

# Global AM Perspectives

## Episode 6: Behind the numbers

### **Podcast with:**

- James (Jim) Suglia, Global Head of Advisory for Asset Management
- Agnel Kagoo, Principal, US Capital Markets and Asset Management Industry Leader

*Musical intro*

### **Announcer:**

Welcome to KPMG International's Future of Asset Management Podcast 'Behind the Numbers'. Today, I'm joined by Jim Suglia who is the global advisory asset management lead for KPMG International, and Agnel Kagoo who is the capital markets industry leader for KPMG in the US.

To get their perspectives on the future of asset management and to dig into the findings from KPMG's recent survey of more than 200 industry leaders commissioned through Forrester Research.

Welcome Jim and Agnel!

### **Agnel Kagoo:**

Good morning.

### **Jim Suglia:**

Thank you, welcome.

### **Announcer:**

Asset managers are facing a defining period in the wake of COVID-19 in a market that's already undergoing significant change. The pandemic has really intensified competitive pressures. So, Jim, in our survey, three out of four of the asset management companies that we spoke to consider their customer-centric strategy to be the top of mind or a high priority, yet nearly 50% say they're just meeting expectations while 16% said they occasionally failed to meet customer expectations.

### **What are the reasons for this apparent disparity between intentions and outcomes?**

### **Jim Suglia:**

Well, I think the simple answer is it's actually really hard to do. The easiest way to boil it down, think about this. Data for our clients has to be organized correctly. You really need to be cloud-enabled, business lines and functions need to be aligned, which may mean changes to governance models and operating models. It's easy for a start-up firm or a fintech when the slate is relatively clean. It gets a bit more difficult for a manager with a single business line, such as a retail-only or institutional or hedge fund managers. But it really becomes very hard for most, particularly the big managers as they juggle multiple business lines. Many of our clients have a retail stream and institutional, a defined contribution, or defined benefit business. Some also have brokerages, some do outsourced chief investment officer (OCIO) work and some firms with all of the above also offer alternative investments. While the good news for these larger organizations is that you have more diverse managers that benefit from great scale. Great investment prowess.

The challenges are the complexity of their business model creates tremendous challenges as each individual business lines and ends up in a rather large silo. When you have these various businesses, one customer may cut across many of these different business functions. Cloud enablement is complex. When you're dealing with legacy systems, data centers, third parties, the risk profile changes significantly as you start to migrate towards [the] cloud with all of the constituents I just mentioned. And as I mentioned earlier, functional alignment is also a bit difficult. It sounds easy. It's important to always focus and ground your business around the "customer". It just becomes very hard to operationalize when you think of the plumbing that I just went through.

**Announcer:**

It does sound very complex. We're seeing traditional organizational drivers taking a back seat to more customer-centric objectives. In our survey, 38% said they're considering improving their customers' experience to be a primary business objective, while 32% cite growing revenue as a primary objective.

**Why are traditional drivers becoming less critical and what does this mean for business strategies?****Agnel Kagoo:**

I think the key here as Jim said, one, this is hard to achieve from a customer intention to [the] outcome. But if you look at the marketplace over the last few years, pure product performance is no longer a differentiator because there is not much difference between the different firms' products in terms of performance.

Organizations are also looking to focus on those aspects of it. The pandemic has helped the asset managers accelerate their digital investments and their digital savviness.

So, that's where the shift has started over the last 3 years or so but accelerated over the last 18 months. This has also become a driver because the same investor is getting a much more personalized experience in their day-to-day interactions. For example, when they go to order a coffee or go to get a taxi, they could do all of that with the click of a button or just with a voice message on their mobile devices or any other interactive device. They're expecting some similar kind of interface, similar kind of interaction with the asset managers as well, the ease of use, the ease of accessing information. That's why there is a shift.

**Announcer:**

That's great. [For the] next question, I'm going to ask both of you to provide your perspectives because I think it really feeds into the previous two, but maybe with a bit of a look forward.

**With all that you said in mind, how can asset management firms continue and constantly keep their customers really at the core of their strategic planning?****Agnel Kagoo:**

I was talking about the focus more on the customer. I think the other thing that organizations are doing and should continue to do more of is tailoring their services. To do that, you need to know your customer better.

One, get to know them better so that you can serve them better and then look at the different ways they want you to interact with them or for them to interact with you and make it more accessible and tailored to them. From a product perspective, there is no longer an off-the-shelf product that everybody wants to invest [in]. Everybody has their unique perspective be it on ESG, be it on the other priorities they might have. Last, but not least, is to look at their ecosystem to make sure that the reliability of their processes is continuing to increase.

