



# Digital distribution

Technology and infrastructure:  
Asset and wealth managers can make client connections timely, transparent, and trusted



For the most part, asset and wealth management firms are all working to achieve the same customer-engagement goals. In an environment in which products, technologies, and even service models are highly commoditized, differentiation will come from the ability to execute on the vision the company has chosen to pursue. This process should start with leadership that is engaged and prepared to play an active role in the organization's overall digital transformation.

For virtually every asset and wealth management company the fundamental ultimate desired outcome is to connect with customers—whether that customer is an adviser or an investor—through personalized, insightful, consistent experiences. When these firms consider their current business objectives, they need to examine the challenges that technology and the supporting infrastructure are designed to address.

An appropriately tailored approach needs to be timely, transparent, and ultimately trusted at every touchpoint. For this reason, asset and wealth managers are encouraged to evolve their technology and infrastructure footprints to deliver and maintain those qualities.

## Identify the challenges

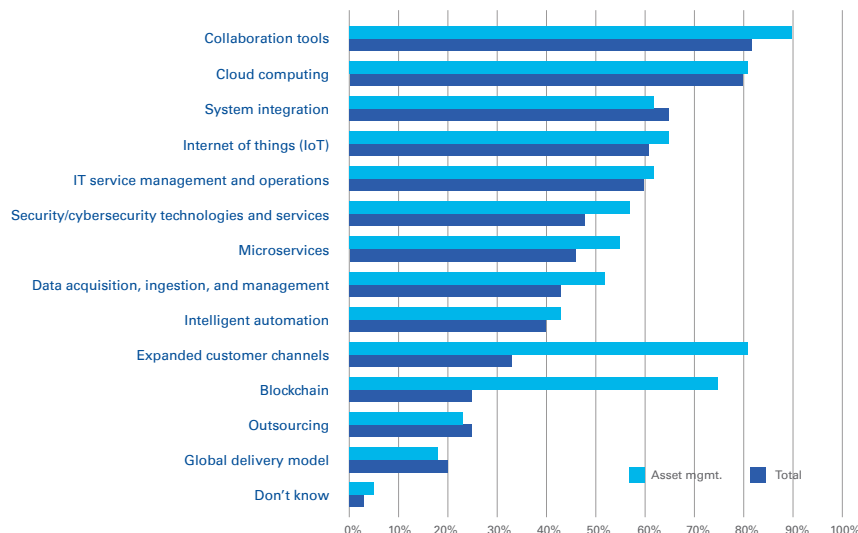
Asset and wealth management firms seek to connect with customers in a broad range of ways, from marketing and sales campaigns, and relevant product and service communications, to subtle, yet targeted online messaging. The medium for these interactions is increasingly digital.

If connections and positive, differentiated experiences are the primary objectives for asset and wealth management firms, the next questions senior leaders should address include the technology and infrastructure enhancements required to facilitate those outcomes. This requires both organizational and budgetary commitments. According to a recent KPMG-commissioned global study,<sup>1</sup> companies in general—and asset management firms in particular—appear ready to commit funds to technologies that support optimized customer channels and streamlined operations.



<sup>1</sup> Source: A commissioned study of 780 digital transformation leaders in 10 countries across 12 sectors, conducted by Forrester Consulting on behalf of KPMG, July 2020.

## What tools are you leveraging to enable your organization's digital transformation?



Source: A commissioned study of 790 digital transformation strategy leaders in 10 countries across 12 sectors, conducted by Forrester Consulting on behalf of KPMG, July 2020

### The race to the cloud

For asset and wealth management firms, cloud is both a challenge and the solution for much of those technology and infrastructure needs. While many companies in this space have already moved a large number of operational processes to the cloud, their cloud journeys are far from complete. Having a broad array of cloud-based services is only half of the equation.

