Data and analytics
A new battleground in the investment industry

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In the new age of 'big data', we are learning quickly that more is not always better. The businesses that thrive will be those that use their data intelligently to capture game-changing analytics and insights. By optimising their data and analytics strategies, they will use these insights to create innovative solutions — transforming big data into smart data and gaining a competitive edge.

Leaders and laggards

Recent research shows that 9 out of 10 institutional investors view data and analytics as a key strategic priority.[1] But many are not able to give their data the attention it deserves. In fact, this research, which included more than 400 institutional investors globally, revealed that the industry is divided between data leaders and data laggards. The data leaders strongly agree that data and analytics capabilities are a source of competitive advantage, while the data laggards are struggling to reap the full potential from their data.

Here are a few of the ways data leaders are widening the gap:

- Nearly half of data leaders (47%) see investment data and analytics as their most important strategic priority, compared with only 27% of data laggards

- 72% of data leaders express a high level of confidence in their ability to integrate performance analytics with risk analytics, compared with only half of data laggards

- Data leaders are more confident in their ability to optimise electronic trading strategies (65% vs. 53%)

- 70% of data leaders express a high level of confidence in being able to generate forward-looking insights from their data, compared with only 42% of data laggards

- One-third of data laggards say the complexity of managing data distracts key employees from focus areas, while this is a challenge for only 7% of data leaders

Being a data leader is not easy and does not happen overnight, but it is increasingly a defining factor for gaining a competitive advantage

The difference between data leaders and data laggards is not one of power, but of paralysis. It is one thing to have technology that can collect and crunch endless streams of data; it is quite another to turn information into actionable insight. Financial institutions have a huge opportunity to collect, manage and analyse data in ways that benefit investment decision-making, regulatory compliance and risk management, to name a few. And the right technologies can reduce costs, increase efficiencies and improve performance.

The good news is that firms recognise these advantages. According to our survey, 86% of respondents have increased their spending in data and analytics over the past three years. For 11% of firms, this increase in investment has exceeded 20%.

Action plan

So we know that firms are prioritising data and analytics and even investing in these areas, but where should they focus their investments if they want to join the ranks of the data leaders? What does state-of-the-art technology infrastructure need to deliver?

Our research identified five key actions:

- **Improve multi-asset-class risk tools**
  The need to drive up investment returns in a low-interest-rate environment has encouraged parts of the investment industry to diversify into new assets. Many alternative assets have very different risk profiles from the traditional investments that dominated institutional investor portfolios in the past. So, one of the key challenges of operating in this multi-asset world is building a coherent view of risk and performance across portfolios with a much more complex set of assets.

- **Develop better tools to manage regulation**
  A wave of regulations such as Dodd-Frank, Solvency II, Basel III and AIFMD are causing institutional investors to overhaul their IT systems and rethink their reporting processes and trading strategies. Complying with even one of the major regulatory initiatives can be costly and onerous, but the bigger challenge is keeping pace with the regulatory regimes across multiple jurisdictions. Managing this complexity across a global footprint requires extremely flexible reporting systems.

- **Manage and extract insight from multiple data sources**
  Integration issues are often the key barrier preventing institutional investors from achieving their data goals. They are also one of the biggest frustrations with traditional vendor solutions. One option is to bring data into an enterprise data warehouse—essentially a repository where data is stored in a way that makes it more accessible and easier to analyse across the enterprise.

- **Optimise electronic trading platforms**
  Significantly higher trading volumes have led to an explosion of data and market participants are struggling to translate that data from noise into language. The ability to act on investment strategies and insights rapidly is a key consideration for the overall IT architecture. This is why many data leaders are investing in order management systems/ execution management systems (OMS/EMS). The goal going forward is to integrate trading solutions to support near real-time decision making across multiple asset classes, as well as to capitalise on trading opportunities and minimise costs.

- **Develop a scalable data architecture**
  Institutional investors need flexible data infrastructure that can keep pace with evolving client needs and new regulations. They also need to manage new asset classes, complex mandates and offshore assets. Modular, flexible solutions that grow with the business are ideal.

To the point:
Being a data leader is not easy and does not happen overnight, but it is increasingly a defining factor for gaining a competitive advantage.
The time is now to make sure you are extracting the greatest measure from both speed and information—creating customised insights and solutions in real time. These advantages will be the edge that differentiates the successful organisations in the smart data revolution

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