So, Jim's point, he said, this is very hard to achieve I agree with that. You mentioned about going to the cloud and all that adds complexity. At the same time, bad news travels much faster these days. Like when an organization is not able to provide their customers' information, it just gets all over the World Wide Web and that churns a lot of negative press and people react to that. That's another thing... you want to minimize those kinds of bad news events.

**Announcer:****That's great! Jim, do you want to add to...?****Jim Suglia:**

One of the things... you hit it with products and it's not just products anymore. It's really more about taking your points down one level. When you need to best understand your customer. You can't do that in a particular function or business or business line.

You need to think about your customers as they may look to your organization. It may mean bringing your folks, your product specialists, and your experts from the equity business, the fixed income business, if you have credit or private equity, whatever types of offerings or how you're structured. Those groups need to work together to think about one customer. You need to think more across the actual enterprise than just in a specific silo that you work in today. And that goes to the point on the product and the solution side. In the old days, all boats rose with the tides, and today investment performance isn't just table stakes and to actually retain customers, it's the experience, it's the service, etc. As firms figure out how to get that best level of digital experience, customer experience, and whatnot... [there's an] opportunity for them to add product, add structured solutions, different types of solutions to get more wallet share of their client becomes one of the natural growth agendas... as you figure out how to get the customer.

**Announcer:**

Yeah, that's fantastic Jim, and is a great segue into the next question that I have.

One of the biggest changes in the industry — really exasperated by COVID-19 — has been around distribution, which has put more pressure on firms to create new and interesting client journeys that will set them apart from their competition. Of the survey respondents, more than a quarter say that they're struggling with sharing data and analytics between channels, countries, and locations. Given our global environment, this can be really important and a big differentiator.

**How can asset managers optimize their channel mix and tailor their touchpoints to their clients?****Announcer:**

Agnel, let's hear your thoughts:

**Agnel Kagoo:**

I keep connecting back to the previous answers that we had earlier on. One of the reasons why we're having challenges with data is when they have different lines of business they're not completely optimized nor have a consolidated view of all the interactions they have with the customer, then it's very hard to even get a single view of the customer. One is because the organizations in some cases grew in silos as a retail business, institutional line of business and there was no information sharing and now you suddenly are trying to look at a 360-degree view of the customer and it's hard to do that. You need to invest in the data infrastructure. You need to get to more process optimization or process rationalization.

The second thing... that one needs to watch for and work towards achieving are the goals around planning for addressing any of the regulations or the compliance guidelines that are needed in terms of the use of the data. For example, in the last two or three years, we've had organizations need to comply with GDPR in the UK. We've had needs in the US locally in terms of the California Privacy Act.

If you don't define your operating model, your data-related processes to be component-based and have that traceability of what you're using for, what kind of models or insights-driven engines, then it's going to be hard because you have to unravel all of that. But if you factor in the need for having that traceability and the lineage of what you're using where. Then, it's easy to comply with some of these rules and continue to have your engines operate. This is all on the challenges in terms of sharing data and use of data

because that in some cases is preventing people from driving from just gathering data to using that for insights.

Now, how can they optimize once they have all of that data? How do they optimize the channel mix? Once you have all of this data, then you can clearly analyze and understand the intents, the needs, the wants of your customer. And you can get to a more predictive interaction model with your clients, and that's where you can also look at their preferences on the different channels they want to interact with, be it voice, be it web, or be it through another digital channel. For example, you can look at social media, you can look at certain events and you can predict. Here is a scenario where a potential investor may want to either redeem or here is a potential event, where an investor may want to shift investments from one vehicle to another. If you're more proactive, then you can reach out to them and retain the customer relationship and enrich the relationship.

The other thing is the channel-to-channel continuity of information. [When] you look at any asset management organization and you look at the customer experience score, they will have a lower score from a service perspective because they end up being with somebody on the phone, sharing their need to either change the address or change an investment ratio. Then, at a certain point, they have to then get transitioned to somebody else and you have to start over again or you start on the web and then you're given to [a] person. Because these are all different systems, the information is not carried through. But when you get to a good digital strategy it should be seamless.

So just to recap, the first is the internal infrastructure that might cause the inability to assimilate and drive insights from data. The second is in terms of the regulations, being aware of it, and so with defining an operating model and a solution architecture that is conducive to addressing that. And the third is knowing the customer intent and then you build into the analytics, the analytics engine. The easy transition of information from one channel to another channel as they interact with you.

