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Vendor Consolidation

The compelling case for putting all your eggs in one basket

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In this whitepaper we explain how it is possible for asset managers and asset servicers to make annual six figure savings by consolidating the vendors they use for product data management, data dissemination and associated regulatory/client reporting.

Executive summary

By adopting a holistic approach to product data and leveraging the full capabilities of Fundipedia, the formatting and dissemination of data to any downstream market participant can be completely automated.

Our "set and forget" approach to data delivery allows companies to continuously deliver data in whatever format is required e.g. for system feeds, ESG reporting, factsheets, websites etc, thus eliminating the need to rely on multiple, expensive third party data distributors and vendors.

In addition, a holistic approach gives companies complete control and oversight of where their data is being sent, ensures that data provided for downstream publication is 100% reconciled with the golden source and allows organisations to unlock capabilities for data driven decision making, preparing the ground for future innovation.

# The compelling case for putting all your eggs in one basket

Introduction

It may seem counterintuitive to put all your eggs in one basket but when you're talking about management and dissemination of product data for asset management and asset servicing, it makes perfect sense. Especially when you realise it could mean saving around half a million dollars.

Yes, you read that correctly, we see situations where annual savings of around half a million dollars can be made if a holistic approach to data management and data dissemination were to be taken.

The challenges and opportunities of data management and dissemination

Anyone working in asset management and asset servicing knows that data management and dissemination can be complex and costly. This is because data management and dissemination is something that has evolved, not something that has been designed, and evolved systems are messy. Front, back and middle offices have different needs and data that is vital for one is irrelevant for another and therefore deprioritised. This leads to silos where data is duplicated, re-entered, and stored in multiple systems and applications across different teams with each system or application having a cost, either internal or external. Pulling data together across an entire company and reconciling it for downstream dissemination thus becomes an error-prone logistical challenge, involving multiple systems, applications and vendors that eats up internal resources, incurs cost and fails to provide clear data oversight.

An evolved data management and dissemination ecosystem
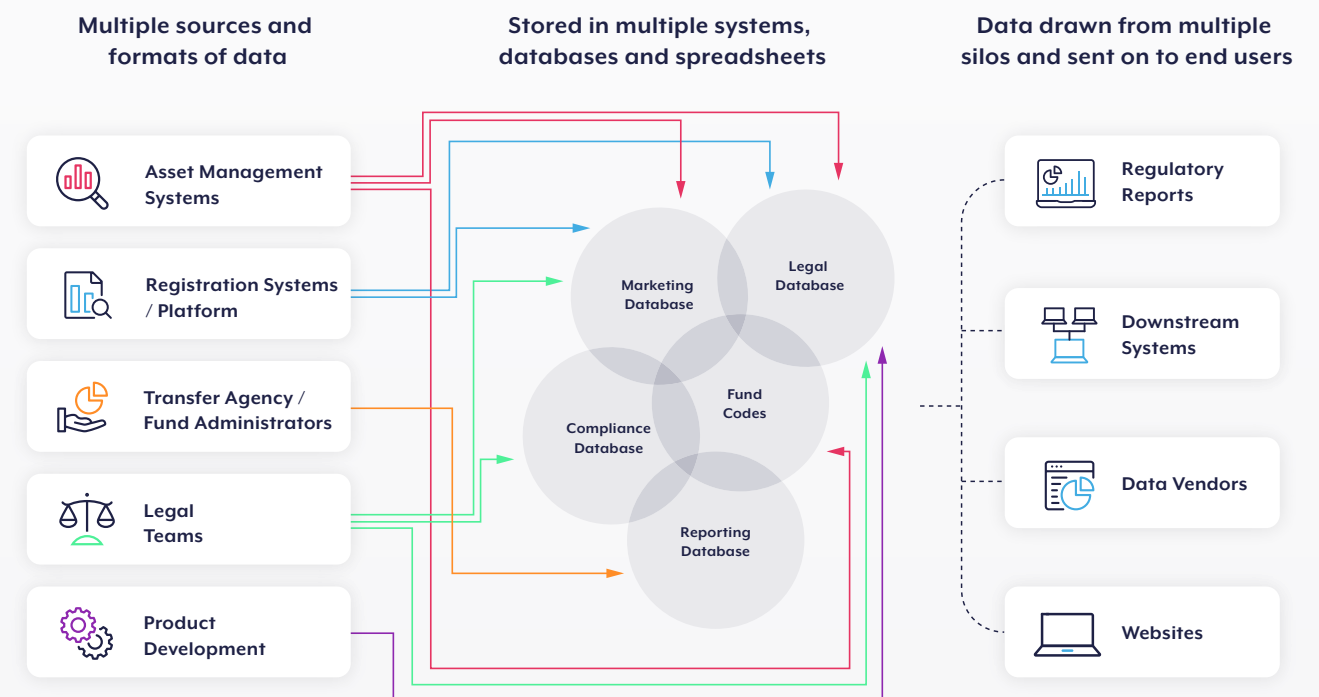
Organisations across the asset management industry are now fully embracing the importance of all aspects of data and are prioritising data management and the technology to support it. Alpha FMC's Asset & Wealth Management Outlook for 2024 highlights the recurrent themes of cost efficiency, standardisation, scalability and technology as companies are looking to explore innovative AI solutions, for which a coherent data framework is a pre-requisite.

