State of Application Technology Trends in Asset Management

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Initiatives: Financial Services Technology Modernization and Transformation

Asset management firms’ application spend continues to accelerate into 2021 and 2022. This research highlights asset management firms’ application technology priorities, spend analysis and changing deployment dynamics to help CIO’s plan their application modernization roadmap.

1. Where should we start, given that a large part of application infrastructure has been neglected for various reasons?

2. What are the trends that can help inform roadmap decisions?

3. How do we prioritize application capabilities for modernization?

4. What are the risk/value drivers to consider?

5. What is the change in spend patterns?

6. Is the industry adopting an alternative deployment model?

With this research, we share with you key findings from Gartner’s FS Tech survey from 116 asset management participants, combined with analysis of the trends, based on Gartner client interactions. CIOs can build a roadmap for application modernizing to support asset management firms’ key business priorities of revenue growth and building new products and services.

This research includes six top priority asset management business application capabilities:

1. Order/execution management
2. Portfolio management and accounting

3. Portfolio modeling and risk analytics

4. Investment research management

5. Regulatory compliance

6. Order routing and market connectivity

High-Level Findings

- Acceleration in spend on applications continues from 2020 into 2021. In addition, the level of spend (initial spend, as well as ongoing spend) has increased.

- Growth and the ability to build products and services are the top objectives, followed by cost optimization.

- Regulatory change, change in market structures and shift in asset allocation are the key business drivers for increased spending.

- More than half of the asset management firms want to change the funding model from a capex model to an opex model.

- Firms’ spending on upgrading current applications is doubled across all applications, compared to adopting/investing in new applications.

Key Takeaways for Asset Management CIOs

- Take a pragmatic approach to modernizing existing applications by working incrementally and letting business needs highlighted in the value-risk matrix drive your priority list.

- Switch from an application-migration-led approach to a component replacement approach by embracing three fundamental architectural trends: the mesh app and service architecture (MASA), an API platform strategy and event processing architectures.

- Explore the opportunity to shift your funding model; cloud-based deployment models can shift capex to opex. Analyze the impact on total operating costs for your current and future cost position.
Calculate the expected total cost of ownership by utilizing application life cycle cost modeling when developing a business case for a new application, whether that application is built, bought or subscribed to.

Support your architectural initiatives by addressing cultural change head-on. Success requires new practices (such as agile, DevOps, continuous delivery and continuous modernization) and new mindsets (such as moving from project-driven to product-driven cultural models) and new deployment models (such as SaaS and BPaaS).

Recommended by the Authors

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A Banker’s Guide to Order and Execution Management Systems for Buy-Side Investment Firms

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Evidence

1 Gartner’s 2021 Financial Services Technology Survey: The 2021 Financial Services Technology Survey was conducted online from October through December 2020. The respondents included senior leaders who were either primary decision makers for their organization or business unit’s technology strategy or had a high level of influence in those decisions. The total sample was 847, with representation from all geographies and from both the banking and investment services and insurance industry sectors. The survey was developed collaboratively by a team of Gartner analysts, and was reviewed, tested and administered by Gartner’s CIO Financial Services QUADS team.