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Do More with Less in Client Reporting

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Investment firms face ongoing pressures on their client reporting functions and are having to look for ways to do more with less. We believe the client reporting industry is entering a third phase in its evolution and one that can help firms to meet these challenges head on.

Doing more with less in client reporting

A key challenge for investment firms undertaking client reporting in 2017 and beyond is the need to "do more with less." That was the broad consensus among the investment firms attending a recent industry conference. We reflect on the pressures on – and evolution of – the client reporting function and discuss how technological advances present firms with solutions to these challenges. By adopting a more efficient client reporting model offered by the latest evolution in the industry, we believe that firms can embrace the new reality and successfully do more with less.

Regulation has hijacked budget and resources

The relentless rise in recent financial regulation has forced investment firms to prioritise regulation-driven reporting projects. These have dominated budget and resources at the expense of projects aimed at improving client service. Developments to produce additional or bespoke reporting content, or to speed up production and reduce delivery times have taken second place, as have projects to automate the delivery of content to clients, other third parties, web sites etc. The consensus in the industry seems to point to a continuation or even rise in the dominance of the regulatory burden, further exacerbated by increasing pressure to cut costs.

Yet clients expect – and deserve – better solutions

This pressure is set against a backdrop of increasing client demand for more flexible, faster reporting, and reporting via additional channels. Indeed, it is not unreasonable for clients to expect a user-friendly web portal or "app" to make information easier to access and to bring a higher level of interactivity and self-service to client reporting.

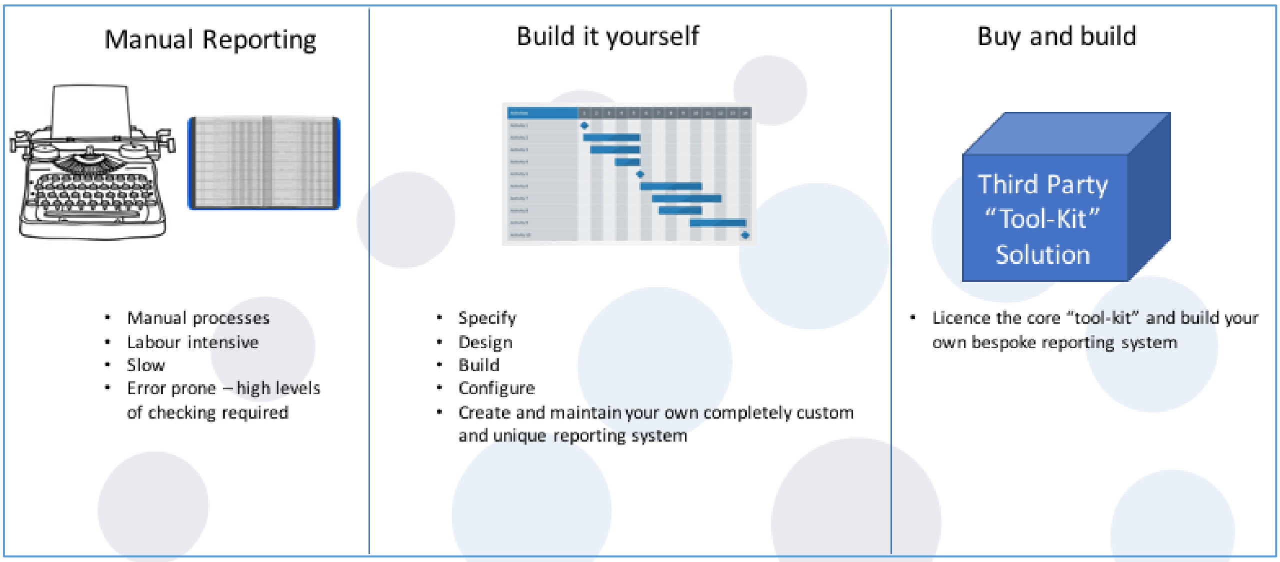
Neither of these conflicting pressures is likely to disappear. Yet if investment firms prioritise urgent (regulation-driven) reporting projects and postpone important (client-driven) development, they risk storing up even bigger problems for the future as the divergence between client requirements and firms' capabilities widens.