Prioritising data and the technology to support it no longer requires an increase in spending. In fact, we know that the reverse is usually true which is why we've written this whitepaper. Companies that address inefficiencies by adopting a holistic approach to data management and dissemination can not only radically improve efficiency and gain enterprise level data oversight, but they also reduce the number of vendors they work with, significantly reducing their ongoing annual costs.

Why does data management and dissemination cost so much?

From our experience working with different asset managers and asset servicers, we find that there are, on average, **at least 22 different systems for data management and data dissemination across various functions** e.g. product, legal, compliance, reporting, marketing, administration, calculations etc.

Some systems are internal and others external, some are legacy systems, some are inefficient, and most are expensive. Internal and legacy systems often have high maintenance burdens and high error rates. Integration with other systems is difficult and data must be transferred manually or must sometimes even be rekeyed. Taken together this leads to increased risk of errors and increased costs.
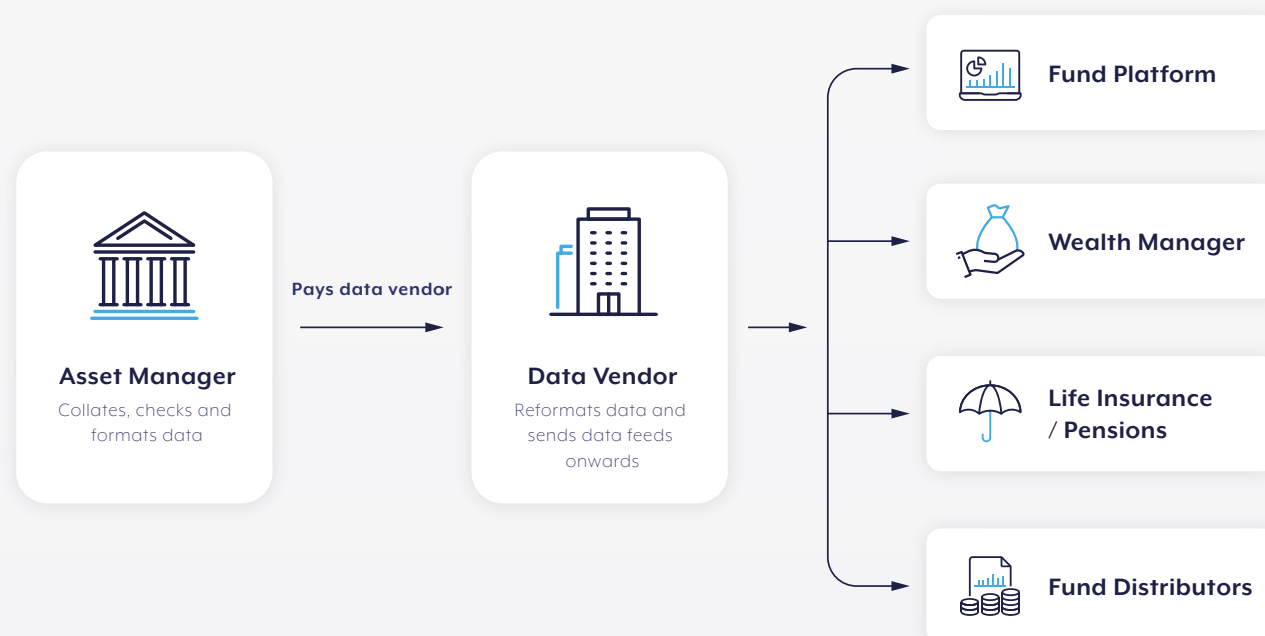
How is data disseminated?

