Investment isn't enough.

How to maximise value from your technology.

Goodacre
CONSULTANCY - EVENTS - RECRUITMENT - TRAINING

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Executive summary

About the research

Our report highlights qualitative insights based on a survey conducted with over 100 senior representatives from the UK regulated wealth and investment industry in July and August 2019. The responses were based on a range of technology from different providers in the industry.

The global demand for financial technology has experienced staggering growth over the past ten years, which is not expected to slow any time soon. This demand is being driven by regulatory changes within the financial industry and changing client demands.

As a result, many financial services businesses are rethinking their business strategies and considering how technology can help them meet their objectives.

Potential benefits of technology investment include reduced cost, improved efficiency, higher productivity and enhanced client satisfaction. All of which should, in theory, culminate in superior financial performance.

This report sets out to establish whether wealth and investment management businesses are investing in new financial technology and, if so, whether the investment they have made is generating the expected outcomes. This report details the results of the survey and highlights what can be done to achieve the best return on technology investment.

Right technology but more to do

The research shows that the majority of companies believe they have the right technology in place (78%). However, there is an overall dissatisfaction with current systems, even amongst those who invested recently.

Half of those surveyed acknowledge they still have work to do to enable users to get the most from the technology they currently have. This upholds the view that the way in which technology is adopted and used in businesses is key to driving optimal outcomes.

Lack of systems integration - main dissatisfaction

The main reason for dissatisfaction amongst respondents is around a lack of integration across systems. This indicates an appetite for business-wide technology and either replaces existing systems entirely or works alongside them.

The second-biggest inhibitor to investment was lack of knowledge about the technology available. Therefore, developing an understanding of this is vital, especially when looking to address integrations with other systems.

Brexit - not a barrier to investment

Though Brexit is taking over the narrative across a number of fields, it is expected to have little impact on the anticipated purchase of technology by wealth and investment firms in the UK.

Over half of the respondents made no new investment during the past year (non-investors). However, 75% of them say Brexit will have no effect on whether or not they purchase technology, with most planning on investing in the near future.

Improved workflow - a key driver of investment

While regulation and client demands were the greatest drivers for investment, improved workflow also rated highly. It tops the list of what respondents consider technology to be important for (both now and in the future). This is not surprising given the levels of dissatisfaction expressed with system integrations.

Operational efficiency - primary outcome

Those surveyed who have invested in new technology within the past year (recent investors) said the new systems have had a transformative impact on their front, middle and back office operations. Operational efficiency was also anticipated to be the greatest benefit of any investment made by the non-investors in the future.

Strategy and leadership inhibiting investment

The research shows that overall, a lack of direction from leadership is the greatest obstacle to investment in new technology.

This coupled with the dissatisfaction expressed by respondents, demonstrates that investment alone is not enough to reap the best return from technology, which begs the question: what can be done to maximise outcomes.

Financial technology - industry outlook

Financial services firms are currently facing a number of challenges including a low interest environment, Brexit, and increasing regulation. As a result, many are seeking new ways to meet their performance objectives.

Although earnings by financial firms have been largely flat, analysts note that 2018 saw a sharp sector-wide de-rating, the sharpest in the past decade.*

However, companies like TransferWise, Revolut, Monzo and Plum have shaken up the banking sector, showing the power of robust technology.

*Goldman Sachs

From an investment perspective, technology has long played a solid role in back-office operations, supporting monitoring, valuations and transfer agency services. There are some industry players however, who understand the value technology can bring and they are starting to see opportunities further up the chain into middle and front-office operations.

Globally, total investment in financial technology has more than doubled from 2017 to 2018, climbing from US$50.8 billion to US$111.8 billion respectively. In the UK, investment accounted for £3.3 billion of last year's total, and this year it surpassed the £3 billion mark by July 2019.

The Financial Conduct Authority (FCA) has been supporting progress in technology through Project Innovate, launched in 2014. In April this year, the FCA published a report detailing the support it has provided to 700 firms over the past five years.

While this paints a picture of an industry committed to digitisation, there are many who have not engaged with new technology - and for those who have made the leap, many questions remain: Are they satisfied with the technology? Where have they experienced the greatest benefits? Do they believe they are getting a good return on their investment?

Satisfaction with current technology

78% of the companies surveyed believe they have invested in the right technology. Responses received were based on a range of technology from different providers in the industry.

However, around two thirds are dissatisfied with current systems. Most notable were the concerns of the recent investors. Although this group show faith in technology, 64% expressed dissatisfaction with their new systems.

Even amongst those who said they are satisfied with their technology, over half do not believe it is used enough to justify the investment made.

This level of malcontent demonstrates that although companies are investing in technology, they aren't necessarily reaping the full benefits it has to offer; the research reveals several reasons why this is the case.

> **"Almost two thirds of businesses are dissatisfied with the technology they currently use."**

System integrations
50% of the dissatisfied respondents say they are frustrated by too many systems that do not integrate. This is a common problem and not insurmountable as the technology landscape shifts towards being more modular and interoperable.