The ability to use cloud computing for continuous development, improvement, and deployment of services for digital customer interactions, as well as to prepare the underlying infrastructure in a way that is scalable and resilient, will be hindered if the cloud architecture is not mature. Firms should transform their platforms in terms of a robust DevSecOps capability—essentially the alignment of fit-for-purpose software development with operational IT and cyber processes—to take advantage of cloud-native services and achieve:

**1. Real-time security.** Companies cannot deliver best-in-class security using exclusively on-premises solutions because most do not possess the broad expertise needed for data protection. Outsourcing these functionalities to technology organizations that have master-level cybersecurity practices will be key, as most companies simply do not have enough of that talent in house.

**2. Rapid innovation.** It's not only about developing functionalities and applications. It's about the ability to

expeditiously deploy them consistently and globally. Via the cloud, companies can distribute a new update within 24 hours. In the past it could take months. To scale innovation rapidly and securely, companies need to a robust cloud infrastructure.

**3. Cost effectiveness.** Many companies, particularly smaller organizations, cannot afford or are unable to cost-effectively make the hardware and software investments needed to handle the ever-increasing volume of data or the computing power necessary to run complex machine learning models to extract rich, actionable customer insights. Even organizations for which budget is not an issue may prefer to align their spend with their consumption.

**4. Risk containment.** In recent years the pandemic, supply chain disruption, cyberattacks, inflation, rapidly rising interest rates, the Russia-Ukraine conflict, and the potential for unforeseen “black swan” events have conspired to create unprecedented uncertainty. Cloud offers the flexibility firms need to circumvent risk, particularly geopolitical risk, in an increasingly complex global environment.

Although asset and wealth management operating models are likely to be fully digital sooner than later, both analog (face-to-face, phone, traditional mail) and digital (online, mobile, email) modes of connection are important to master. Firms need to ensure their technology infrastructure is reliable and instills a high degree of trust across all channels. Similarly, asset and wealth managers should modernize and address

the data supply chain—the processes for efficiently accessing and distributing enterprise data—as a strategic enabler of the overall digital service model.

Organizations on this journey quickly discover that there is always that important trade-off between the ability to meet business outcomes with speed and technical debt. Bottom line, it's not easy. Migrating workloads to the cloud, encouraging older generations of clients to go paperless, resolving long-standing technical debt, and other digital goals requires a major, organization-wide transformation, from people and process perspectives, as well as risk and controls perspectives.

Through this transformation both asset and wealth management distribution models must work simultaneously and seamlessly across multiple channels, both analog (face-to-face, phone, traditional mail) and digital (online, mobile, email).

### **Are firms prepared?**

Thinking about serving the evolving needs and expectations of different generations of advisers and investors within the context of ultimately growing the business, asset, and wealth management organizations are at various stages of preparation—and most have work to do.

In terms of prioritization and awareness we have seen a tremendous evolution in the past two years across this sector. Just three to five years ago the scenario was markedly different for these firms. At that time, many weren't even considering the cloud. They were still very much focused on more traditional solutions. Technology was viewed as a necessity, but not necessarily a strategic priority. That changed quickly, both as new applications emerged and matured, investors' expectations evolved and as the pandemic ushered in new priorities.

Across the industry, the larger players are moving forward nearly in tandem. These firms, with access to larger budgets and engineering depth, are executing with greater momentum than the smaller companies. Although the smaller players are arguably more agile, the sheer amount of investment that the big firms—many of which have both asset and wealth management business under one roof—are committing to this space has moved them to forefront.

In the larger asset manager, wealth management, We see this momentum being real. But at the same time, again, the frame of reference in some instances is outside of the traditional competitive ecosystem. As asset and wealth management firms navigate complex

regulatory requirements and contend with competitive challenges from the rapidly maturing Fintech firms, the playing field is shifting as they face increasing competitive pressure from digitally native companies.

The short answer regarding digital preparation is firms are getting there. It's not a matter of prioritization or awareness, it's more about alignment and the ability to execute efficiently. The main challenge is around shoring up operating models. We still see a divergence between business, product and technical infrastructure, but the gaps are narrowing as asset and wealth managers become more digitally mature.

### **Firms need to break away from inward, siloed thinking**

Sales, marketing, IT, customer service, and operations teams must not take a myopic view of their own priorities in this environment; they can't simply focus solely on their own challenges. The thinking should pivot toward collective organizational challenges. Firms need to find ways to work together to create and sustain competitive advantage.

