Coming of Age: The State of Digital Readiness of the Asset Management Industry 2019

Alpha FMC Industry Survey
Summary Findings

Wave 2, June 2019
Introduction & Approach
Introduction & Approach to the 2019 Asset Management Digital Readiness Survey

We are pleased to introduce Alpha FMC’s 2019 Asset Management Digital Readiness Survey findings.

Rationale

Asset Management is experiencing significant change, driven by regulatory, technological and client related elements, Digital Transformation is a key theme which links these.

This survey is designed to be a barometer of how far the industry is progressing with its digital transformation journey.

Scope

We refer to “digital” as a mix of touchpoints, functionality propositions, delivery of data & content – all supported by underlying technology.

We cover nine main areas, from the role and importance of digital and level of digital ambition within organisations, through to the perceived challenges in delivering on these objectives.

Contributors

For the UK element of Wave 2, the responses come from 31 of the top Asset Management firms who collectively manage over £17.15tn / $22.3trn in AUM, operating across markets in UK, EMEA, APAC and the US. This is versus 18 firms in 2018.

Survey respondents have included a mix of CMOs, Digital Directors, Chief Digital Officers and Technology Leaders with a responsibility for Digital.

Findings

This document contains the summary findings. It has been shared with each contributor. The findings are used to help firms assess their competitive position, inform their future strategies and to gain ExCo level support for future investment.
Executive Summary
Executive Summary: Market Context

In 2018, we described the concept of “Asset Management Reinvented” to characterise the way firms were adapting to meet the needs of a digital age. 12 months on, we assessed whether this characterisation played out. In short, the answer is yes.

The 2019 survey findings, and our own experience with our clients, show that the concept of “Asset Management Reinvented” has become a reality. That said, we are also seeing a need for rationalisation across and within AM firms, which is influencing the role that digitisation plays in an AM strategy. To support this, we see:

- **The continued strength of the incumbents**, but who are well aware that they need to modernise and adapt to a changing client & business environment.
- **A shift to focusing on the current and prospective clients** and using digital approaches for a host of activities.
- **A realisation that traditional methods need to evolve** (whether or not that be fund management, distribution, delivery of change etc).

The question is whether this investment in being a digital 1st business can give competitive advantage. This may take a bit more time to play out, but there is a strong belief that working in traditional “analogue” ways will not be a path to success.
Executive Summary: Key Themes

In 2018 we talked about the “Growing Pains” of firms as they seek to move along their digital journey. 12 months on, we have a different picture. Digital as an approach is now more mature within the Asset Management industry and as such the focus and emphasis of activity and spend has shifted. In 2019, we see that Digital is “Coming of Age” in the Asset Management industry.

Market Context
A year of continued change characterised by continued pressure on margins, the uncertainty of Brexit, speculation of M&A and topics like AI, robotics and data privacy dominating the digital/tech agenda in the broader world. Firms looking to achieve economies of scale and reduce costs/protect margins.

Survey by numbers:
- **80%** say that digital is now a top or high priority area
- **75%** say the main digital focus is to improve the client experience
- **#2 rank** for economies of scale as biggest benefit of digitisation
- **55%** say that they are making good progress on Agile adoption
- **82%** say that process automation is a priority

**Client is (or will be) King**
The need to focus on the client and redesign around their expectations remains a strong theme. Improved client engagement / satisfaction remains the highest ranked benefit sought from digital. As a result, the need for effective data & MI to support this is a key theme.

**Culture eats Tech for lunch**
As firms progress along their digital journey, they recognise that changing the ways of working and considering cultural aspects are as (or even more) important than investing in technology. 52% of respondents say digital adoption is culture or organisation led rather than technology led.

**Adoption over innovation**
Firms are being more focussed on their Fintech engagements and related areas are moving to being mainstream. In tougher times, firms are focusing on the ‘here and now’ rather than blue sky. E.g. only 9% of respondents say that the biggest driver of process automation is innovation.

**Digital moves outside of Distribution**
Firms feel they are moving up the maturity curve, with 44% of respondents classifying themselves as Fast Followers compared to 9% last year. The investments they have been making are also yielding results and we are seeing Digital becoming a recognised area within a business.

**Digital for commercial gain**
The commercial upside of adopting a ‘Digital 1st’ model is becoming more prevalent. Firms rank economies of scale as a key benefit. Firms are looking for the holy grail of “faster, cheaper, better” via Agile methods - 92% of respondents use some form of Agile delivery within their organisation.
Executive Summary: Digital Maturity Across the Industry

A year on, the Asset Management industry is making significant progress in its digital transformation journey and we have seen a major shift in how firms gauge their levels of maturity.

- **Last year 57%** of Asset Managers in the sample were ‘Getting Organised’, while only **9%** were ‘Fast Following’.

- This year the ‘Fast Following’ is the most common digital state, with **91%** of these respondents intent on becoming a digital innovator in the next 3 to 4 years.