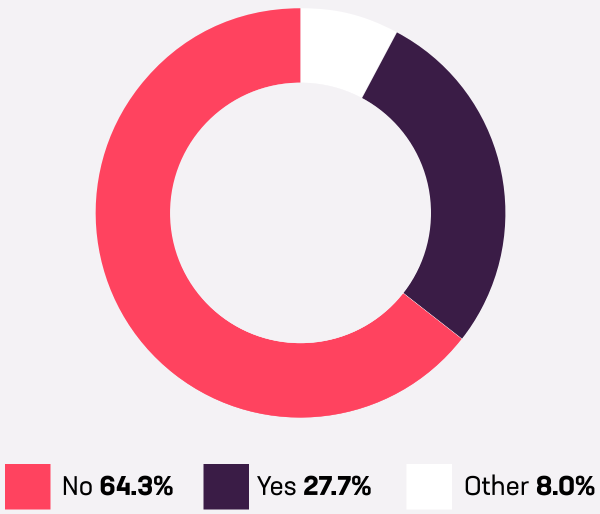
Purchasing a core platform for the business, be it a portfolio management system or other platform type, then integrating the tools required for specific business needs is critical. Businesses should seek out providers that offer scalable core platforms.

Technology to support business growth
Most companies say they have enough technology to support business growth with only 28% being dissatisfied. While this is positive news, satisfaction can be undermined where companies don't understand the technology or have the skills to use it effectively to support their growth objectives. This underlines the importance of user training and maximising the capabilities of the software.

> **Companies aren’t reaping the full benefits technology has to offer.”**

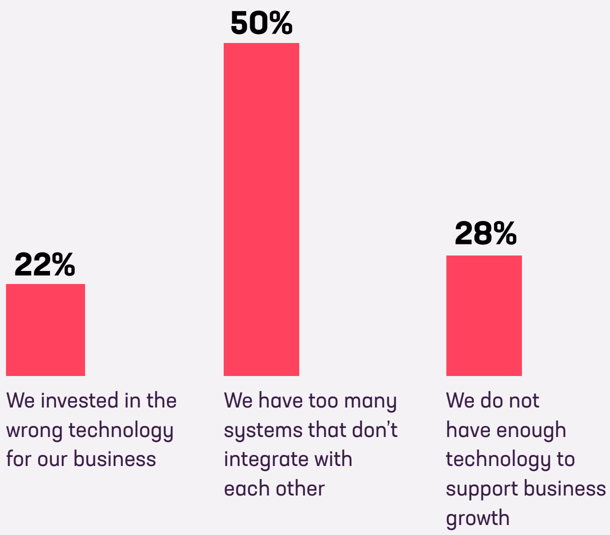
Satisfaction with current technology

All respondents



Reasons for dissatisfaction

All respondents



Internal expertise

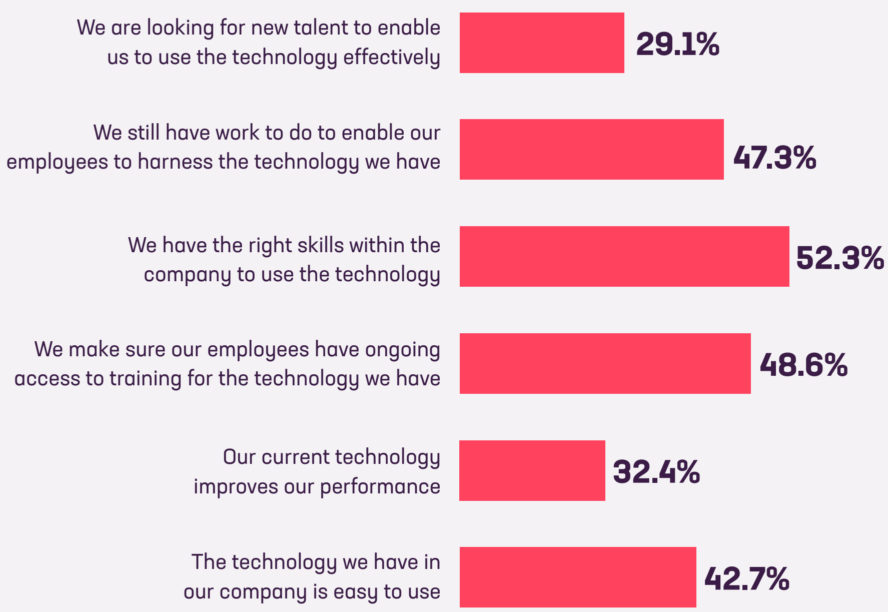
Almost half of those surveyed acknowledge they still have work to do to enable users to get the most from the technology they currently have.

Only 52% of respondents believe they have the right skills within their company to use the technology available. To compound the issue, just under half of companies ensure their users have access to relevant training. Additionally, less than a third of companies (29%) are looking for new people to help them combat this skills gap.

Without investment in training, users are unable to use the technology to its full potential, often creating manual workarounds which may not be necessary and resulting in fragmented workflows. Overall, the findings support the conclusion that dissatisfaction is being driven, not necessarily by the technology itself, but by how it is being adopted and used within businesses.

