

# Asset Management: *Transformation Is Already Here*

The Industry's Data-Driven Future Has Arrived

The Distribution Game  
Has New Rules

The increased adoption of new technologies is shaking up the way asset managers distribute their products. The pandemic has further highlighted inefficiencies in distribution models and underscored the need for digitalization and innovation. How can managers up their distribution game?

Asset managers must contend with increasingly complex data management and technical infrastructure imperatives (see *Data Determines Destiny* and *Digital Imperatives Dominate*) to survive and thrive in the industry's future. Those underlying topics affect their ability to bring compelling new products to market with emerging investor segments, new asset classes, and changing preferences for investment approaches (see *The Product Lineup is Realigning*).

Fundamental changes in distribution add to the pressure of data and technology's impact. With these changes come new channels and new rules for bringing investment offerings to market.



**Per our analysis, several of the broader industry trends propelling fundamental change in distribution include:**

- Reduced minimum ticket sizes as a result of growing retail distribution.
- Savers shifting to defined contribution pension plans.
- New geographies coming into the investment products arena, including emerging markets.
- Investors shifting towards lower-fee products (such as passive ETFs) and alternatives.
- New product launches that mean asset managers face much greater competition for shelf space with intermediaries.
- Intermediaries reducing the number of products they offer, focusing on players of scale who can offer customizable solutions.

*“Plans to accelerate distribution through enhanced digital standards have been influenced by COVID-19. We’ve had to implement plans earlier than expected, because of social distancing norms and the overall threat to employees. Dealing with the competition at the same time the market conditions are changing has impacted our decisions.”*

**—U.S.-based Chief Investment Officer**

# Changing Channels

## *Will Require New Skills*

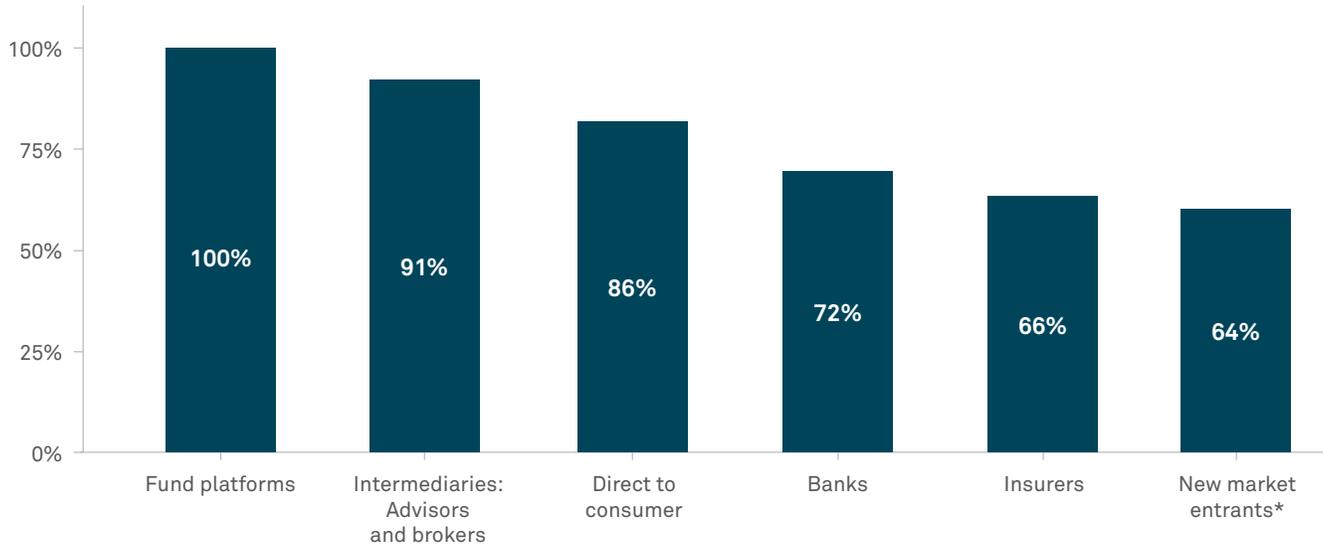
Shifts in distribution channels were already underway before the pandemic, but as we show below, our research suggests COVID-19 has only hastened the demise of more traditional models. We expect self-service and digital platforms to continue to replace in-person meetings with financial advisors even as the pandemic's impacts ease.