No matter how many systems are used for data management and dissemination, we see two main approaches to actually disseminating the data.
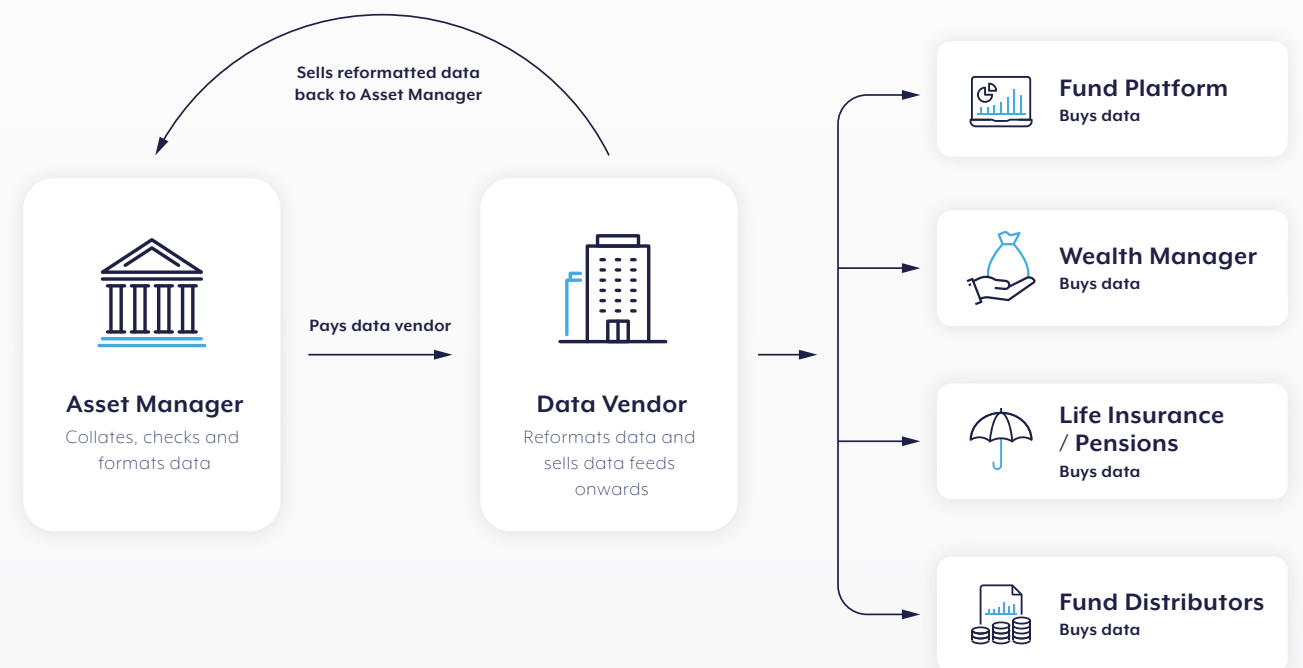
Cost at source model

In the first, asset managers manually process their data into the required format for their chosen data dissemination partner who is paid a significant annual fee to distribute the asset manager's data to market participants such as distributors, fund platforms, wealth managers, life and pension companies who require the data at point of sale.

For the asset manager this leads to costs for manual processing to source, check, clean and format the data and for their dissemination partner to send the data on. Costs for these services are high, and are comprised of an annual fee or a share class fee, or in some cases a combination of both.

