn²</td>
</tr>
<tr>
<td>28%</td>
<td>Have outsourced business processes or functions in the last 12 months²</td>
</tr>
<tr>
<td>20%</td>
<td>Expect to outsource in the next 12 months²</td>
</tr>
</tbody>
</table>

**Common reasons for outsourcing:**

1. Improve focus on investing
2. Improve efficiency
3. Utilize vendor expertise
4. Meet new business needs, ex: regulatory, operational, etc.
5. Reduce operational costs

**Sources:**

1. E&Y, Global wealth and asset management industry outlook 2014
2. PwC, The art of letting go: Middle- and back-office right-sourcing options for insurance investment management

### 3. Evolving Operational Models

Financial institutions are taking a close look at the operational overhead needed to support their core activities and, in the process, uncovering a big opportunity to drive greater efficiency and cut costs. Many are partnering with their technology and service providers to leverage innovative technologies and devise new, more streamlined processes. Often this entails offloading certain processes to a specialist provider, which helps reduce overhead while allowing the firm to focus more resources on its core activity.

Outsourcing doesn’t have to be an “all or nothing” proposition. Options range from component outsourcing of specific operational processes – for example, performance measurement or reconciliation – to technology outsourcing, to full business process outsourcing (BPO). “Co-sourcing” is an emerging model in which investment managers share resources with third-party providers for specific projects or initiatives in order to improve efficiency.

The challenge here is to avoid having to fit into prescriptive processes and commoditized services with insufficient flexibility. It helps to work with a provider that has the necessary breadth of capabilities to deliver a customizable service package – one that can adapt to your needs instead of the other way around.
4. IT Platform Consolidation

Many institutions have grown their back-office technology infrastructure in a piecemeal, organic fashion to the point where integration is at best difficult and at worst non-existent. Besides creating a drag on efficiency and raising operational risks, coordinating service and support from multiple vendors can be frustrating and time consuming. Firms are rethinking these legacy infrastructures and, increasingly, “one vendor, one platform” is their mantra.

Firms are moving to a centralized IT strategy built around a core platform capable of integrating different software solutions that span the investment management process, delivered by a single provider along with ongoing support across the platform. This helps reduce risks through increased automation and seamless integration, while making it easier to add and upgrade systems as needed. And it means just one phone call for troubleshooting expertise.

5. The Need for Speed

In a fast-moving, dynamic global marketplace, success will increasingly go to firms with a knowledge advantage – those who are the “first to know.” Stakeholders, both internal and external, will want and expect to get information far more quickly in order to make management decisions in real time while monitoring for compliance. Firms will need to be able to process, analyze and act upon large volumes of data in seconds.
6. Increased Competition

Competition for clients, assets and top talent is both intensifying and diversifying. Smaller niche players and boutiques are chipping away at the traditional model. New entrants have the advantage of not being saddled with legacy technologies – they can build their businesses on cloud, mobile and interactive platforms right from the start. And, while the much-hyped “robo-advisor” trend is largely a retail phenomenon, the larger platforms are capturing institutional assets and providing platforms for traditional advisors to deliver an automated alternative to their clients.

All of this adds up to thinner slices of the pie and greater pressure on profitability for established firms. Clearly, increased automation, fast access to data, mobility, multi-channel client interaction, and a streamlined operational infrastructure will be critical differentiators to help firms compete for a more demanding investor clientele.

The clock will not go backwards on digital technology. If anything, the pace of change is bound to accelerate. By investing in solutions and services that have the flexibility and scalability to adapt to change, firms can gain an advantage today and sustain it into the future.

SS&C has a long record of helping financial institutions stay ahead of the digital curve – including the first custom mobility infrastructure built specifically for the financial markets. With a distinctive combination of advanced technology solutions, comprehensive services and operational expertise, we have all the pieces to help you solve the digital puzzle. Our scalable cloud-based solutions and services help take much of the burden of staying current off of our clients’ shoulders. For more information on our complete range of solutions for asset managers, contact SS&C at solution@sscinc.com or 1.800.234.0556.