In the research we conducted for this series of reports, survey responses of 200 global asset managers loudly echo these trends, as distribution channels look set for a shake-up. Currently, a full 100% of respondents use fund platforms, and 91% distribute via advisers and brokers. Usage of these channels will either increase or stay the same over the next three years.

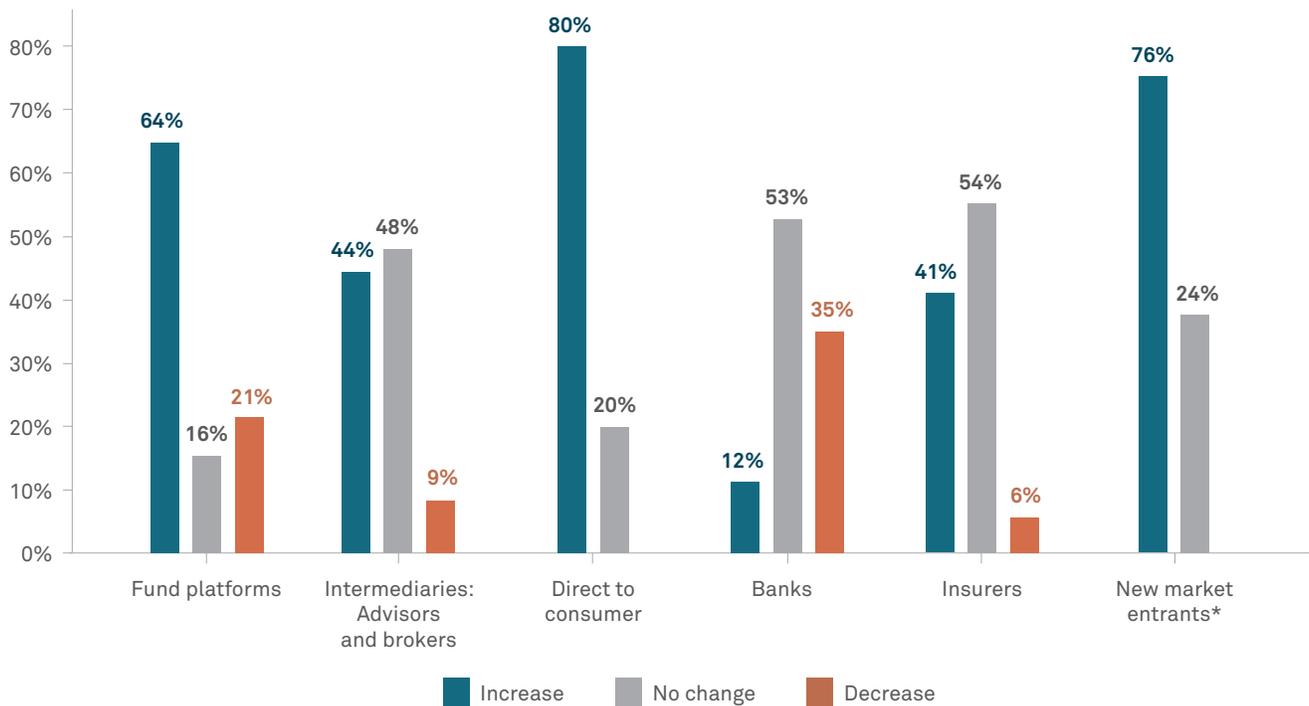
Our research indicates that traditional channels will also sit side-by-side with channels that will experience dramatic growth. Large majorities of respondents expect direct-to-consumer distribution (80%) and new market entrants (76%) to increase over the next three years.

These growing channels present new criteria for success in the market. Attracting new clients will depend increasingly on brand recognition. New investors expect seamless, user-friendly interfaces with a strong focus on mobile access and information delivery with the user experience of social media and messaging platforms. Meeting such expectations goes beyond good interface design; data and technology should also deliver seamless experiences in websites and apps.

