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News Release

Investor Demands Compel Asset Managers to Upgrade Distribution Technology: Casey Quirk

NEW YORK and DARIEN, Conn., March 20, 2019 – Asset managers are increasing their investments in distribution technology in response to client appeals for customization, according to a new white paper from Casey Quirk, a Deloitte business and a leading strategy consultant to the asset management industry.

Forty percent of firms surveyed in 2018 by Casey Quirk expect distribution technology to be a priority, against just 14 percent in the previous three years.

The sector spent $2.2 billion on distribution technology functions alone in 2017, according to the firm's white paper *Distribution 2.0: How Technology Will Redefine Relationships With Asset Management Clients*. While the average firm budgets roughly 6.5 percent of its total distribution expense on the technology supporting this function, leading asset managers in this area are spending close to 11 percent. Those lagging behind are spending 5 percent or less of their distribution budgets on such technology, according to Casey Quirk.

"Investors, be they institutional or individuals, want more personalized advice, custom solutions and proactive communications from their fund managers, and industry firms are finally mobilizing to meet the challenge," said Jeffrey Levi, Casey Quirk principal and co-author of the white paper.

"Strong investment performance is crucial, but no longer sufficient to stand out from the competition and respond to the increased investor demands for customization," Levi said. "In virtually every investment category over various time periods, more than 25 firms are producing top-decile and benchmark-beating performance, and that's often not enough to be considered for hire."

To compete, Casey Quirk says successful firms will invest in three layers of distribution technology:

- A repository to gather, organize and centralize client data from disparate sources
- An analytics engine that uncovers unique client preferences, including how clients want firms to engage with them and what type of customized content will resonate the most

- Applications that provide services and real-time information to clients across different investor segments globally

While the top third of asset managers are spending in excess of $50 million annually on distribution technology, the median spenders are in the $5 million to $30 million range. The budget for the lowest third of those investing in distribution technology is under $1 million a year, on average, according to Casey Quirk.

Yet a financial commitment in this area is only loosely correlated to firm size, Levi said, and only a few of the highest spenders on distribution technology initiatives are among the largest industry firms.

The firms that have emerged as technology leaders are embracing new concepts of how sales and client service generate new clients and how to retain them, Levi said. These concepts include using digital content to understand client preferences and applying portfolio analytics to provide clients and prospects with unique portfolio insights.

Increasingly, these firms are hiring talent from outside the asset management industry, experts in areas such as digital marketing and data science, to infuse fresh thinking as they seek to advance the technology that supports distribution.

"All else being equal, firms that are investing in distribution technology are seeing stronger organic growth in assets under management—up to 2 percentage points annually—than the median spenders," Levi said. "That suggests firms with comparable investment strategies and performance who invest in Distribution 2.0 are at an advantage."

Data cited in this paper and its exhibits, unless otherwise indicated, come from several Casey Quirk research initiatives conducted with partners, including the annual Distribution Benchmarking surveys across the United States and Europe; U.S. retail intermediary surveys; and the Performance Intelligence financial benchmarking survey of asset managers in the United States and Europe.

About Casey Quirk
Casey Quirk, a business 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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