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The Future of Asset Management

Business models and strategies for 2025

Executive Summary

Asset management executives are under pressure to accelerate the pace of change within their business while also infusing a change mindset into all aspects of their culture, including both technology and the business.

What will the asset management industry look like in 2025? What changes will we see in areas like brand, product, distribution, operations, and talent? What will be the impacts of leading-edge technologies on strategies, capabilities, innovation, and the customer experience?

This paper contains Accenture's answers to those questions. It is also grounded in Accenture research—based on a recent survey of 250 asset management executives in North America—conducted to more deeply understand where the industry is headed over the next few years. We have synthesized our experience and research to provide asset managers with insights to help them prepare for what's ahead. Or, more accurately, to help them create what's ahead.

Asset managers who are likely to be in the winners' circle in 2025 will be those who understand the arc of today's trends and tomorrow's possibilities and then proactively assemble the vision, strategy and capabilities needed to create their own future.



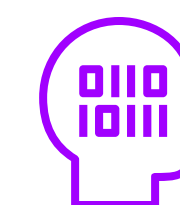
The changing landscape

Investment firms face a rapidly shifting landscape where many traditional products, tools and approaches no longer seem as appropriate or effective as they once were. We see four primary features of this landscape.



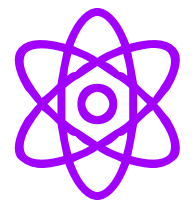
01 Profitability

The good news is that asset managers drove most of the buy-side industry's total revenues (42%) in 2020 according to Accenture research. The not-so-good news is that different profitability dynamics are in play, and a fundamental disconnect exists between the top and bottom lines, and between assets under management (AUM) and revenue. Improving profitability requires a deep-capacity analysis and measurement of the products and services that are driving profits, and then using that data to prioritize the product roadmap, identify areas with the highest profit margins, and assess the value of cost reduction and digitalization programs. Gaining margin would also allow firms to re-direct benefits for investing in future sources of growth and automating production.



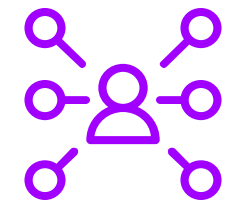
02 Technology

Asset managers have a pressing need to leverage technologies like automation, artificial intelligence (AI) and analytics—not only to realize cost savings, but also for product development, alpha generation and delivering a differentiated client experience. From our survey, we found the biggest gap between vision and reality to be in asset managers' use of advanced technologies. Nearly all respondents (95%) believe that an asset manager's technology, data and digital capabilities will be differentiators in 2025. On the other hand, many asset managers are still in early stages—exploration and prototyping—with many emerging technologies, including AI. Our survey found that 72% of asset managers do not view themselves as leading firms when assessing their digital maturity.



03 Innovation

Even the most advanced technologies are, in the end, just the raw materials from which to create differentiating products and capabilities. What's needed, in addition, are the structures, processes and incentives that can help turn technology potential—based on ideas from individuals, teams and ecosystem partners—into revenue-generating products or services. Supportive processes and organizational structures must be present to encourage constant experimentation and to move innovations along the pipeline. Effective leadership then helps promote a culture of innovation, where practical creativity is accepted and expected as an everyday occurrence, not a one-time or accidental occurrence.



04 Mass customization

Successful asset managers in the future will need to personalize products and services at scale across the entire business to focus on outcomes, values, product preferences and customized communications. In our survey, four out of five asset managers state that “customization for the masses” will be a key growth driver over the next five years. This is partly because alpha is becoming more difficult to attain, so personalized products are emerging as an appealing alternative to low-cost beta investing. It's also because customization can improve the client experience and overall client centricity. Client centricity has traditionally been a narrow focus within the sales and marketing functions, but it is now rippling throughout the organization, and all parts of a firm need to decide how they should react.



Creating the future: Asset management in 2025

What will asset management look like in 2025? Predictions from our survey respondents were wide-ranging:

- “We will have to be more responsive to client needs on the digital level.”
- “The personal relationship with an advisor will erode, and investors will take charge.”
- “We will be mostly cloud-based and AI-operated.”
- “Corporate responsibility will become a global priority. New tools will empower millions globally to participate.”
- “There will be much more active investing and customization, and AI will play a huge role in differentiation.”

Clearly, the pressure to innovate in terms of both technology and client centricity will be intense. The shifting market and technology landscape just discussed, combined with intensifying competition, requires firms to take action across their business.

In this future-oriented analysis, we look at six aspects of the asset management model—not just in themselves, but also as they interconnect and interact with all the others.