## What channels do you currently use to deliver your products to your target market?



## For those channels, do you expect to see an increase, no change or decrease in use in the next three years?



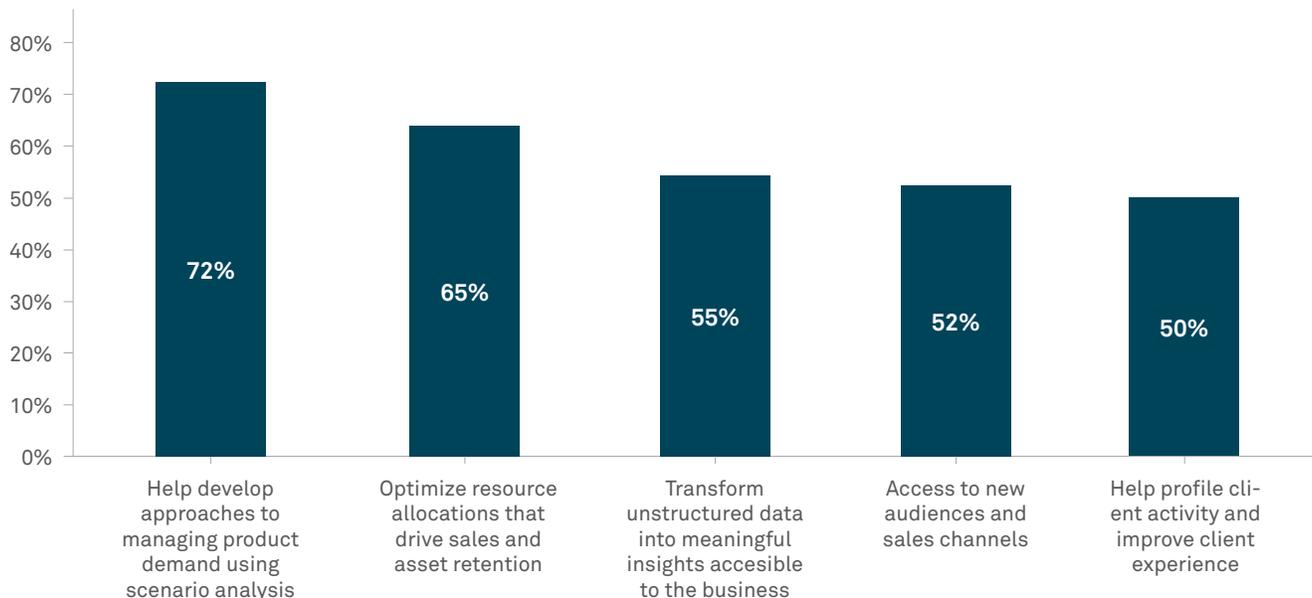
\*Inclusive of fintech, tech and those currently outside the distribution market but are actively looking to access investors.

# Digital, Data-Driven *Distribution*

The increased complexity of using a mix of distribution channels obliges asset managers to hone their digital capabilities at every level. Beyond the investor experience, use of data insights can help to ensure that asset managers can target products and solutions across channels effectively, efficiently, and at lower cost.

As discussed in our earlier chapter on digital priorities (“Digital Imperatives Dominate”), 83% of respondents are seeking to deploy digital capabilities for product distribution, and 66% are doing the same for data analysis and insights.

**Based on your experience, how has or how will technology and advanced data science techniques improve distribution for your organization?**





*“The top trend will be the integration of new digital technology into various asset management functions. Distribution and client management will come to rely on technology for maximum output.”*