A need to reassess the status quo

We believe that there is a pressing need to fundamentally reassess the client reporting function in investment firms. In our view, the status quo of client reporting is both inefficient and unsustainable, given the ongoing challenges facing the industry. We believe that investment firms should take a step back to assess which operational model makes most sense to them and their clients. For us that means looking at the most efficient way of focussing resources and efforts, in light of technological developments. Some firms have already taken this step and we believe this represents the third phase in the evolution of client reporting.

A brief history of client reporting

Over the last 30 years there has been a steady move from "manual reporting" through "build it yourself" client reporting solutions to "buy and build".



From manual processes to automation

Thirty years ago, many investment firms operated largely manual client reporting activities, with records updated by hand, and transaction listings and cash reconciliations hand typed and manually checked. All the individual schedules were then manually assembled into a single pack, checked, printed, bound and finished and finally sent to the client. Unsurprisingly, this modus operandi was characterised by inefficiency and inconsistency. Enter the first phase of the reporting evolution.

The emergence and availability of computing power led many investment firms to automate and streamline much of this manual activity. This reduced the production times, the amount of checking required and the operational risk, while improving the quality of client reports. This "build it yourself" period was largely characterised by investment firms each building their own client reporting system, sometimes stand alone, and sometimes as part of a suite of programmes that supported their entire front to back office processes. Many firms believed there was a competitive advantage to be gained if their reporting tools were superior to their competitors'.

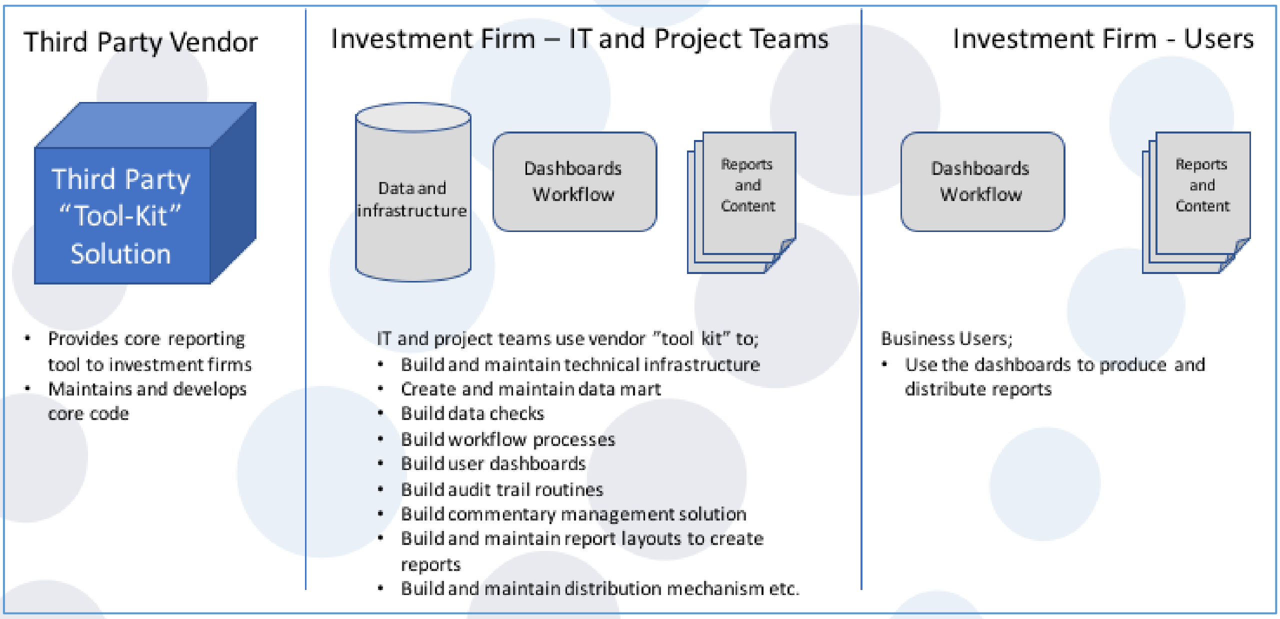
However, over the next five to ten years investment firms found that the cost savings and operational efficiencies achieved by this approach were soon swallowed up by the heavy burden of system development and maintenance. Furthermore, it became apparent that firms' systems did not, in fact, differ significantly from their competitors'. This situation led to the next stage of the client reporting evolution.

