

Corner Office Views



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Corner Office Views

Timely Insights to Inform
your Business Strategy

Lead with knowledge and perspective.
Connect with secular trends impacting financial
services, interpret what they mean for your business,
and drive new opportunities. Cerulli's Corner Office
Views provides market-leading insights and tangible
takeaways for senior executives seeking to strengthen
and scale their business models.

About the Author



Fabrizio Zumbo

Associate Director,
European Asset and Wealth
Management Research

Fabrizio leads the European Retail/Wholesale Asset Management research practice, which focuses on analyzing asset management product development trends, investment, operational and marketing strategies, market and distribution dynamics, regulatory changes, and performing market and competitive intelligence in the United Kingdom, Continental Europe, and the Nordics.

Prior to joining Cerulli, Fabrizio served as a Lead Industry Analyst at State Street in London and as a Senior Analyst & Research Editor for the PwC's Global Market Research Centre in Luxembourg. Previously, he carried out several field-based research projects in emerging and frontier markets for international market research and economic consulting firms, spending almost five years performing economic and industry analyses in several countries in Latin America, Africa, and the Middle East.

Education

- University of Bologna, Italy
M.Sc. Development Economics, magna cum laude
- University of Bologna, Italy
B.Sc. International Relations

Areas of Expertise

- Data, market, and competitive intelligence on different segments of the asset and wealth management industry in the United Kingdom, Continental Europe, and the Nordics
- Market trends and dynamics of mainstream and alternative asset classes, exchange-traded funds (ETFs), environmental, social, and governance (ESG), and responsible investing
- Strategic consulting, focusing on market-entry strategies, product-viability analysis, investors' and intermediaries' behaviors, competitive benchmarking, customized industry research, and thought leadership
- Private banking and wealth management segments
- Global markets, macroeconomics, and geopolitics

Recent Project Work

- Market-entry strategy for a large U.S.-based asset manager willing to launch new products in selected European markets
- Competitive analysis, product, and market assessment for a large Europe-based asset manager
- Brand assessment analysis in several European countries for a large Europe-based asset manager
- Several white papers and thought leadership reports for large international asset managers

Strategies to Overcome Distribution Challenges

Managers will need deep partnerships with distributors.

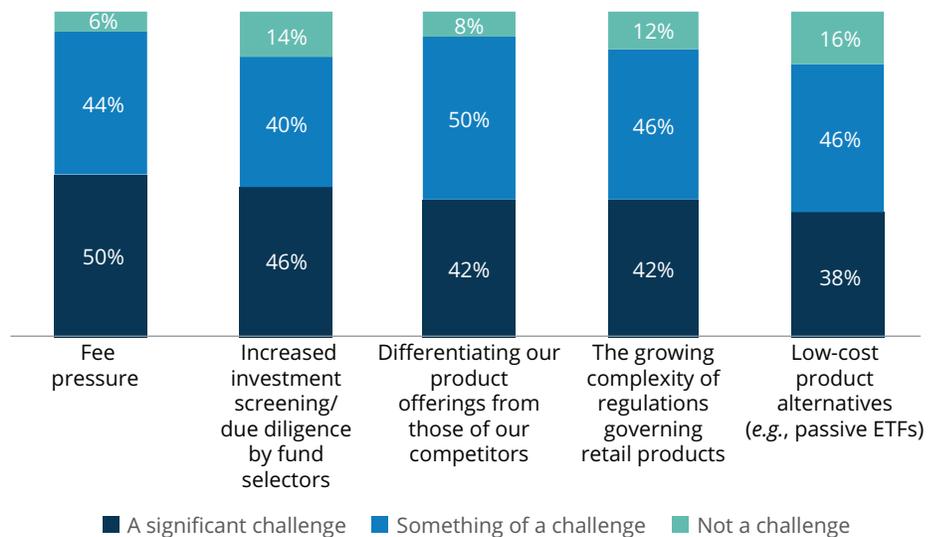
Key Points

- Key challenges that managers in Europe are facing include fee pressure, heightened due diligence by fund selectors, and product differentiation.
- European managers should seek to form deep partnerships with distributors, especially B2B platforms.
- Two other overlapping areas of improvement that managers hope will reap benefits are the quality of client service and enhanced communication.