Asset Manager
Collates, checks and formats data

Pays data vendor

Data Vendor
Reformats data and sends data feeds onwards

Fund Platform

Wealth Manager

Life Insurance / Pensions

Fund Distributors

Cost over value chain model

In the second, asset managers are again manually processing their data into the required format for their chosen dissemination partner. However, the other market participants now also pay a fee to the dissemination partner to receive all the data they need at the point of sale. In this scenario there are internal costs and external costs to the asset manager and external costs to the distributor who receives the data. Again, these costs are significant, and charging models vary making it difficult to have a clear overview on exactly how much data dissemination costs overall.

Sells reformatted data back to Asset Manager

Asset Manager
Collates, checks and formats data

Pays data vendor

Data Vendor
Reformats data and sells data feeds onwards

Fund Platform
Buys data

Wealth Manager
Buys data

Life Insurance / Pensions
Buys data

Fund Distributors
Buys data

Both these approaches are inefficient and costly and we recommend a different approach, one that improves quality and increases efficiency whilst actually saving significant sums in unnecessary fees year on year.
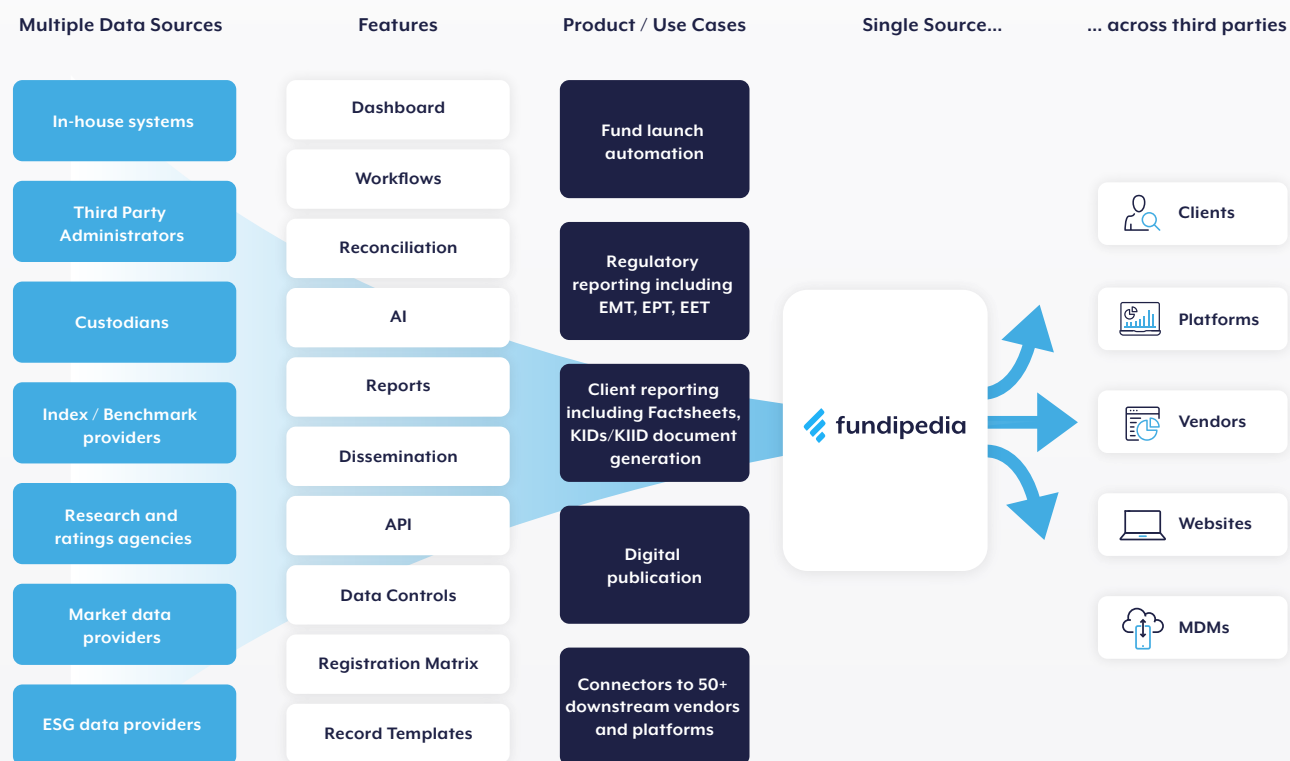
A holistic approach to data can save money and improve quality

We believe that by adopting a holistic approach to data, companies save money and improve data quality.