**Living with the Basics**
- Low level of capability. Not considered strategic priority.
- 6-7 years*

**Frustratingly Fragmented**
- Beginning to develop capability, but in pockets and lags behind other organisations.
- 5-6 years*

**Getting Organised**
- Digital is more focused in the firm and a number of capability areas developed. Active plans to join up and leverage digital technology.
- 5 years*

**Fast Following**
- Strong capability, but still ‘conscious competent’, with scope to progress. Knowingly takes a “fast follower” position.
- 3-4 years*

**Digital Innovator**
- Excellence and best practice is inate – “the way we do things around here”. Seen as industry Thought Leader.

Compared with 2018, we have seen a industry shift up the Digital Mobilisation curve.
**Executive Summary: Where Money is Being Spent**

When looking at Digital Investment in 2018 vs in 2019, the data shows a similar trend in key investment focus. Client experience is the top priority and appetite to use new technology has been maintained. However, automation is on the rise and swift becoming a top priority on the Asset Manager agenda.

<table>
<thead>
<tr>
<th>Last Year’s Industry Focus (2018 weighted ranking)</th>
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</tr>
</thead>
<tbody>
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<td><img src="images/2.png" alt="" /> Driving Greater Levels of Automation Across the Firm</td>
</tr>
<tr>
<td>Defining the role of digital vs other functions. Strong leadership to drive digital journey &amp; improved maturity. Bring new approaches and talent into the firm and have skills that can drive adoption of digital platforms and make use of spend on tech</td>
<td>Use of RPA and improvements in automation and robotics technology means there is the ability to automate manual and semi-manual processes. Areas such as onboarding are examples of where this could be deployed</td>
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<tr>
<td><img src="images/3.png" alt="" /> Surfacing Data In a More Efficient Way Through Digital Channels</td>
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Key Priorities
### Key Priorities that Asset Management Firms are Pursuing

The Digital themes and trends are being translated by Asset Managers into set of priorities. We have defined the urgency by describing these as “Now, Next & Later”

<table>
<thead>
<tr>
<th>Where are firms placing their bets</th>
<th>Why</th>
<th>Who is leading this</th>
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<tbody>
<tr>
<td><strong>1. Accelerating client experience &amp; data initiatives</strong>&lt;br&gt;Focusing on developing personas, client journeys and the associated tiering of clients along with redesigning the service model. Getting the data needed to do this</td>
<td>Stem outflows, help win new business and allocate scarce resources</td>
<td>GDO, CDO, CMO, CDataO</td>
</tr>
<tr>
<td><strong>2. Developing a strategy for automation</strong>&lt;br&gt;Highlighting where automation can play a key role and has the biggest benefit. Doing PoCs or investing in API capability</td>
<td>Focus on cost reduction and removing manual processes</td>
<td>COO, CTO</td>
</tr>
<tr>
<td><strong>3. Redesigning the Operating model – core skills &amp; capabilities to drive digital agenda</strong>&lt;br&gt;Defining the role of digital vs other functions, skill sets to make use of investment in digital stack. Strong leadership to drive digital journey &amp; improved maturity</td>
<td>Bring new approaches and talent into the firm and have skills that can drive adoption of digital platforms and make use of spend on tech</td>
<td>CMO, CDO</td>
</tr>
<tr>
<td><strong>4. Starting or accelerating the Agile transformation journey</strong>&lt;br&gt;Going from agile in pockets to scaling it across the firm in a consistent and effective way. Investment in Senior Leader education</td>
<td>Bring offerings to market quicker and make better use of technology &amp; change resources</td>
<td>COO, CDO or CTO</td>
</tr>
<tr>
<td><strong>5. Investing in technologies which drive agility &amp; commercial edge</strong>&lt;br&gt;Developing a technology transformation approach to include areas such as Cloud, API, Automation, CRM &amp; Sale Enablement</td>
<td>Creating an agile architecture which reduces TCO and enables the firm to develop new offerings quicker. Investing in technology which drives economies of scale</td>
<td>CDO, CTO, COO</td>
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CDO = Chief Digital Officer, CMO = Chief Marketing Officer, GDO = Global Distribution Officer<br>CTO = Chief Technology Officer, COO = Chief Operating Officer, CDataO = Chief Data Officer
4

What to do Next
4 Where to Get Started

There are a large number of areas which Asset Managers can work on, to progress their digital capabilities and maturity. Depending on the firm’s level of maturity, there will be a number of immediate actions which can be taken:

- Create a coalition around your strategy for digital
- Define your target personas and define the client journeys
- Develop PoC or MVPs for new customer journeys
- Assess your Agile maturity
- Targeted automation workshop & use case

Set up a group to create a unified view on how digital can support your firm and use that to focus on a vision for where you want to get to. Also look at the priority areas of investment and which parts of the firm this benefits.

Look at target segment & develop personas for each. Use this to show new ways to interact with these groups and what will make you different to the competition.