Technology sentiment

Percentage of all respondents in agreement



Barriers to investment

Respondents who have not invested over the past 12 months understand the value of investment in technology, the business benefits, and the transformation it can bring, with 74% planning to invest in the near future

It is evident, however, that a number of concerns have stopped them from taking this step, and these need to be overcome.

Lack of clear direction
Over one-third of all respondents say that a lack of clear direction is their greatest obstacle when it comes to investing in technology.

Most important to successful technology investment is a committed leadership team. Before technology is even a consideration the business requires a clear strategy to inform technology decisions - too many businesses focus on the tools first and risk getting distracted.

Keeping business goals in mind allows firms to determine what the technology needs to deliver, before seeking the solution. Clear requirements can be drawn up for the business to agree and the technology partner to work to, ensuring that any implementation is thorough and integral. Without this, the return on investment expected will not be realised, feeding dissatisfaction.

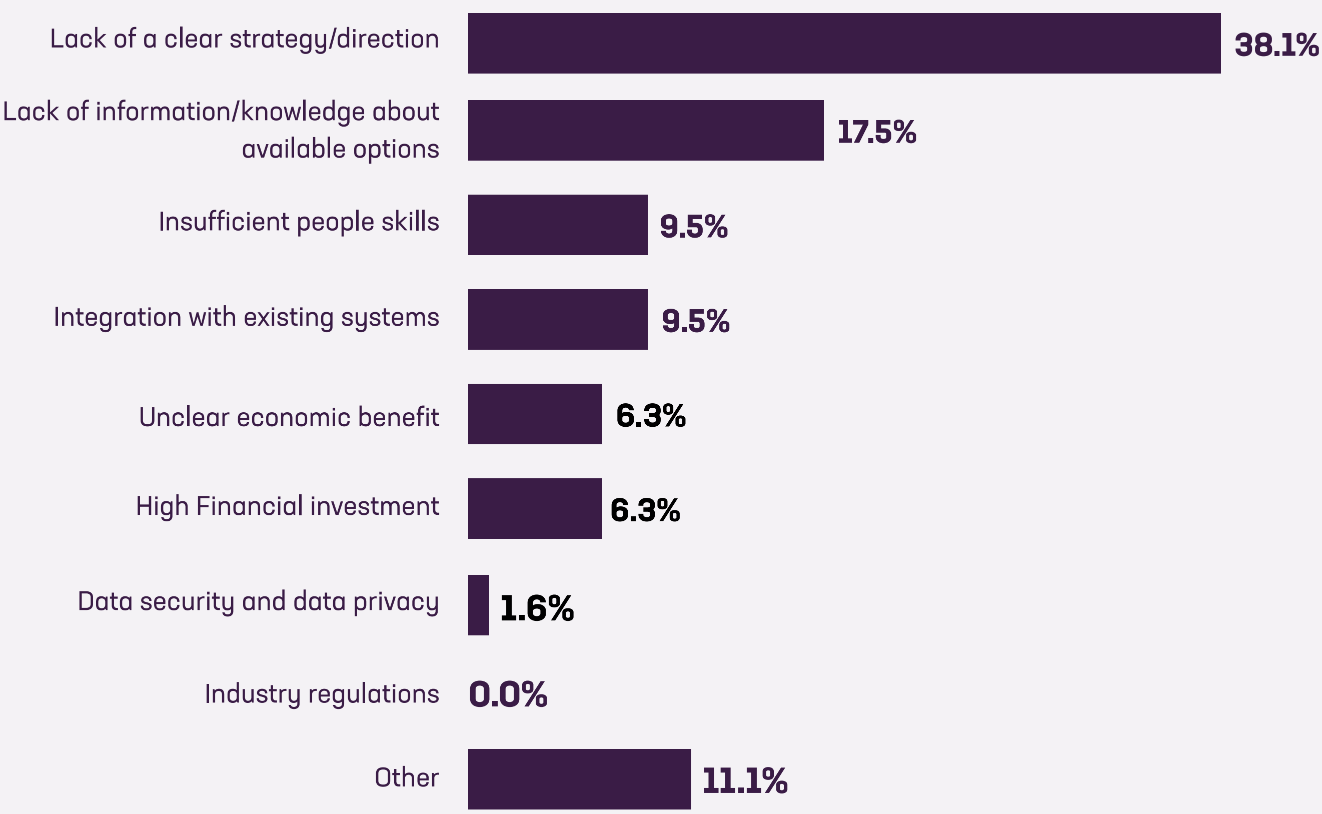
Lack of information
While a lack of strategy is the biggest inhibitor to investment from an internal perspective, this is closely followed by a lack of information and knowledge about the available options.

This response shows the industry would benefit from increased education and training around developments in technology and how they can be best applied to financial services businesses.

> **"Put technology to one side and focus on your business strategy."**

Biggest inhibitors of technology investment

Non-investors



Key drivers of investment

Regulation, regulation, regulation
For both the recent and non-investors, industry regulation and compliance is the biggest driver for investment. This is expected given that several regulatory changes are already in place with others soon to be introduced, increasing the onus on financial firms to be transparent and accountable.