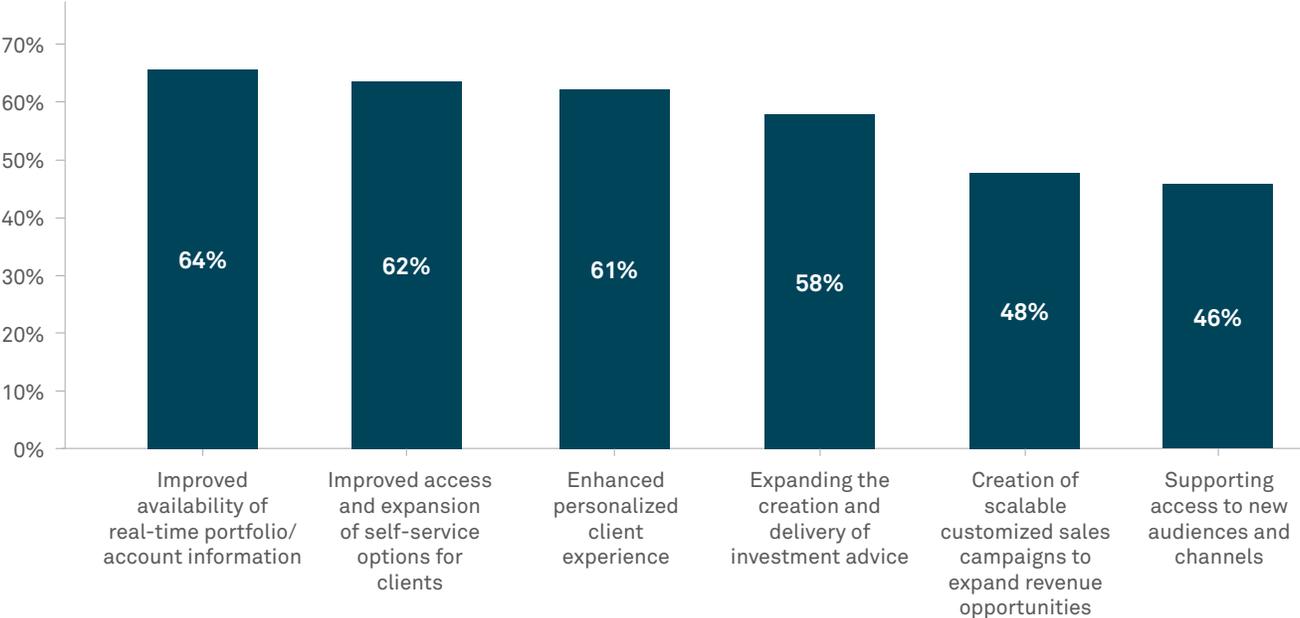
 *U.S.-based CTO*

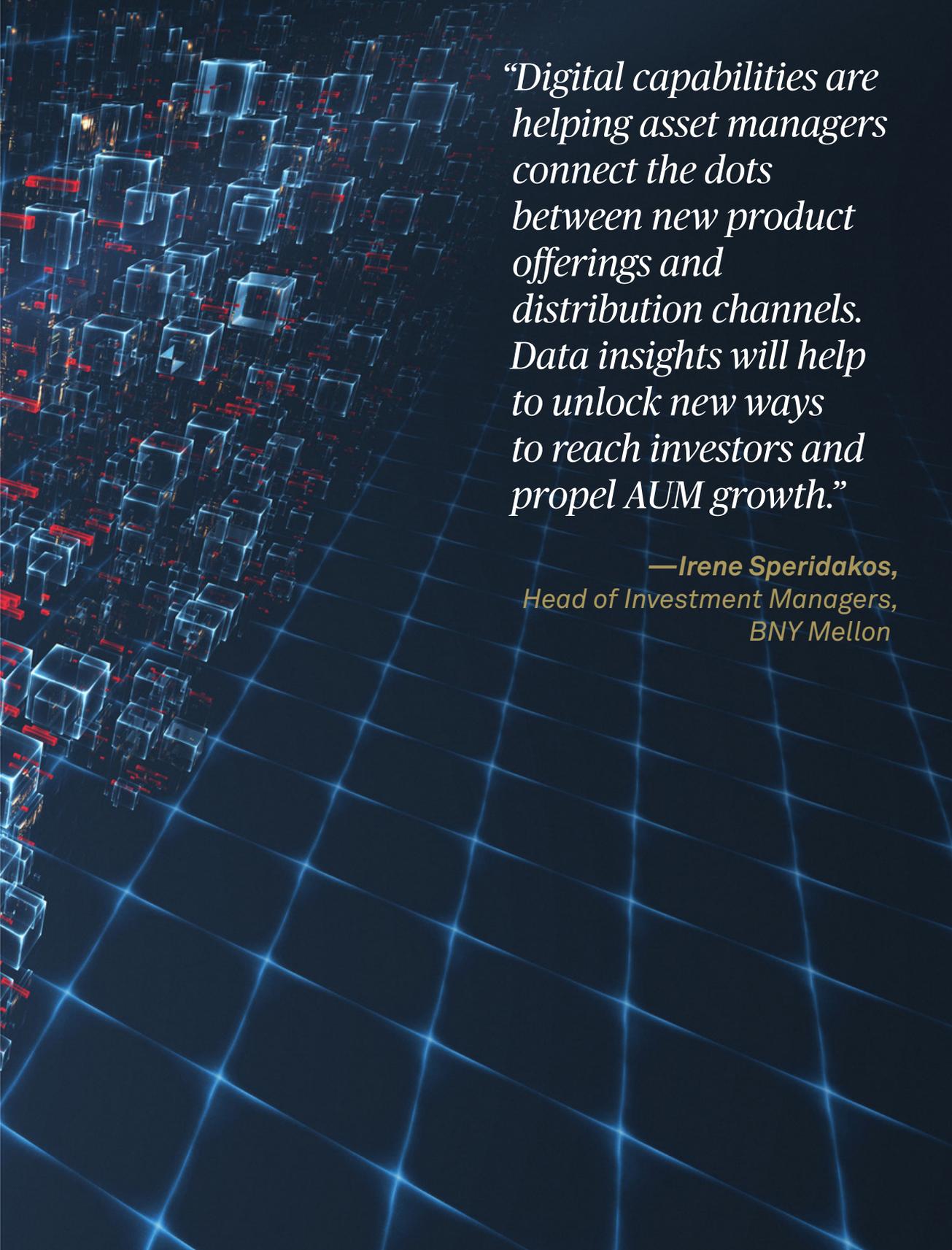
Data science techniques help asset managers create more innovative, more customizable solutions for clients. Nearly three-quarters (72%) of respondents in our study say they use or will use these to help develop approaches to manage product demand using scenario analysis. In addition, 65% say such approaches can help optimize resource allocations that drive sales and asset retention.

The rise of alternatives also entails increased use of data science techniques. Alternatives are less quantitatively driven than traditional investment types. More than half (55%) of respondents believe data science can assist with transforming unstructured data into meaningful insights.