Use the PoC or MVPs to define a new way of approaching an issue and also to test a new op model / use of tech for lower cost.

Carry out an Agile maturity assessment. Use this to define where to progress your agile journey and also to stand up programmes in an agile way and start to embed a consistent agile approach.

Pragmatic approach to identifying tangible use case based on data & industry experience. Identify a candidate MVP to take to prototype and use low cost technology to develop.

MVP = Minimum Viable Propositions
PoC = Proof of Concept
About Alpha
An Introduction to Alpha

Alpha is the leading global asset management consultancy, uniquely well-placed to support our clients

A Unique Approach

Unique Position
We bring a unique blend of skills and experience that enable us to consistently deliver successful vendor selection programmes for our global clients

Subject Matter Expertise
Through our unrivalled experience and tried-and-tested tools, we are able to provide our clients with unique knowledge of the capabilities and limitations of the industry’s service providers

‘End-to-End’ Delivery
Alpha has in-depth experience in delivering change programmes from RFP definition and vendor selection through to implementation; we understand your business needs and acknowledge these throughout the project

Optimal Solution

Proprietary Methodologies

Assured Delivery

Proven Approach
Our extensive proprietary methodologies and existing templates enable us to successfully deliver change programmes and solution implementations in accelerated timeframes with reduced risk

No other consultancy can compete with the breadth and depth of our proven expertise in global asset management

About the Company

We currently have c. 200 full-time consultants deployed across 16 locations

We have undertaken work across all major asset management centres, spanning 5 continents and over 25 countries

We have worked with 75 of the top 100 global asset and wealth managers, and the companies who service them – all of our clients may be referenced

We successfully deliver for our global clients by coordinating our local expertise in a seamless global team

Named European Consultant of the Year at Funds Europe Awards 2015 and 2016

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Why are we well placed to help with your digital transformation

We believe we have a strong blend of capabilities and experiences which make Alpha the right partner for you. We know that if you are embarking on your digital journey you need a firm who can blend quickly with your existing team and be able to gain early credibility with a range of internal stakeholders. We believe we have the right mix of skills which allow us to do this, and provide the accelerators needed to hit tight timelines.

<table>
<thead>
<tr>
<th>Alpha’s Accelerators</th>
<th>What do we deliver</th>
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<tr>
<td>Deep Asset &amp; Wealth management experience in UK, Europe, Asia &amp; US</td>
<td>Help in selecting a segment / geography to target</td>
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<td>Ability to draw on digital expertise inside and outside the industry</td>
<td>Taking personas through to the overall client journey</td>
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<tr>
<td>Draw on digital transformation blueprints for rapid mobilisation</td>
<td>Bringing this to market using MVP approach</td>
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<td>Leverage past experience in leading large transformation programmes</td>
<td>Creating an operating model to support new client experiences</td>
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<td>An engagement model which promotes collaboration, cost efficiency and knowledge transfer</td>
<td>Developing plans to scale up &amp; roll out successful initiatives</td>
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<tr>
<td>Alpha is the leading global asset management consultancy, having worked with 75 of</td>
<td>Introduce new ways of working</td>
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<td>the top 100 global asset managers and all major service providers. We have supported</td>
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<tr>
<td>client experience &amp; op model implementations across Europe, the US and Asia,</td>
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<td>developing an unrivalled understanding in this space</td>
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<td>We know how digital works inside an Asset Manager and draw on the relevant</td>
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<td>inspiration from outside the sector. In doing this we can deploy the relevant</td>
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<td>elements within our client’s business which can create a significant shift in the</td>
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<td>client experience.</td>
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<td>Alpha are able to bring a mix of specific experience with similar clients and with</td>
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<td>industry best practice in the areas of client experience design and operating models.</td>
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<td>This prior work will enable us to mobilise quickly and highlight candidate MVPs.</td>
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<td>In doing this we connect business to technology.</td>
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<tr>
<td>Alpha has supported leading Asset Managers on many relevant transformation</td>
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<td>initiatives, such as client persona work, Target Operating Model and Sales</td>
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<tr>
<td>Enablement. This allows us to accelerate our mobilisation and understand</td>
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<td>linkages between your digital priorities and current capabilities</td>
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<tr>
<td>Our blended team engagement model is fast to deploy and works well within your</td>
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<tr>
<td>team, 3rd parties and governance structures. It allows knowledge transfer and can</td>
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<tr>
<td>be more cost effective. Alpha can bring models, frameworks and approaches which</td>
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<tr>
<td>can aid this. This will allow our clients to be self-sufficient in the future</td>
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Our Digital Transformation Offering

We have detailed below the range of activities that we carry out to support firms in their Digital Transformation. This ranges from defining the vision for Digital in a firm, through to executing it in the market. The diagram below outlines the role that Alpha plays in this end-to-end process and also where we draw on services from other 3rd parties. We believe that this model means you get best of breed firms to deliver services rather than relying on a “one stop shop”
Should you have any further questions on the information contained within this pack, please contact:

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