

# The investment management landscape is changing dramatically. Is your brand fit to win in a new future?

**There are different views on whether the industry is being or will be disrupted. What everyone does agree is that pace and level of change in this space is almost unprecedented and the tectonic plates are rapidly shifting. This inevitably means that there will be winners and losers.**

We've spotted what we think are the five biggest things that are impacting the future of your industry. We talk about the whys and wherefores to paint a picture of what's really going on. For each there is a little 'test' to help you work out whether your business and brand are fit for the future. Reward yourself with a gold coin if you pass all five!



## 1. Trust in financial institutions has been shattered

The financial services industry has never properly recovered its reputation post the crash in 2008. According to the Edelman Trust Barometer 2016, financial services is still the least trusted industry surveyed. Fat cat salaries, LIBOR rigging and PPI mis-selling scandals have only added fuel to the flames. The result is that financial institutions are under more scrutiny than ever in the form of punishing levels of regulation. As trust needs to be at the heart of any successful client relationship, it is in the interest of the investment management industry to be more open and transparent. The industry needs to do a better job of telling its stories and highlighting the good work it does.

**Fitness test #1:** How will you be a force for good in the industry? Is your purpose clearly defined?

## 2. New entrants and technologies are game changers

Bigger players often don't see threats when they come from smaller and more innovative players outside the traditional set. New entrants by definition have to offer something new, different and better to clients in order to wrestle business from the established players. They raise the bar and can quickly change the dynamic of an industry or even disrupt it completely. Technology often signals the breakthrough of new business models especially when it promises lower costs. The so-called 'robo-advisors' are largely being dismissed by the industry as lacking in sophistication and the human touch and therefore not a threat. This may very well be true today but with annual investment in Fintech in the billions of dollars, it may not be true for much longer. Smart investment management houses know that a change to the status quo is inevitable and are already transforming their businesses to succeed in this new world. Others will see the change too late and won't be able to change brand or business model fast enough to survive.

**Fitness test #2:** Is your strategy to deal with the impact of new technologies and new players in place?



### 3. Client needs have changed and they expect more for less

Investors want more bang for their buck. They still have concerns about what they perceive are high fees, which puts more and more pressure on investment managers to demonstrate added value. In light of the trust issues in the industry, clients are demanding more transparency around how their money is managed, as well as more effective and detailed communication. Transparency is a two-way street, so investment managers need to develop channels for client feedback. Investors also want easy access to their investments and the ability to manage their portfolios on any device. All of these demands stretch budgets at a time when fees, costs and margins have never been under so much pressure. There are also important changes to the client demographic. Wealthy women and successful young tech-savvy entrepreneurs to name but two. Investment managers cannot be all things to all people. You need to decide which client groups you are best placed to serve, and invest in developing solutions and services that meet their needs.

**Fitness test #3:** Are your target client segments, and your 'offer' to each, clearly defined?

### 4. 'Me-too' generic propositions are no longer enough

New entrants to the industry and more demanding clients mean that investment managers have to work much harder to stand out in an already crowded space. From the investor perspective it is almost impossible to tell the difference between one investment manager and another. This is because they are saying the same things: "We're committed to meeting client needs", "We have a culture of transparency and trust", "Our portfolio managers are highly experienced" and "We have a unique investment philosophy and process". They say these things so often that they start to believe they are differentiating themselves. They are not. Investment managers need to take a proper look under the hood to see what's really at the heart of the business. What makes it tick. What enables it to win. This needs to be captured and communicated to make it easy for clients to understand what makes you different. Why they should choose you.

**Fitness test #4:** Have you defined what makes you usefully different and how you add value for clients?



## 5. Client acquisition and growth means new business models

Winning new clients is more difficult than ever in a saturated and almost commoditised market. The old business model, already undermined by the 2014 RDR legislation, needs to be revisited and revamped if real growth is to be achieved. Investment managers are exploring a range of approaches, ranging from targeting new markets and acquisitions to accessing new distribution channels; and from entering new product categories to overhauling investment strategies. But which business model is right for your brand? Too often this question is overlooked as many adopt a 'build it and they will come' mentality. For example, does your brand have the permission and credibility to enter emerging markets? Will clients find a completely new product category compelling or confusing? Time needs to be taken to assess what your brand and reputation will allow you to do seamlessly and successfully.

**Fitness test #5:** Have you validated that your brand has the credibility to enter new markets, distribution channels and/or product categories?

So how did you do on our fitness test? Very well done if you scored 5 out of 5. Keep doing what you're doing! If you scored 4 or less perhaps we could help. We've done a lot of work in the investment management industry over the years and would be happy to share our thoughts. Drop us a line or give us a call. We look forward to hearing from you.



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