**Announcer:**

It sounds like there's so much going on and it will require maybe even new talent and skills within an asset management organization. [Let's] go into the culture of an asset management firm. So, having a customer-driven strategy that is seamless across all channels, critical for sure as we've just outlined, but I guess, at the heart, as we talked about is the customer-centric culture. In this survey, over 50% of firms said that they are investing in customer-centric capability.

**What are you guys seeing? How have firms have been adapting their workforce to meet the emerging challenges and opportunities of the industry.**

**Jim, would you like to go first on this one?**

**Jim Suglia:**

I hit a little bit on this earlier, which is... in context, more of a challenge, but the ability first to align your various business groups, business teams together to think from a customer-centric view. Enabling the actual alignment, for people to do that and to be incentivized to do that is going to be paramount because without it you're not going to optimize how you developed that point of view [and] that strategy. That's going to be paramount.

Secondly, you mentioned culture. While the biggest thing is the tone at the top, from a cultural perspective, you are pushing out the view of thinking like your client. Always asking questions. When people talk about challenges when they start to talk about products or different opportunities, always asking the question through the lens of the client is from a cultural point of view... the way to set the tone at the top and to push that down right across all of your leaders. I think probably are the two top of the house components that need to be addressed right away before you could see significant traction.

**Announcer:**

**Agnel, do you have anything you want to add?**

**Agnel Kagoo:**

Yes, two additional things they would continue to go after they've set the tone at the top is because all of this is going [to] evolve towards a true digital transformation. Getting the organization to be more digitally literate and aware. Not that everybody needs to be experts, but they at least need to know what does that digital transformation journey or the vision of the organization mean.

And the other thing is enabling a data literacy culture. At the end of the day, a lot of things are going [to] be based on insights. data-driven organization, empower people to understand what that means and how to interpret the data that they're seeing at different levels.,

**Announcer:**

I think that it is a big challenge I think for many firms and I suppose there's [a] big race for talent out there when it comes to data scientists and the like. We're the risk dynamic is something that probably is up

getting close to the end of the podcast. However, there is one more question that I'd like to pose to you both. We talked a lot about the importance of customer-centricity and how this is going to be the ultimate differentiator for asset management players. They need to connect the front, middle and back offices around the customer, which we talked [about] a little bit.

**But are there any actions that asset management companies should be prioritizing in order to become more connected? Maybe the top three things that they should be looking at now?**

**Agnel Kagoo:**

I think the one common thing that if they have not already done but everybody should start focusing on is in terms of improving their data infrastructure. There are many aspects of that data infrastructure.

One, the nimbleness of that infrastructure in terms of moving up to the cloud, enabling scale. The second is moving from a mindset of just assimilating data to more of [an] insights and analytics mindset. In order to do that, you need to have the infrastructure done right, be scalable, and have an organization that is well enabled to capitalize on that. The third thing I would say is in terms of the workforce. They need to have a workforce that understands these new concepts and understands what customer centricity is. Along with that comes a few new skills that people need to acquire and those would be a combination of retooling from within as well as getting from the outside.

**Jim Suglia:**

I'll probably just take one angle or dimension across everything you just mentioned which is as firms start to migrate and they look at data, digital, and cloud, the risk profile, particularly from a data security information protection perspective significantly changes. I'm not just saying that in the context of specific regulatory requirements, such as GDPR and things like the State of California but more profound from a business perspective. So, making sure that you truly understand how risk profiles changed, how these new risks evolved as you are looking at changes to data structure and in particular the leveraging of digital and the cloud... global, etc., are paramount in some of our clients in terms of top concerns.

If you think about everything, for the client, that's sort of the number one thing which is the client growth and the client agenda. But if you think about it from an internal perspective, I think the change in

there in terms of importance from an agenda perspective.

**Announcer:**

Thank you so much for your time today. [We] really appreciate it and I think lots of great insights that are going to be listened to and valued by our listeners.

**Jim Suglia:**

It's been a pleasure.

**Agnel Kagoo:**

Thank you.

*Musical exit*

[home.kpmg/socialmedia](http://home.kpmg/socialmedia)



---

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2022 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved.

KPMG refers to the global organization or to one or more of the member firms of KPMG International Limited ("KPMG International"), each of which is a separate legal entity. KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. For more detail about our structure please visit [home.kpmg/governance](http://home.kpmg/governance).

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.