01

Brand Strategy

You are who your customers think you are

Almost all of our survey respondents believe that brand is an important competitive differentiator cross-industry (97%). Yet one-fourth of respondents (26%) thinks that the market doesn't currently see their company's brand and purpose as being distinct from other firms.

Given the growing importance of market differentiation, asset managers should clearly define and differentiate their brand and purpose, conveyed through activation of that purpose. To do this, firms will need to distinctly articulate—internally and externally—the compelling story about their mission and values to customers and employees alike. This articulation should also align the corporate purpose to their customers' purpose. Such alignment, communicated across stakeholders, means that all parties will be focused on customer goals, as supported by a company's distinct positioning.

By taking these steps, the activation of brand and purpose can then be measured by how clear and easy it is for customers to achieve their goals—as well as by other brand measurements (customer performance indicators, brand tracking surveys, key attributes and brand's impact on AUM).

97%

of asset management executives see brand as an important competitive differentiator.



02

Product Strategy

Investor expectations are changing

We found that 74% of our survey respondents affirmed they are considering expanding their products and services outside of investment products. And 83% agree that their firm is actively looking to expand into new investment products and strategies. Part of this expansion will be fueled by hyper-personalization, as customers look for products and services tailored to their specific goals and timelines. For example, a retail investor might have different investment urgencies depending on whether the goal is short term (purchasing vacation property) or long term (funding retirement or saving for college tuition). Other customers may be driven by the desire to invest primarily in businesses with sustainable practices.

Traditional funds may work for some investors, while others could want personalized, separately managed accounts (SMAs) with customized investments. Institutional investors may also seek solutions that are packaged especially for them.



03

Sales and Distribution

Make the leap to hyper-relevant customer experiences at scale

Asset managers of all types and sizes identified product distribution as an essential part of overall transformation. In fact, 91% of our survey respondents intend to transform their product distribution value chain within the next five years. Improving product distribution will be even more critical as firms expand their ability to sell directly to consumers. One concern is that, although transformation of distribution will require advanced technology capabilities, fewer than one-third of surveyed asset managers (28%) said that their firms have fully embraced new digital advancements such as technology platforms across the organization.

Achieving true client centricity depends on reimagining client interactions and building trust. Asset managers should do more than just communicate more effectively to their end-customers. They should transform the entire end-to-end sales and distribution model, up to and including client interaction. That requires breaking down technology and organizational silos across sales, marketing and distribution so that these different functions can collaboratively create and deliver a seamless client experience.

91%

of executives intend to transform their product distribution value chain within the next five years.



04

Investment Capabilities

New technology, new alpha

New technology capabilities will be especially important for firms on their path to scalability, including the ability to innovate while incorporating fintech capabilities. These capabilities can help firms adapt quickly to evolving products and services, including those that are highly customized.

AI, analytics and alternative data at scale will play a prominent role in an asset manager's toolkit as a route to better returns. Today though, 74% of firms are still in the planning and experimenting stage, or are performing small, targeted AI deployments. About one-fourth (26%) are already scaling. By 2025, that number should be up significantly. Technology will be key to ensuring that firms' capabilities can adapt quickly to evolving products and services, including those that are highly customized, and that they can flex to support any investment strategy or asset class of the future. Although it may be difficult now to find success stories where alpha is attributed solely to AI, that could change as firms find that the benefits of AI in the front office are real, measurable and significant.