Enter third-party providers

Before too long, third party vendors realised that they could build a "best of breed" client reporting system and licence the "tool-kit" system to investment firms to host, build and configure the system to their specific clients' requirements. We call this the "buy and build" model.

In this second stage of the evolution of client reporting, investment firms had the use of the core third-party system and could use this to build workflows and reports for their clients, while relying on the vendor to ensure that the system remained up to date with the latest financial instruments, flexibility and functions that the industry expected. The vendor would also undertake the core development of the system. The investment firms could just install the core code in to their technical infrastructure and monitor the system, develop and run their reports. This remains the model of choice for many firms.

We believe that this hybrid approach (third-party vendor/in-house development) will not be able to meet the industry's challenges. While it may improve efficiency and accuracy relative to previous models, it remains resource-intensive and costly for investment firms as the onus remains on the investment firm to build a number of key functions using the vendor "tool kit", as illustrated below. In short, while the vendor provides some valuable functionality to the investment firm, the tasks remaining in the investment firm's remit still equate to a heavy burden on budget and resources. And with such a heavy burden how can a firm successfully juggle the important and the urgent?



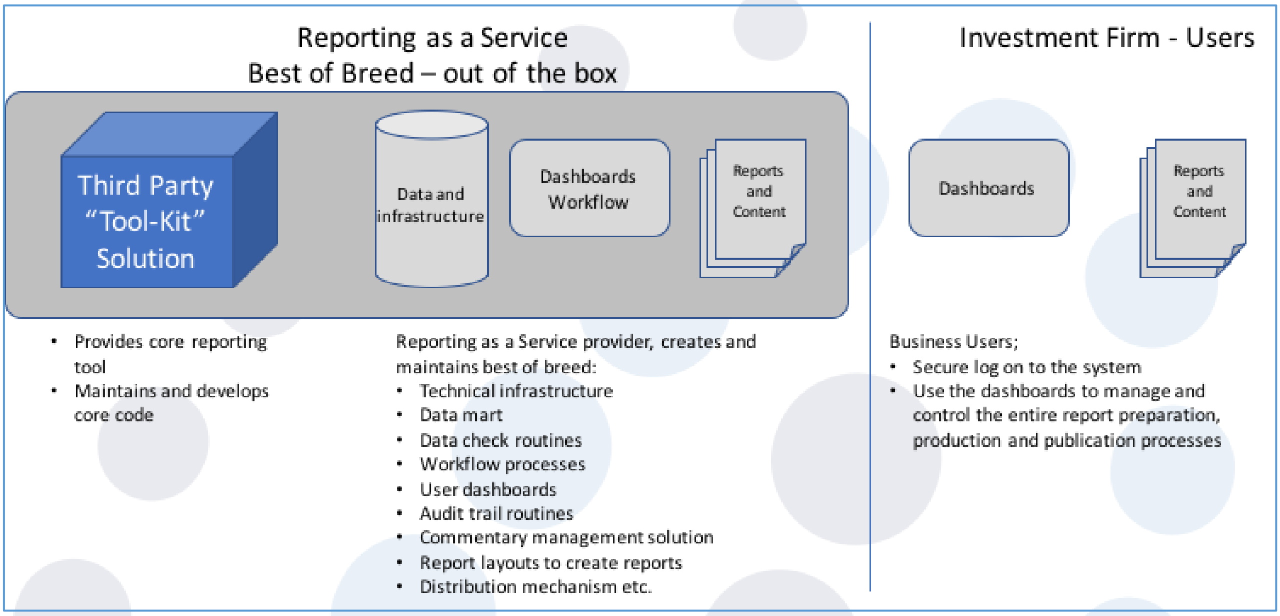
While all of the reporting elements shown in the middle box above are vital in a high-quality reporting solution, a number of firms have started to ask if it is really efficient for each investment firm to build its own individual solution to all of these elements?