Clearly, in this climate asset managers are trying to be as agile as possible as they tighten up their client service development practices. But that's just part of the story—firms need to be agile with technology, infrastructure and product development across the entire value chain, from client acquisition and portfolio management to asset administration and ongoing enterprise services.

We believe asset and wealth management firms should adopt a mind-set grounded in continuous improvement, flexibility, and an appreciation of the opportunities technology presents to engage customers. Many firms are adopting this mind-set situationally, for the majority it's not consistent across the enterprise.

### **What's your endgame?**

Most industry executives would agree that technology, although a critical component of the operating model, is a means to an end. But what is that end? We believe it is to support positive business outcomes and help organizations build products and experiences that are designed to facilitate those outcomes. Clearly, the customer is at the center of this universe. A by-product of addressing client concerns and expectations through emerging technology and the appropriate underlying infrastructure is that the workforce is empowered with a modern and sought-after experience. An important value proposition in the era of the "Great Resignation."

Organizations that employ technology suitably and strategically, and build a solid infrastructure beneath it, are typically better prepared to drive a high degree of efficiency across their platforms. Aligning the business plan with engineering capabilities enables product teams to be more effective in the way they serve clients.

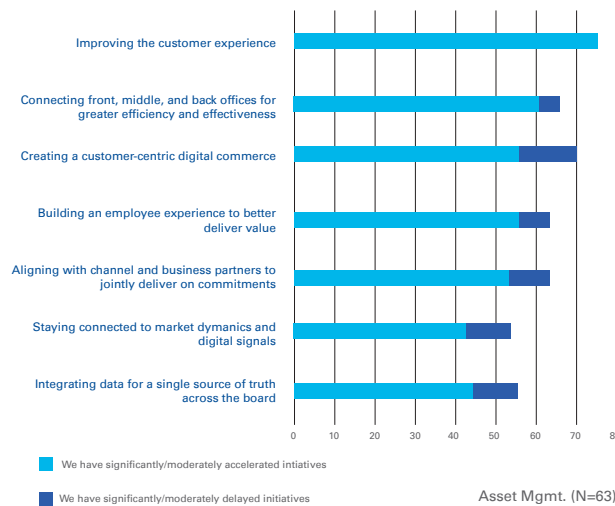
The gap between adopting specific technologies and understanding how to deploy them progressively is an issue with which many organizations across the industry continue to grapple. It's less about simply

having a cloud infrastructure in place—that's table stakes today—and more about utilizing that cloud infrastructure efficiently.

**Customer-centric infrastructure and technology should be top organizational priorities**

What foundational steps should asset and wealth managers take to ensure that they are differentiated and into ensure their competitive viability in this environment?

How has the pandemic changed the priority you are placing on the following objectives?



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When we review asset and wealth management operating strategies, the typical opening question we are asked is “Do you think our strategy is sound, compelling, and differentiated?” The honest answer more often than not is “Your strategy is solid, but it's not much different from your competitors.” We rarely see models that are drastically different outside of Fintech and start-ups.

Organizations where senior management is passionately engaged and committed to modern product and platform infrastructure, as well as the underlying technology, tend to be better able to develop and implement their customer-centric plans at a rapid, sustainable pace. Achieving near-flawless execution takes not only leadership, but tangible involvement. It's melding all of these concepts into the DNA and culture of the entire organization from the C-suite on down. If it's not on the agendas of your board and CEO, it is not prioritized adequately, and you are very likely behind the competition.

# Contact us

## **Matteo Colombo**

**Principal, Advisory,**

**KPMG Lighthouse**

**KPMG LLP**

**T: 206-913-4460**

**E: [matteocolombo@kpmg.com](mailto:matteocolombo@kpmg.com)**

## **Kshitij Agrawal**

**Managing Director**

**Advisory Financial Services**

**KPMG LLP**

**T: 949-885-5701**

**E: [kagrawal@kpmg.com](mailto:kagrawal@kpmg.com)**

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