When it comes to supporting distribution through digital channels, survey respondents call out four main areas: improving real-time portfolio and account information (64%), improving access and self-service options for clients (62%), enhancing the client experience through personalization (61%), and expanding the creation and delivery of investment advice (58%).

### In what ways are you planning for your digital capabilities to help drive distribution?



A 3D digital landscape with glowing blue cubes and a grid floor. The cubes are arranged in a perspective view, receding into the distance. The floor is a grid of glowing blue lines. The overall scene is dark with blue and red highlights.

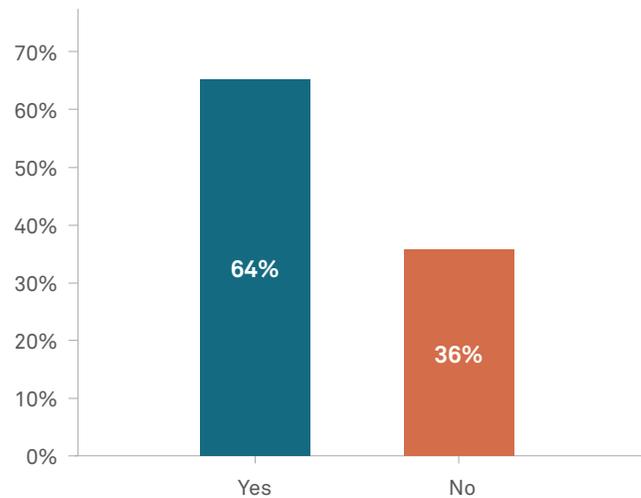
*“Digital capabilities are helping asset managers connect the dots between new product offerings and distribution channels. Data insights will help to unlock new ways to reach investors and propel AUM growth.”*