05

Investment Operations

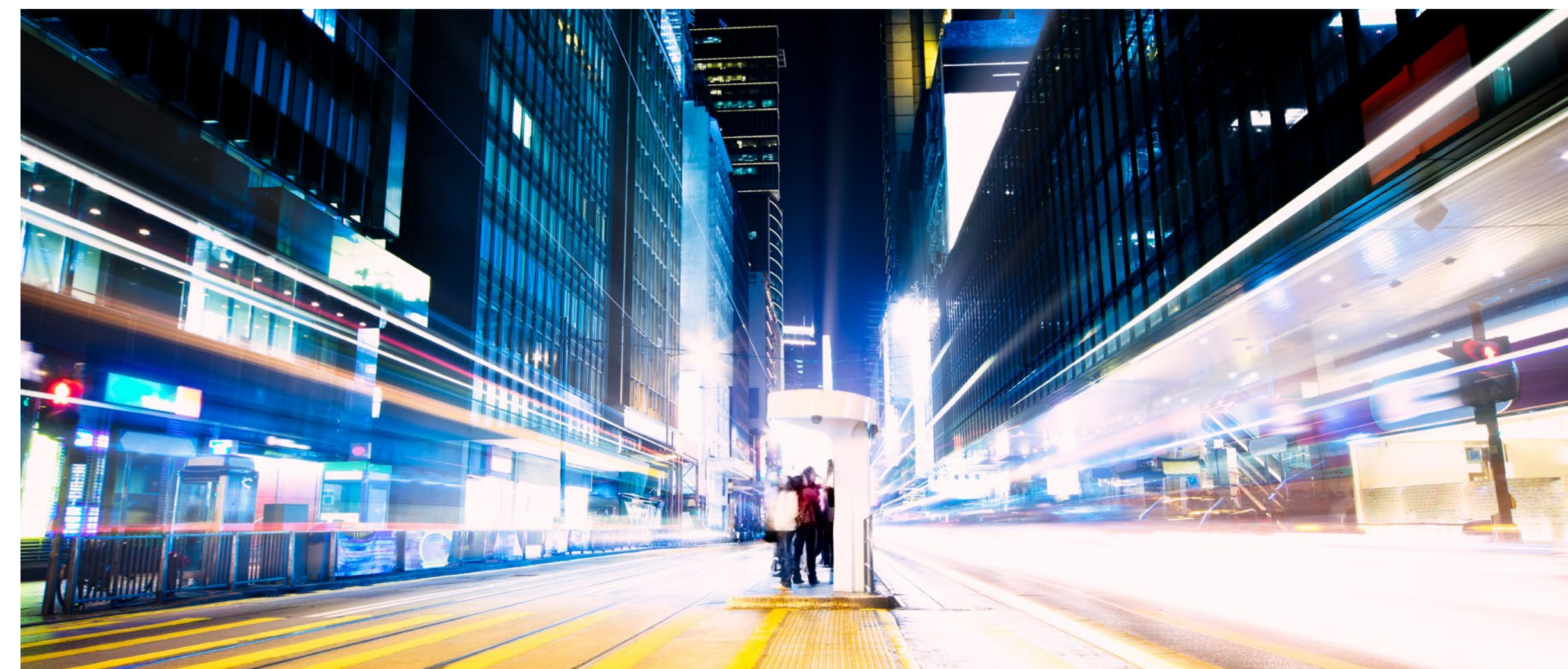
Build an intelligence engine for your business

The asset management landscape seems to be evolving faster than firms' ability to operationally adapt, putting pressure on firms to implement flexible, scalable operations and technology. More than four-fifths (85%) of the firms we surveyed believe that asset managers need to radically restructure and redefine investment operations to focus more on competitive differentiators. Standard operating models will face significant disruption over the next few years and will increasingly focus on client-centricity, services, risk and oversight.

Regardless of the product mix, operating models should flex and be fit-for-purpose. Globally consistent operating models that promote automation and scale are a must-have. Intelligent investment operations can create a best-of-breed innovation technology engine and deliver value-generating, customer-centric processes.

85%

of executives believe that asset managers need to radically restructure and redefine investment operations to focus more on competitive differentiators.



06

Talent and Culture

The people to differentiate, the culture to thrive

Rapidly changing customer and employee expectations, amplified by the rapid pace of technology evolution and regulatory change, demand an urgent response to workforce, culture and organization impacts. The leading asset managers of the future will reinvent how they allocate tasks, structure job roles, augment workers' creativity and expertise with technology, and develop the skills of their people for the digital age.

As AI is woven into the mix, and as front- and back-office roles and responsibilities evolve, firms will be able to rethink competencies and move beyond traditional workforce models. If asset managers can design systems that effectively blend people's skills with automation, they'll be able to devise disruptive business strategies, empower people to cope with increasing complexity in the workplace, and enhance the customer and workforce experience.

Firms also need to infuse a change mindset into all aspects of their culture, including both technology and the business. This mindset goes beyond program delivery and into areas such as how people are hired, trained and rewarded, and how they collaborate with vendors, partners and clients.



Thriving in this moment will require ambitious leaders who are not content to simply return the business to what it was, but willing to up-end convention and invent their future.

Boundless opportunities exist for asset managers willing to break from the mentality of “that’s how we’ve always done things” and become part of **crafting what comes next.**

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About the research

Accenture conducted field research across the United States and Canada in late 2020 to better understand asset managers' priorities for today, tomorrow and into 2025. We surveyed 250 senior executives at asset management firms—including institutional, retail, alternative and hedge funds. The survey included 17 of the top 25 asset managers globally. The executives were evenly aligned to one of seven business functions: investment management, operations, marketing and brand, technology, product, distribution and strategy.

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