What do we mean by a holistic approach to data? For us, a holistic approach is one that extends across different functions and encompasses all aspects of the data over its entire lifecycle. This involves understanding the data, where it came from, where it needs to go and what it will be used for when it gets there. It means understanding the importance of the data at each point in its lifecycle and its relationships. It involves understanding who the consumers of data are, why they need it and then giving them the data that they need, how and when they need it.

This holistic approach is central to how Fundipedia, a consolidated data management platform that fully automates the formatting and dissemination of data, operates.

Multiple Data Sources	Features	Product / Use Cases	Single Source...	... across third parties
In-house systems	Dashboard	Fund launch automation		Clients
Third Party Administrators	Workflows			Platforms
Custodians	Reconciliation	Regulatory reporting including EMT, EPT, EET	fundipedia	Vendors
Index / Benchmark providers	AI			Websites
Research and ratings agencies	Reports	Client reporting including Factsheets, KIDs/KIID document generation		MDMs
Market data providers	Dissemination			
ESG data providers	API	Digital publication		
	Data Controls			
	Registration Matrix	Connectors to 50+ downstream vendors and platforms		
	Record Templates			

This modern architecture saves money and delivers a designed data framework fit for purpose, today and tomorrow. The elimination of manual processes and the "set and forget" automated data delivery puts our users firmly in control of their data, eliminates many of the fees paid to third party vendors and reduces time spent managing vendor relationships.

> **It's a very simple equation, multiple vendors = multiple costs and room for error. Fewer vendors = less cost and better service.**
>
> **Simon Swords**

So how much is being unnecessarily squandered on data management and dissemination?

As each company is unique with a different operational set up, it is impossible to create a definitive, generic formula of what can be saved by consolidating vendors. However, drawing on our experience gathered over multiple implementations, we have identified three main types of data activity that are common across different operational set ups and evidence the significant, and sometimes opened-ended, costs these activities incur.

1 Finding and collating data

Often the most significant part of any data exercise is finding and collating the data in the first place. To do this asset managers and asset servicers use knowledge workers, who source, check, clean and manually process the data.

These are skilled employees who manage databases, spreadsheets, systems and processes in different teams. Knowledge workers play a vital and often under-recognised role in ensuring data quality and integrity, spending significant time assessing data quality, identifying and correcting errors. As a conservative estimate, in a midsized asset manager there are usually at least three full time equivalent roles who spend between 50 and 75% of their time on this so, depending on where resources are located, **upwards of 190K USD a year** can be spent to find, check and clean data.

2

Maintaining and storing data

Once data has been found and collated, it must be maintained and stored. We've seen different solutions, often an in-house built product master, for which there is an internal IT cost to build it, to maintain it and to run it. An in-house build can be tempting for various reasons but there are many arguments against. We explore in depth the pros and cons of the "build versus buy dilemma" in this blog post but here are some of the major cons:

- **asset managers and asset servicers are not (with the exception of some of the extremely large players) software companies,**

- **in-house IT teams do not have the required business knowledge to fully understand the use cases so the software is never quite fit for purpose, is difficult to use and inaccessible to many, making it less likely to be adopted and thus encourages the development of specialist silos of duplicate data,**

- **the IT resources that built the in-house solution inevitably move on to other roles (or companies) meaning that the specialist knowledge about how the system works is lost over time,**

- **finding IT resource with the knowledge of the system and the desire to enhance it is nigh on impossible after the in-house built system is launched,**

- **the costs of data management and dissemination are hidden in operational budgets and oversight is impossible.**

The costs can also be significant with an in-house build costing **260K USD a year** to run, never mind the initial outlay for development.

