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Improving asset managers' revenue and expense management

Asset managers face many challenges, but one of the toughest and most consistent are the need to avoid fee leakage and improve their bottom lines by managing revenues and expenses more efficiently. As fee types and schedules become increasingly complex and regulators push for transparency, asset management firms are seeking solutions to bring efficiency and control to their processes. Having an automated solution helps prevent fee leakage, which can include the over/under charging of fees, inaccurate invoices and elongated billing cycles.

Many firms do not have integrated, automated revenue and expense management systems, but instead use a significant amount of resources to process invoices and investigate errors manually. This is expensive, both as a day-to-day process and in terms of the cost of billing errors that go uncorrected.

Even some of the largest global asset managers depend on an inefficient variety of legacy systems and spreadsheets, often cobbled together through acquisitions, and have to intervene manually to get the data and make it compatible. One firm, which recently reviewed its expense and revenue management operations, found itself unable to access data from its institutional, retail and private client business by AUM, fund flows, revenue and other measurements. It needed its data to be accurate and timely, with controls, data integrity and audit trails. It satisfied these goals and reduced fee leakage by implementing an automated solution.

At our client conferences, 92% of asset management executives who had or planned to revamp their revenue and expense management system said their goal was improvements and efficiency. Around 25% were also drawn by audit and compliance benefits, and many sought to reduce fee leakage. Of the clients who had already upgraded their system, 88% said it made a tangible impact on their firm's bottom line.

THE IDEAL SOLUTION

An effective revenue and expense management system should allow granular data flows from different business units (e.g. retail, institutional, private client) to be analyzed on a separate as well as a consolidated basis. Automated processes to capture data with controls, data integrity and audit trails should free resources for managers to focus on data analysis, rather than gathering. STP should reduce the need for manual intervention.

While these projects do not necessarily pay for themselves, the actual resource reduction, improved quality and improved access to data can lead to significant savings. The number of full time employees dedicated to information management and fee processing can be reduced. The fee processing cycle can be shortened, improving cash flow and net interest revenue on cash.

Asset managers will continue 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, while complying with an ever-changing regulatory environment. Implementing an effective revenue and expense management system is an important step toward achieving these goals.

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