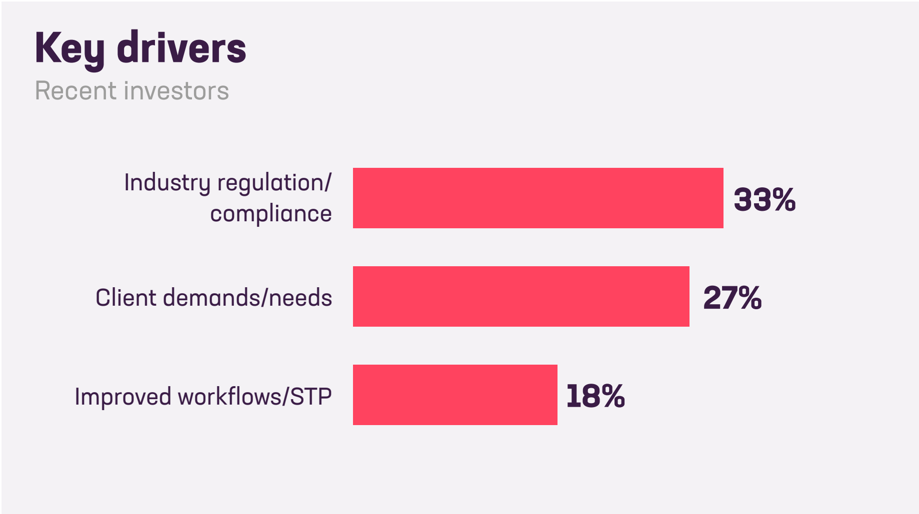
Clients
Client demands and needs was the second highest driver for investment by the recent investors - a stark contrast with those yet to invest, where it was not seen as a driver at all.

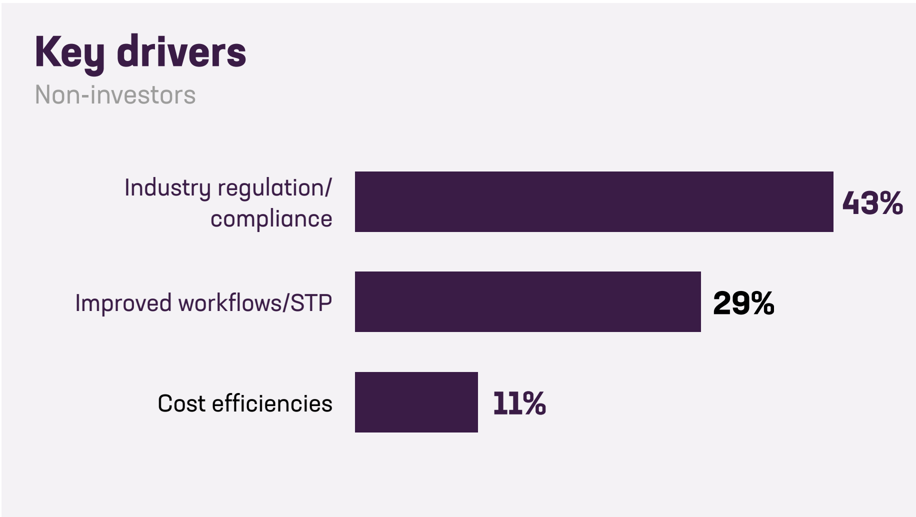
It is possible that leadership within the non-investors businesses do not consider client needs as top priority while they strive to address the impact of so much regulatory change. Getting the basics right in terms of compliance and workflow may be more of a concern when compared to the recent investors.

This is certainly supported by the data when comparing expectations of the benefits of technology. The biggest increase in response to the question of where technology would be important in the future, was in the segmentation of clients, which moved from being judged as moderately important now, to extremely important in the future.

It may also be that some of these companies are simply not aware of how beneficial technology can be in improving client experience, given that a lack of information was cited as a key inhibitor to investment.

Whatever the reason, client demands for quick access to real-time information, succinct explanations of their portfolios and better customer service should not be ignored. The recent investors are leading the way in implementing technology in an effort to meet these needs but the technology alone will not suffice. Those who will succeed and grow will be the businesses who put the client at the heart of their business strategy.





Improved workflows
A third of the non-investors are looking to technology to support improved workflows and straight-through processing, with the recent investors also rating this highly as a key driver for their investment. This is to be expected as, outlined earlier in this report, a key reason for dissatisfaction with current technology is that there are too many systems which don't integrate with each other, making workflows disjointed and inefficient.

Expectations about the benefits of technology

What are businesses using their technology for?
All respondents rated improving workflow as the most important use for technology, and one which could alleviate much of the dissatisfaction for those who say their technology is not fit for purpose.