As an aside, we've also seen situations where, whenever a snapshot of data is required, the data must be sourced, collated and cleaned all over again (!).

3

Disseminating data

Once data has been sourced, collated, cleaned, maintained and stored, the fun really starts as now data must be disseminated i.e. shared. To share the data, it must be converted into the formats specified by the recipients. Data is shared multiple times to multiple recipients, in multiple formats at multiple frequencies and it is vital that it is consistent.

Data is needed to feed websites (companies own and those of third parties), other systems, for client reporting, to be submitted to regulators etcetera. Some of the data recipients use the data to produce other reports and documents (we'll discuss that separately later). The different data feed formats can be bulky, complex and difficult to handle, and this is where data vendors can earn a lot of money.

For example, we have seen situations where an asset manager has paid **a one-off fee of 130K USD** for the creation of the required data templates for EMT, EPT, EET, CEPT and DCPT and then incurred **a recurring cost of 130K USD per year** for the maintenance and regular update of these templates.

We have seen vendors charging upwards of **100K USD a year** for preparing and sending data to other market participants. Sometimes these feeds can be something as simple as a list of all funds, their share classes, currencies, identification codes (ISINs, WPKs etc), countries of registration, and system codes. Asset managers also sometimes use a data vendor to feed their own and distributors' websites. As they are unable to support the required formats, they pay an external data vendor to get their own data back in the required format. These fees vary widely depending on the contractual set up but fees upwards in the range of **65K USD a year** are not unusual.

When these data costs are lumped together, the total can be breathtaking. What's also breathtaking is that it can be nearly impossible to accurately assess what is being spent across a product range as there are multiple vendors with multiple fee scales and charging structures with relationships being managed by different teams.

How do these figures compare with how much you spend on data?

We would love to discuss these figures with you, and we are 100% confident that if you put all your data eggs into one holistic data management and data dissemination basket i.e. Fundipedia, you will make significant savings. For example, with Fundipedia all the activities described in the previous section, can be automated within the basic functionality of the platform resulting in one source of truth, one vendor, one fee and universal access to data to all users.

In addition to cost savings, are there many other benefits to implementing a holistic data management and dissemination platform?

The short answer is yes, there are a huge number of benefits.

One benefit that we mentioned earlier is document generation. Data is a crucial component of documents such as factsheets, KIIDs, prospectuses and SFDR disclosures and, as these are regulatory documents, the data must be accurate and up to date.

Asset managers will often pay a third party to generate these documents, feeding them the data to enable them to do so and then paying through the nose for document generation.

For example, for a fund with around 200 share classes, costs for these documents start at a baseline figure of **280K USD a year,** with further charges being incurred with every change and update to the templates. We have also seen one of our clients charged **over 150K USD a year** for feeding their own website with their own fund documents. Using a holistic data platform with document generation capabilities such as Fundipedia, means, although there are some additional costs associated with generation of these documents, significant savings can be made with updates and document dissemination being automated.

Other benefits of a holistic approach include a guaranteed single source of truth, universal easy access to data (no additional charges for additional users), full data transparency, automated reconciliation, set and forget data dissemination, workflow management, complete data oversight, data security, transparency and a full audit trail to name just a few.

We think that the most exciting benefit of our holistic approach is that you get a future proof solution that allows you to unlock the potential of your data and lays the groundwork for innovation – good machine-accessible data is the prerequisite of successful AI. With good data, crucial data driven decisions can be made enabling informed choices based on evidence rather than intuition or speculation. This helps organisations stay agile, enabling them to adapt to market trends and competitive pressures.

Conclusion

When we first set out writing this whitepaper, we wanted to explain how it is possible to save significant sums of money, year on year, by consolidating vendors but then we realised there was much more we wanted to say. It is not only how much money you can save when you consolidate vendors, it's also that, if you do it right, you will achieve a resilient and future-proof data management platform too.

The case for putting all your eggs in one basket has never been so compelling so please reach out to us to discuss how we can help you save money and improve your data management.

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Find out more

Let us show you how Fundipedia can
help. Email us or request a demo
to speak with our experts and see
Fundipedia in action.

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