Sales Challenges

The COVID-19 pandemic is taking a toll on the European asset management industry. In recent years, most asset managers have been increasing their workforce, but an average of 54% of the managers Cerulli surveyed across Europe plan to leave their sales headcount unchanged over the next 12 to 24 months. European managers should seek to form deep partnerships with distributors, especially B2B platforms. Such relationships can help managers overcome some of the key challenges they are currently facing, including fee pressure, heightened due diligence by fund selectors, and product differentiation.

Asset Managers' Views on the Main Challenges Faced by Their Sales Functions, 2020



Source: Cerulli Associates

Regulators across Europe have sought to increase pricing pressure, believing that it will help consumers to get a better deal.

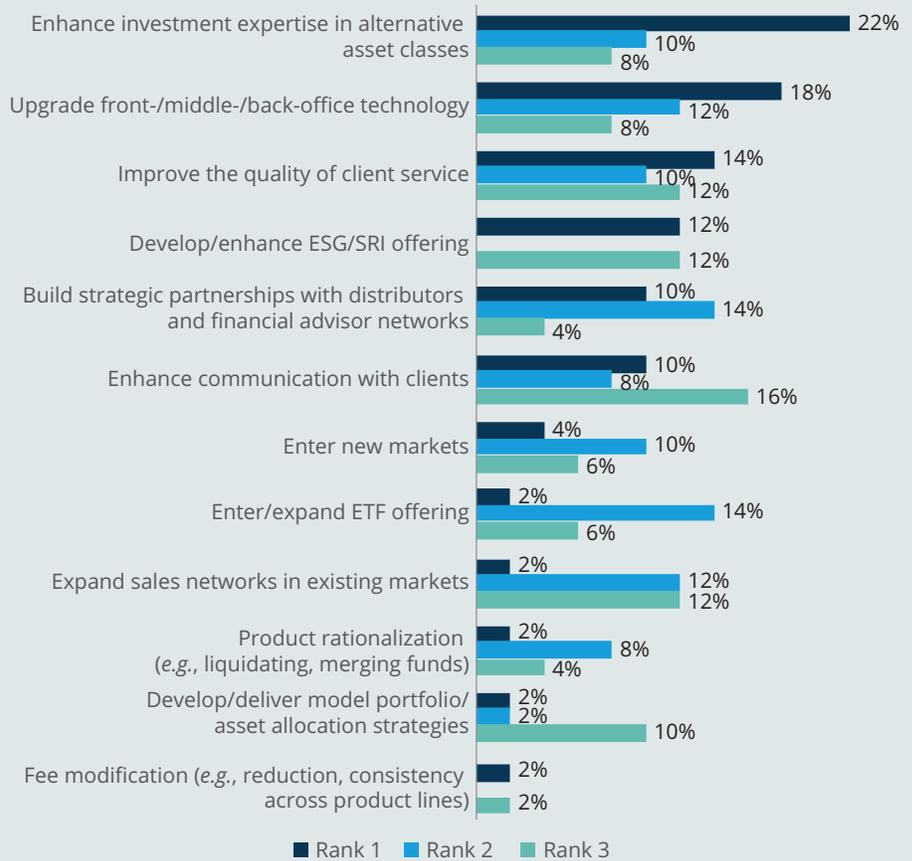
Fee Pressure

Fee pressure is still the main challenge that asset managers' sales teams face. A full 50% of the managers we surveyed said that fee pressure is significant. Active managers are still experiencing growing competition from low-cost passive and ETF providers. In addition, regulators across Europe have sought to increase pricing pressure, believing that it will help consumers to get a better deal. For example, the UK's Financial Conduct Authority recently stated that the fees charged by investment funds and value for money more broadly are among its main concerns. Fee pressure and justifying management costs remain a challenge for many active managers in Germany, as is the case throughout Europe. Local regulator BaFin recently started the first phase of an EU-wide common supervisory action for the liquidity management of UCITS funds. It will also introduce stricter requirements for funds with performance fees, including a cap on charges.