*—Irene Speridakos,  
Head of Investment Managers,  
BNY Mellon*

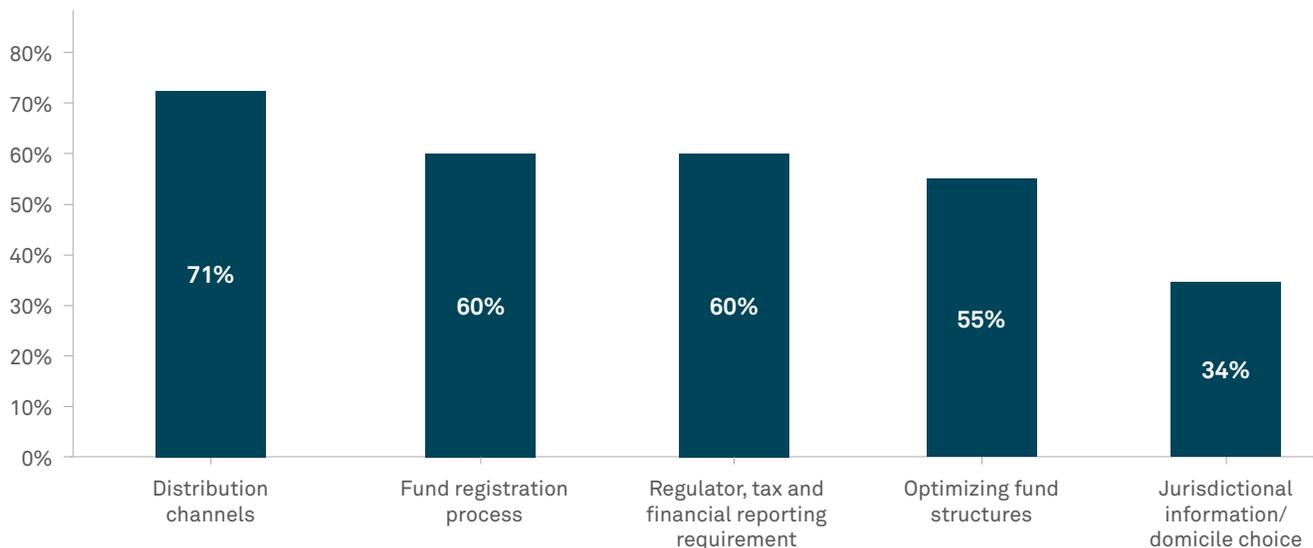
# New Rules *Require Teamwork*

As with other trends covered in our research, asset managers may need to find ways to concentrate their focus onto their core competencies. To accomplish this, they may need access to non-core capabilities through providers that specialize in these areas. Our survey respondents say they are looking to service providers to help them play by these new, technically sophisticated distribution rules. They name distribution channels (71%) and distribution support services (64%) as the most sought-after expertise from third-party service providers.

## Do you expect your service providers to offer distribution support services?



## If yes, within which of the following areas?



Distribution support services can play a significant role in addressing the many levels of newness in the industry. They can also help asset managers tap into new markets and segments and evolve to meet future needs.

In the next and final chapter of “Asset Management: Transformation is Already Here,” we will discuss various approaches to reducing complexity, focusing on core competencies, and working with service providers on their transformation path.

