

Asset management industry viewpoint

What is keeping asset management professionals awake at night?

The asset management industry faces many challenges, including the fight to retain clients and reduce costs in a tough market, the task of developing new investment products, building new sales channels, running efficient operations and complying with a host of new regulations.

It's not always obvious, however, which of these competing objectives is the top priority at firms.

Our user group conferences held this past fall in Boston and London by Bonaire, a Broadridge company provided the opportunity to take the industry pulse. We surveyed our clients, which include leading U.S. and global asset managers, to find out which objectives executives were prioritizing, and which challenges are causing the most trepidation.

We also gained insights into the primary benefits of our revenue and expense management solution, exactly how they were using it, and whether the solution was making a tangible impact on their bottom line. Here are the results.

Priorities and challenges

Top business objective – Innovation

Clients indicated two business objectives of high importance: developing innovative investment products and retaining clients. That's not surprising, given the tough, competitive climate in the asset management industry over the last few years. Product innovation, necessary for asset management firms to differentiate themselves in a crowded market place, narrowly took the top spot with 34% of the votes.

Retaining clients came a close second with 32% of firms naming it as their key goal. Client retention has scored very high in our surveys over the last couple of years, moving up the rankings markedly since 2011.

This year compliance with new regulations took a strong third place on our clients list of priorities, while reducing costs and targeting new market segments were also important to them.

Compliance has remained a key challenge since 2011 due to fast changing regulations, particularly in areas that require improved information management such as the Securities and Exchange Commission (SEC) examinations of intermediary payments and Retail Distribution Review (RDR) in the UK.

Top personal objective – Increasing efficiency and accuracy

The picture was even clearer when responding about their individual business objectives. Increasing efficiency and accuracy won hands down; with 62% clients indicating it is their number one personal priority. This reflects efforts in the industry to move away from error-prone manual and point solutions in key areas of operations such as finance and



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operations, sales and marketing, and compliance. More efficient processes provide firms transparency into their businesses, e.g., in terms of accurate costs and sales trends.

In second place, improved billing and revenue management attracted 28% of votes. One key aim here, of course, is to improve revenue and cash flow by becoming better equipped to handle today's complex fee structures and schedules.

Complying with new regulations and reducing costs attracted fewer votes, perhaps because these are less obvious choices as personal priorities.

Most difficult challenge – Cross-business reporting

The top concern for 37% was the task of bringing together holistic data from all business units for the purpose of cross-business reporting. In many firms, a lack of enterprise-wide data and analytics turns everyday corporate tasks into time-consuming exercises.

Minimizing fee leakage and improving accuracy came a close second, with 31% of professionals naming it as the most difficult challenge they faced. Preventing fee leakage, which includes under and/or over charging of fees, inaccurate invoices and elongated billing cycles, remains one of the most important ways to improve bottom lines.

Allocating revenue and expenses between different business lines and entities came in a strong third, with 24% of the votes.

Technology drivers

Why do firms implement revenue and expense management solution and does it have an impact?

We asked our clients what drew them to us to help manage their business.

For an overwhelming 92% of professionals, the answer was improvements in process and efficiency. Around 25% were also drawn by audit and compliance benefits, and many also implemented our solution to reduce fee leakage.

Crucially, an overwhelming majority of clients said that implementing our solution made a tangible impact on their firm's bottom line (e.g. 88% of 41 respondents who felt able to give a definite answer to this question).

How are firms using our Revenue and Expense Management solution.

Our clients leverage our technology for a range of tasks within a variety of asset management businesses. We asked them which types of fees they were calculating and validating.

A large majority of users (85%) rely on REVPORT to calculate and validate institutional fees (e.g., management and performance fees).

Around 43% of users apply the solution in separately managed accounts (SMA) (e.g., wrap fees and platform services).

Calculation of intermediary fees (e.g. 12B-1 fees), pay-outs and rebates were also cited as common uses. Many of our clients indicated that they had implemented our calculation engine for a variety of other tasks—indicating that they are experiencing a high degree of ease of use and flexibility with our solution.

Looking forward

Leading asset managers indicated that they are continuing to pursue opportunities to differentiate themselves with new investment products and increase business efficiencies by automating key business processes. At the same time, they are struggling to bring together the necessary enterprise-wide data and analytics – all in the light of complying with an ever changing regulatory environment.

We anticipate these trends to continue well into the foreseeable future. Therefore we will continue to innovate in partnership with our clients to enhance and develop new solutions, addressing their priorities and most difficult challenges.

About Broadridge

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