Several managers told Cerulli that they revised the fee structures of their cross-border platforms during 2019 and the first half of 2020. For example, Nomura Asset Management recently reduced the charges on four of its funds managed by American Century when it merged them into its Ireland-domiciled UCITS umbrella fund. In addition, during 2019, GAM reduced the fees for its multi-asset range

Strategies Asset Managers Plan to Use to Overcome Challenges, 2020

Source: Cerulli Associates



and M&G Investments introduced a simplified fee structure for its funds.

The other major sales challenges that the managers Cerulli surveyed identified include increased investment screening/due diligence by fund selectors and product differentiation. Encouragingly, 32% and 24% of respondents respectively believe that maintaining the profitability of the sales function and building relationships and partnerships with distributors/wholesalers are not currently challenges, and 28% of the managers Cerulli surveyed said that B2B

platforms are the greatest source of fee pressure, followed by multi-asset and fund-of-funds managers (22%) and D2C platforms (14%).

The Art of Partnerships

Platforms are likely to have long queues of sales teams trying to access their shelves. Managers need to be willing to offer something in exchange: guaranteed scale, exclusivity, or discounts, for example. However, only 4% of the managers we surveyed have any plans to modify their fees. This may be because

most respondents have an existing pipeline of products they strongly believe will be able to command higher fees in the market. The market has already shown that funds that have a clear narrative—perhaps tied to the environment or another popular theme—and are backed by research are able to charge a premium over “plain vanilla” ones.

Managers that charge high fees without offering the necessary quality of product or service may see their marketshare decrease rapidly. Most of the managers Cerulli surveyed plan to overcome their current challenges by enhancing their investment expertise in alternative asset classes: 22% of respondents said that this is their top priority. This was followed by upgrading their front-, middle-, or back-office technology (18%). No matter how mature a manager’s technology is, gaps will exist. Managers should identify those gaps and seek to integrate technology across their websites and sales and marketing functions.

Managers need to be willing to offer something in exchange: guaranteed scale, exclusivity, or discounts.

Two other overlapping areas of improvement that managers hope will reap benefits are the quality of client service and enhanced communication. One manager based in Italy told Cerulli that regulators do not typically like quantifiable sales quotas linked to compensation, which is understandable, given instances of mis-selling in the past. We believe managers should encourage their salespeople to focus more on softer metrics such as client service, information sharing, and engagement with other teams. March’s market

collapse underlined the importance of asset retention, and the lockdowns across Europe and other obstacles to finding new prospects have been a reminder of the need to generate a steady flow of new clients. Managers will need to find efficient and innovative ways to achieve this both during the current disruption and when things are closer to “normal.”

Going forward, forming partnerships with distributors will be important way of enabling new sales. Cerulli’s research shows that this approach is especially crucial in Germany and the UK, where 56% and 54% of the managers we surveyed respectively said that forming partnerships is significantly more important than it was three years ago.

Cerulli for Research and Consulting

For nearly 30 years, Cerulli has provided global asset and wealth management firms with unmatched, actionable insights.

Headquartered in Boston with fully staffed offices in London and Singapore, Cerulli Associates is a global research and consulting firm that provides financial institutions with guidance in strategic positioning and new business development. Our analysts blend industry knowledge, original research, and data analysis to bring perspective to current market conditions and forecasts for future developments.

Cerulli's research product line includes the Cerulli Report series, the Cerulli Edge series, and Cerulli Lodestar.

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