Decision Time for Asset Managers

October 13, 2020

Executive Summary:



The COVID-19 crisis will accelerate structural changes impacting the asset management industry prior to the pandemic—including greater demand for advice, rising expectations for enhanced digital experiences and a heightened focus on ESG investing. Combined with ongoing margin pressure and fee compression, these intensifying trends could make 2021 an existential crisis for many managers.

In the post-COVID-19 world, managers will have little room for error. They will have to find strategies that defend revenues and margins while also delivering hard-to-find opportunities for growth. And they will have to out-execute rivals in a market that will only get more competitive.

In this Greenwich Report, we look at the fundamental strategic choice facing asset managers today as they aim to build sustainable businesses in the next economic cycle: reach for scale or strive for distinction. Either of these paths can lead managers to the destination of profitable growth. However, managers that fail to choose between one of these lanes risk finding themselves stuck in the middle, facing a stark reality of contracting revenues and steadily declining fee levels. Some of these firms will not survive the next phase of industry consolidation.

Even managers that pick the right strategies will struggle if they fail to execute. In the second section of the report, we examine how managers can out-execute the competition by focusing their resources and attention on specific issues, such as delivering alpha through ESG investing, strengthening the firm through diversity and inclusion, driving growth through strategic marketing, delivering a world-class client experience, and managing the firm for margin growth rather than asset growth.

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