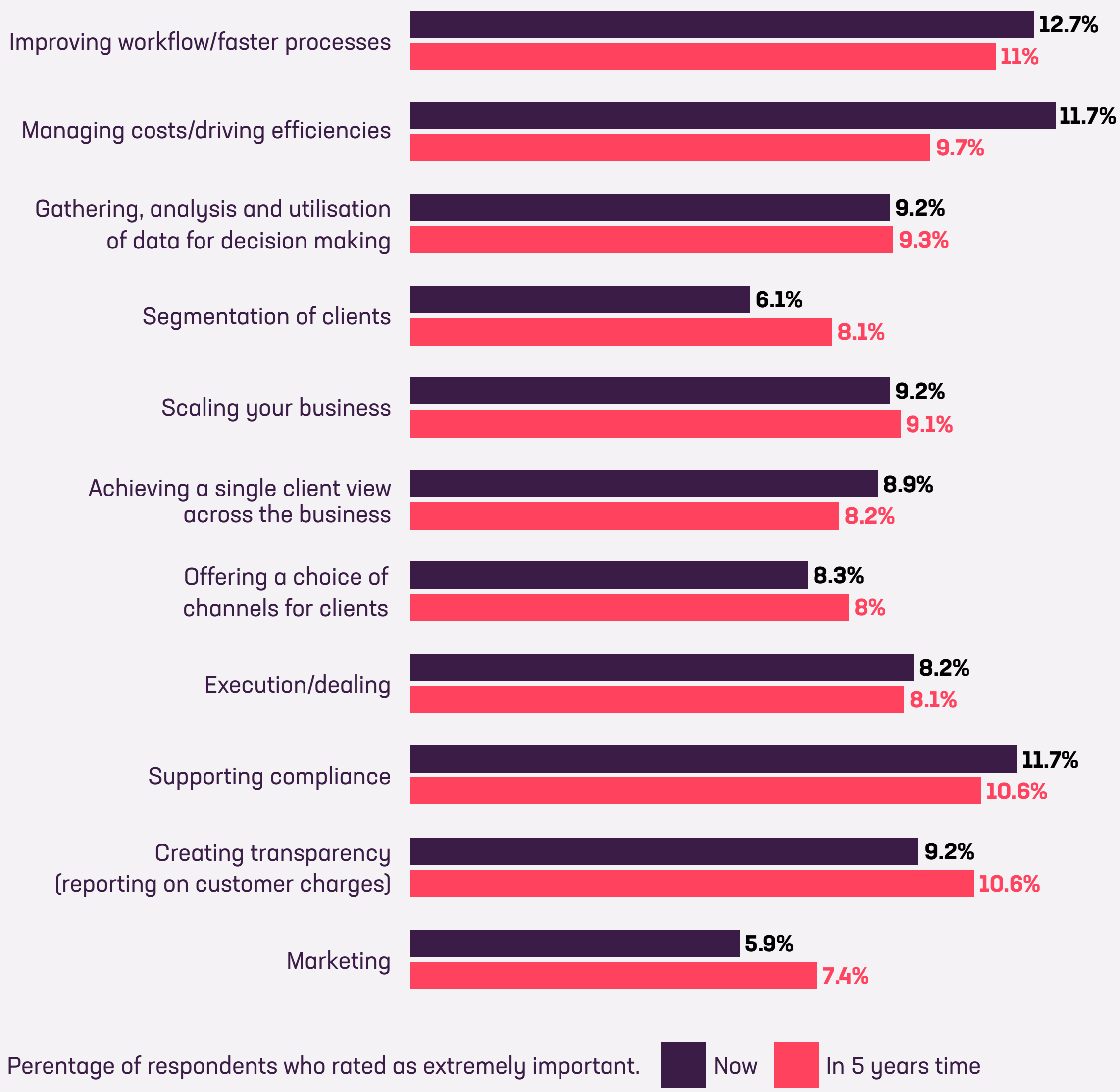
Creating transparency and supporting compliance are the next most important uses for technology both now and in the future. With new regulations raising monitoring and reporting requirements, and the financial industry witnessing a sharp increase in transparency and compliance demands, the role of technology to streamline these processes will be considerable.

Looking ahead, managing workflow also remains important with professionals believing technology will play a key role in driving efficiency and keeping costs in line. Price competition has been on the rise and, with the increasing use of passive investment products, investment runs the risk of being commoditised. Therefore, in a highly competitive market, using technology to manage costs can help firms gain an advantage. New regulations have also seen a rise in the cost of compliance and investment firms are, as a result, charged with improving performance to make up for the additional expense.

The biggest increases in technology usage are anticipated to be for segmentation of clients, creating transparency and marketing. This indicates that firms understand the future benefits of technology but their current priorities are to use it to improve their operations and meet regulatory obligations.

Importance of technology

Technology is extremely important for...



How quickly are businesses seeing a return on their investment?
Amongst the recent investors, one-fifth of respondents are already seeing a return on their investment, which has almost been immediate. The largest percentage of this cohort expect to see a return on their technology investment within two years. A further third say they will reap the benefits over the course of two and five years.

The non-investors expect any new investment to show results within a year. With only a fifth of the recent investors seeing a return in the first year, it is important for companies to be realistic about their expectations. This is especially the case where businesses have not had recent experience of implementing systems; any new step may need time to demonstrate its value.