The new era of client reporting – focus and efficiency

We believe that a more efficient approach is for investment firms to outsource to a best of breed provider those reporting elements for which there is no real scope for adding value by doing them in house. We do not think that investment firms have anything to gain from continuing to conduct the above functions in house; they only face risk on the downside if they fail to deliver them well.

By removing these steps of the client reporting function from the investment firm, the firm can instead focus its resources on where it can truly add value to clients – by ensuring the accuracy and completeness of the report content and the speed in which it can be delivered. Those important projects might just become achievable goals.

A number of firms are recognising and acting on this and we believe we are now entering the third phase of the client reporting evolution – the Reporting as a Service solution.



Once again, the emergence of new technologies – in particular, cloud-based – has facilitated the evolution of client reporting. Rather than investment firms installing, building and configuring their individual client reporting systems in their own technical infrastructure, the cloud can provide access to a best of breed SaaS (software as a service) reporting solution – Reporting as a Service. This enables investment firms to use a complete end to end, best of breed solution that includes all of the required client reporting elements noted above, all securely installed in the cloud technical infrastructure. The Reporting as a Service solution is complete and ready to go out-of-the-box, and simply requires certain configurations to be applied to activate and enable each investment firm to use the reporting solution configured and branded to their precise requirements.

The Reporting as a Service solution allows investment firms to significantly reduce their development costs as these are shared between all the customers of the service. All clients gain access to the best of breed end to end solution, without the expense and risk of trying to build it themselves. This approach also reduces the project risk for investment firms, as the solution is pre-built and simply requires configuration to on-board.

Furthermore, on-boarding time frames to a Reporting as a Service solution are significantly shorter than a traditional client reporting implementation. Typically, on-boarding would be measured in weeks, not months or years, as the system is pre-built and immediately available in the cloud.

Finally, because of the efficiency and charging mechanism of the cloud and the Reporting as a Service solution, the cost model is highly efficient too[1].

Cloud–based technology heralds a new era in client reporting

The cloud facilitates powerful and scalable computing that is paid for only when required. It also enables global access to systems, and the resilience of the systems mean that traditional backups and off site storage become a thing of the past.

Rather than investment firms having to buy, install, monitor and maintain their own technical infrastructure, they can simply use computing from a cloud supplier. The cloud providers are expert at what they do, and have access to vast resources and industry experts – far greater and far more than many individual investment firms could afford, or want to afford.

Investment firms typically install systems and maintain them at full capacity 24x7, irrespective of use. Not only is the cloud computing probably cheaper than the in-house infrastructure, but it can be even more cost effective if the available capacity and processing power is scaled down and up, depending on use. In the case of client reporting, leaving a small background level of processing capacity through the quiet times in the month, and scaling up the processing and capacity for the busy reporting periods will be much more cost effective than running an internal system at full capacity irrespective of use. In-fact being able to scale up capacity and processing beyond what is currently possible with the in-house infrastructure provides another advantage to the investment firm in terms of time saving.

Conclusion

Faced with the challenge of important client centric development competing with urgent regulation driven work – a game that is very hard to win without additional resources – the solution for firms that are increasingly pressured to do more with less is a new model of working. Technology provides a way for firms to further evolve the reporting function – by carefully and selectively cutting the workload of reporting teams, it becomes entirely feasible for urgent and important tasks to happily coexist.

See how Opus Nebula can help you by visiting http://www.opus-nebula.com
or contact us at enquiries@opus-nebula.com

The Opus Nebula Reporting as a Service® solution is Powered by SimCorp Coric and hosted in the Microsoft Azure Cloud.

Andrew Sherlock MBA
Director and Co-Founder Opus Nebula

Andrew has over 30 years' experience in client reporting and client servicing, gained in a variety of investment firms and as a management consultant. Prior to co-founding Opus Nebula and developing the Reporting as a Service solution, Andrew was Head of Reporting at HSBC Global Asset Management.

Andrew gained his MBA from The University of London, Royal Holloway

[1] The Reporting as a Service solution operates with: a standard fixed rate card tariff; fixed set up costs; and pay-per-use report production costs. The standard charges are adjusted for report complexity and production volumes. More complex reports cost more to set up, and higher reporting volumes attract volume discounts.