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Casey Quirk: Asset Managers That Don’t Serve New Institutional Buyers Will See $770 Billion in Outflows by 2021; Firms That Do Will Attract $1.5 Trillion

NEW YORK and DARIEN, Conn., May 3, 2017 — According to new research from asset management strategy consultancy Casey Quirk, a practice of Deloitte Consulting LLP, asset management firms that continue to focus on their legacy institutional product offerings without enhancing their sales and service models will face more than $770 billion in outflows through 2021. Those that transition their capabilities to serve “new” institutional buyers, however, could see twice that amount, or $1.5 trillion, in inflows during the same timeframe.

According to Casey Quirk’s research, asset managers must serve a broader set of buyers such as defined contribution, sub-advisory, family offices and certain retail investors to attract new assets. And, they will likely have to change their sales structures and strategies to work effectively with these emerging buyer groups because incremental steps will not be enough to differentiate offerings in this saturated, competitive environment.

A Casey Quirk survey of 92 asset managers across the United States and Europe conducted at the end of 2016 shows that despite changes, overriding environmental factors are eroding both economics and productivity of asset management sales representatives. According to the firms surveyed, gross sales per sales representative fell 31 percent institutionally and 20 percent on the retail side from 2013 to 2015, while firms continued to spend more money on institutional distribution, an increase of 14 percent during that three-year period.

For firms seeking to expand their European footprints, many will change the way they cover that market. Currently, 32 percent of the companies surveyed employ local salespeople on the ground across Europe, whereas others either fly in and out from a U.K. base or offer a hybrid of the two. In the future, 47 percent expect to cover European markets locally.

“There seems to be hope that proactive and nimble changes today can mean emerging as a winner tomorrow,” said Jonathan Doolan, a principal with Casey Quirk. “Longer term success will likely require meaningfully different approaches to brand development, client segmentation and sales education supported by robust technology. Although these changes will require expense, firms should consider pursuing them strategically so they don’t break the bank as they reposition for growth.”

Additionally, one way asset management firms are seeking to increase margins amid substantial fee pressure is by instituting performance-based fee models, which hedge fund firms have used for many years. In Europe, 35 percent of the survey respondents currently use performance-based fees, and 47 percent expect to within the next five years. In the United States, those numbers are even starker: 33 percent use them now and 63 percent expect to by 2022.

Casey Quirk says among the additional strategies winning firms should consider are:

- Delivering value-added services such as risk management, asset allocation or custom big-data analytics
- Building differentiated products to compete in an increasingly commoditized marketplace
- Becoming a corporate buyer, seller or independent specialist
- Reallocating capital proactively

About Casey Quirk
Casey Quirk, a practice of Deloitte Consulting LLP, is a leading management consultancy that focuses solely on advising asset management firms. Casey Quirk was established in 2002 and acquired by Deloitte in June 2016. The firm has advised a majority of the 50 largest asset management organizations worldwide, including eight of the top 10. Casey Quirk provides senior leadership teams with broad business strategy reviews, investment positioning and strategy consulting, market opportunity evaluations, organizational design, ownership and incentive structuring, and transaction due diligence. For more information, please visit www.caseyquirk.com.

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