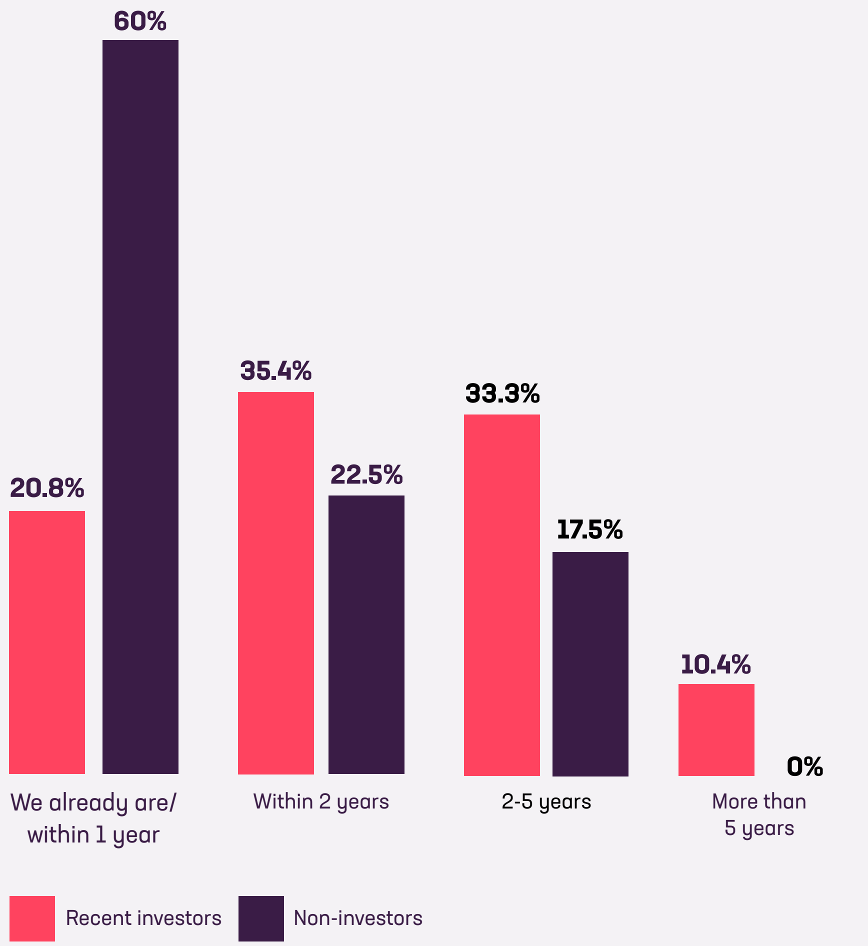
Where is technology making the biggest impact?
The recent investors reveal that the most considerable impact technology has made is in bringing about operational efficiencies. This is in keeping with their feedback that the greatest transformation is in their back-office with their key driver for technology investment being industry regulation.

Back-office operations, when compared with front-office, tend to be more amenable to automation due to a higher number of standards and processes.

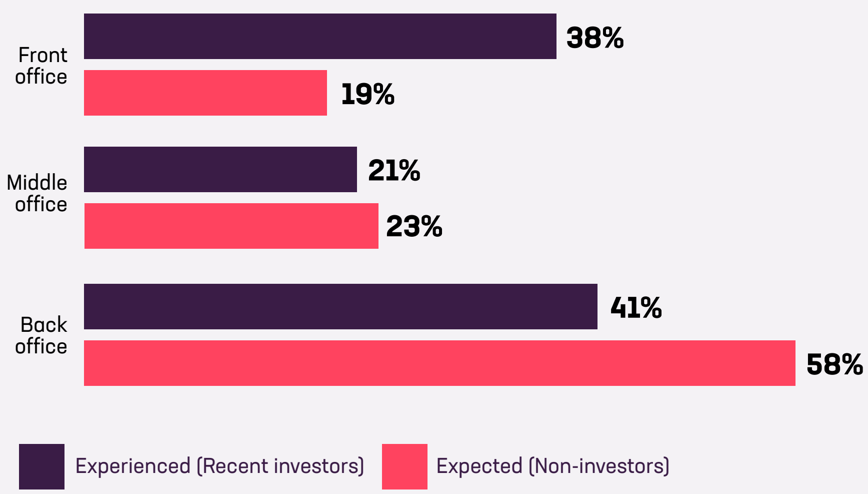
Wealth managers may be hesitant to buy into technology for the front-office, due to their historical dependence on human contact. However, many clients now expect access to their portfolios around the clock, as well as receiving personalised service from their advisers.

Firms can meet these expectations without compromising efficiencies by using front-office technology to free up time spent on administrative tasks and focus on parts of the business where human contact is vital.

When do you expect to see a return on investment from new technology?