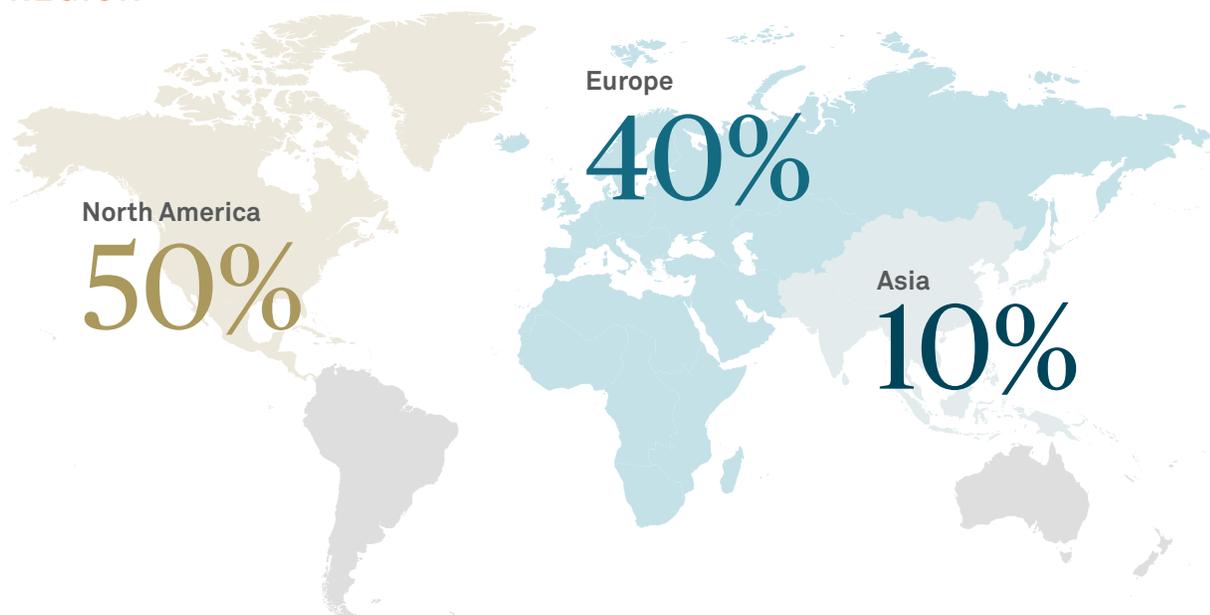
*“The most progressive asset managers are becoming more ingrained in the portfolio construction process so they can offer products, solutions, or sleeves that can add specific dimensions to what financial advisors are trying to achieve. It’s no longer about sales; it’s built around investor outcomes.”*

*—Dennis Kelleher, BNY Mellon*

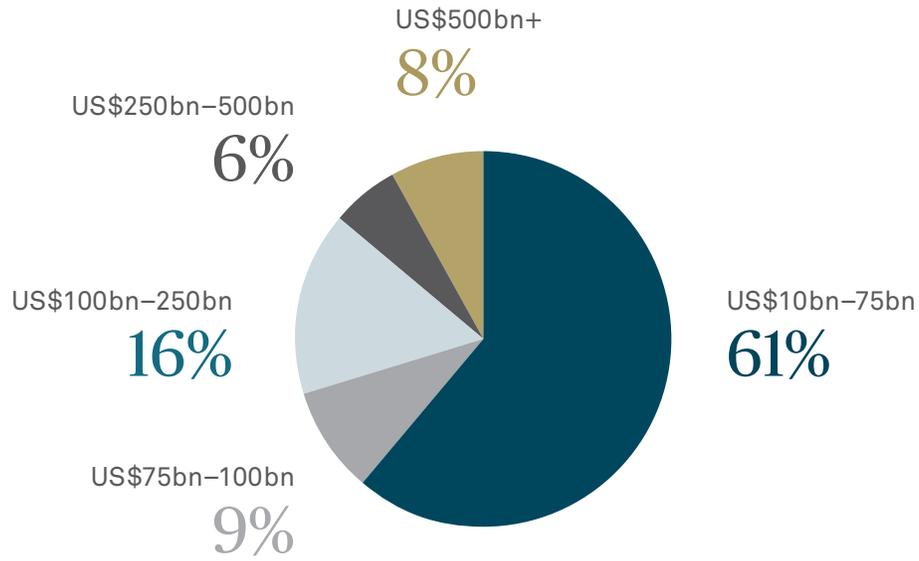
# Appendix: *Methodology*

In the third quarter of 2020, 200 asset managers from around the world participated in an in-depth study of trends and concerns in the asset management space. C-level executives (job titles: Chief Executive Officer, Chief Operating Officer, Chief Data Officer, Chief Investment Officer, Chief Information Officer, and Chief Technology Officer) from firms with at least US\$10 billion in AUM participated in the survey. All responses and participant comments are anonymous. Data is presented in aggregate.

## REGION



## ASSETS UNDER MANAGEMENT



## TYPE OF FIRM



## CLIENT BREAKDOWN



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