Business impacts

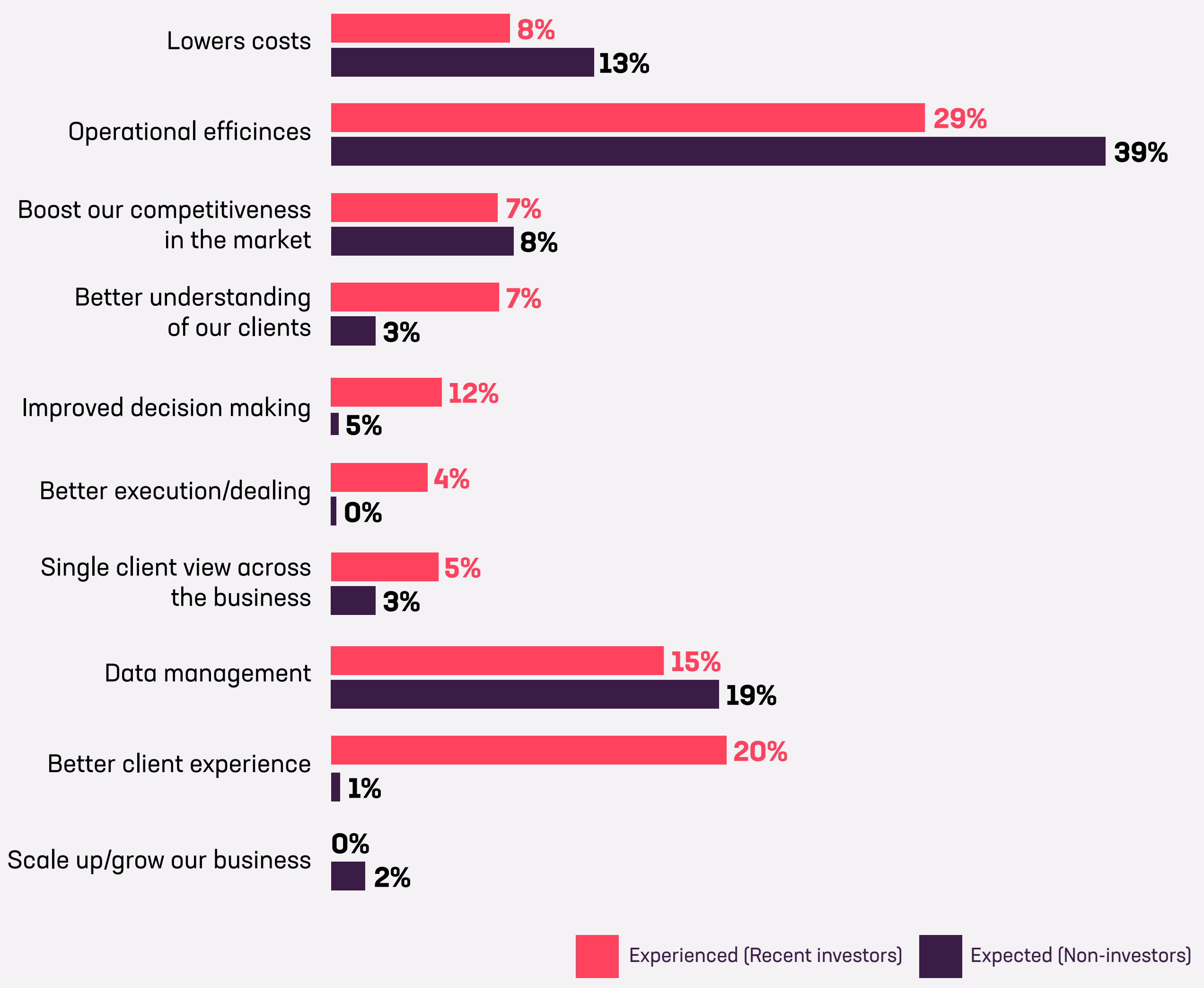


38% of recent investors say technology has brought about the most change in their front-office operations. Over a third (35%) of this group say they are already seeing the impact of their investment in this area, creating a better client experience with the new technology in line with their goal to meet client demands.

This is something to be considered by non-investors, as fewer in this group feel technology can bring change in their middle or front-office. Most expect technology to drive operational efficiencies and to bring about the greatest improvement in their back-office operations.

While technology has historically been more suited to the back-office, there are now many technology options used to assist functions in other parts of the business. The fact that fewer in the non-investor group feel technology can help in their front or middle-office, suggests they may be less aware of the benefits investment in technology can bring to these areas.

Benefits of technology investment



7 ways to maximise value from technology investment

As the findings in this report show, most companies believe they have the right technology in place. However, to maximise value from technology investment, businesses must mitigate the dissatisfaction and barriers observed. The steps below outline how this can be achieved:

1. Unlock your data

Do not start with technology. Start with data.

Value your data. Data should be at the centre of any transformation - it holds important insights into your business and your clients.

Only 4% of the recent investors (and none of the non-investors) cited supporting a data strategy as a key driver for implementing technology. Yet, dissatisfaction with technology stems from having multiple systems and therefore multiple data sources.

Additionally, if a key driver for investment is industry regulation, high quality data with real-time compliance monitoring and insight is a real advantage - regulatory demands become less onerous for businesses to manage.

Banish bad data. If you can't trust (or access) the data you have, how do you know where you are now, where you want to be, and where to focus. Without good data, firms can't automate or predict, and future opportunities for growth and profitability will remain out of reach.

2. Define a technology strategy

Lack of direction from leadership is holding companies back.

Be clear about your strategy and technology requirements. Determine what you are trying to achieve and what you require technology to do.

Make it a business priority. Seek a dedicated mandate from the business to invest. This will ensure a more proficient implementation and use of the technology which, in turn, will improve its impact on the bottom line.

3. Include longer-term business goals

The back-office may be today's priority, however, in the long-term this may change. Identify requirements for future enhancements and select technology accordingly.

4. Consider clients

Segmenting clients and marketing will be extremely important to businesses in the next five years, yet non-investors do not list clients' needs and demands as drivers for investment.

Consider clients' needs when compiling a list of technology requirements. Not doing so can create technology limitations from the outset.

Target clients with the right proposition. This is vital if a business is looking to differentiate its products and services.

Identify who your clients are and what they are looking for, rather than marketing to generic groups such as 'millennials'. The best way to do this is through implementing technology that will deliver a single client view across the business. With everything in one, end-to-end, fully integrated system, the client experience and data opportunities are fully optimised.

5. Make technology an inherent part of operations

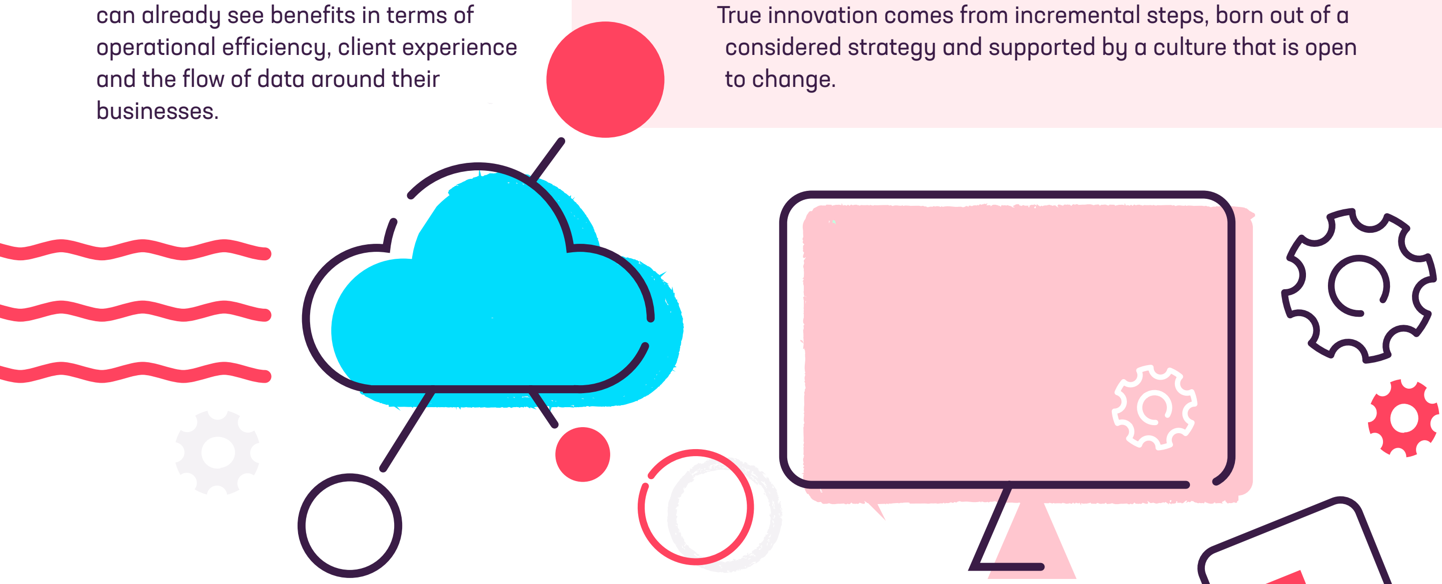
(and no longer siloed)

The recent investors who did this can already see benefits in terms of operational efficiency, client experience and the flow of data around their businesses.

6. Be realistic

Don't underestimate the resources and time required to deliver change. Discuss the outcomes you expect with your technology provider.

Recognise that transformation does not need to happen overnight. You don't need to implement or replace everything at the same time and do not need every component; do what is right for your business. True innovation comes from incremental steps, born out of a considered strategy and supported by a culture that is open to change.



6. Adopt and use the technology effectively.

This report demonstrates that the success of technology investment does not just depend on the technology itself.

Involve the whole company and bring everyone on the journey when setting out to implement new technology. Create working groups across the business, frame the problems that need to be addressed and hand them over to generate ideas and solutions.

Encourage a collaborative environment from the outset to mitigate scepticism or resistance.

Invest in ongoing training, long after the implementation stage is complete.

> **"Unless businesses become more automated, through quality data and integration, servicing clients efficiently will be difficult for many, and success in this area will heavily determine winners and losers."**

Find out how we can help you maximise value from your technology.

Acknowledgements
We would like to acknowledge all the individuals from a number of organisations who were kind enough to share their professional opinions and thank them for their time and contribution to this project.