
Transformation in UK Platform market



CASHFAC

Transformative change is happening in the platform market. Incumbents & new kids on the block are looking for a new technology edge to compete

ALL CHANGE IN THE PLATFORM MARKET

Change is in the air in the Wealth Management platform space. Almost every week a platform seems to change hands, either to an industry buyer or Private Equity. Almost every week a new kid-on-the-block platform announces the acquisition of new assets fuelling their exponential growth. And almost every week there seems to be a new investment app hitting the market, from AJ Bell's Dodl to Revolut or Freetrade.

COMPETITION IS HOTTING UP

Clearly competition is hotting up in the sector.. And normally when firms are in the heat of competition they invest to ensure they remain relevant.

In this landscape of enhanced competition Cashfac is helping incumbent platforms to deploy new cash management capabilities that will allow them to maintain their dominant position in the market. And we are helping new kids on the block secure new assets by offering a superior customer experience at lower cost.

In this paper we outline 5 ways in which Cashfac can transform the capabilities of incumbents & new entrants.

Recently Cashfac has seen a ramp-up in platforms seeking to enhance their service offering in key areas. The platforms are also looking to reduce their operational costs and what they charge the end client. We have also seen Wealth firms themselves go direct to market to secure new functionality which their platforms have not been willing or able to provide themselves.

It is not just new players who are driving this transformation: as NextWealth observe, "There is a misconception that the bigger platforms are digital laggards while newer platforms are digital natives. Four of the biggest platforms by assets are among what we term 'gamechangers' – the firms that made the biggest shift toward digitalisation".

The availability of new technologies have been driving this change: incumbent platforms were deployed over 10 years ago in some cases. Not only has technology moved on (APIs are the generally given example) but so has IT strategy. Modular, componentised deployments are more common with an emerging microservice ecosystem in the platform space. Single platform technology may still be the dominant players, but specialised modular options are becoming more common.



Today's platforms, once in pole position for delivering retail financial services, are starting to cough and splutter. Platform engines... have needed to develop and evolve their technology to keep platforms on the road

Altus, 2022

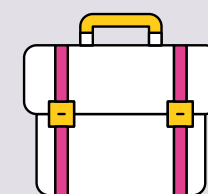


THE LANDSCAPE: WHAT IS DRIVING CHANGE & DISRUPTION?

Transformative change in the Platform space is everywhere. 2020 and 2021 saw Wealth M&A records being broken across the globe (1). The list of UK examples is almost bewildering. JPMorgan Chase bought Nutmeg. Lloyds bought Embark. Interactive Investor went to Abrdn. Nucleus went to James Hay and Parmenion to PCP.

It's hard to keep track but what is important are the reasons behind this transformation. Accenture has framed the industry inflection point crisply: "Wealth management will likely move from resilience in 2020 to reshaping in 2021 to lay the foundation for reinvention up to 2025"

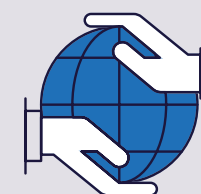
Current Models in the Platform Market



Single asset tech

Expensive, opaque and clunky, the days of siloed PASs built on legacy tech are firmly behind us

Traditional LifeCos



Single platform tech

More transparent but still relatively expensive, the traditional core platform tech provides remain in a dominate position

FNZ, GBST, Bravura, SEI, Proprietary



Specialist component tech/service

Challenge to the current model is emerging from both a price and flexibility perspective but what will take it to make this the norm?

FinoComp, Secci, Multrees, Fundment, Hubwise

But - why is Platform reinvention and functionality enhancement needed?

Platform assets are growing: it's an enticing market to be in

Despite recent macro turbulence, UK assets on platforms have continued to rise. The latest figures show that in 2021, assets rose to over £930bn despite the challenges of the COVID-19 pandemic and further economic uncertainties

Changing demographics and digital expectations

Seamless digital experiences are expected by the mass affluent and retail investors. Clunky manual & analogue interactions are not credible: waiting days for funds to transfer is no longer tolerated. Plus, over half of new investors are aged under 35 according to a recent Oliver Wyman survey

New tech promises fully fledged SaaS solutions and an end to semi-manual solutions

Despite appearances most platforms end up with a suite of manual processes to close gaps and meet requirements. Components often don't talk to each other: dual-keying and manual processes are needed. APIs & integration tools now allow these processes to be invisible and seamless. New components can now be built on top of what is already there without operational disruption

Competition is making scale and efficiency a must-have to survive

The M&A drive has been driven by a recognition that scale is needed to survive. Scale allows the digital investments needed to enhance the user experience to be deployed across huge asset volumes, allowing costs to be spread.

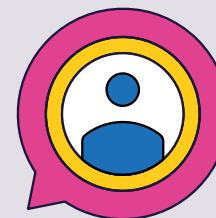
Competition is also on price: high volume, standardised platform processes allow both the Wealth Manager & the platform to compete better

Platforms are shifting from monolithic to open ecosystems to get functionality to market faster

Accenture sees the rise of platform ecosystems as a global megatrend. Whereas platforms used to be monolithic, they are becoming componentised & modular. Many incumbent platforms can now deliver separate components to new existing clients. Some recent platform upgrades have put APIs front & centre to enable integration. Many platforms are encouraging 3rd party components or work with other solutions to get to market fast rather than self-build

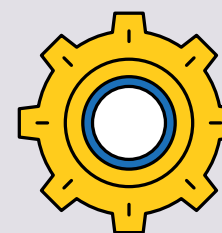
So...how are Platforms investing in their capabilities and what are they hoping to achieve?

Based on our market interactions we have identified 3 core objectives that Platforms have when they invest in their solutions.



A transformed customer experience

Any initiative that enhances the end client experience helps retain and onboard new clients. Examples include faster access to cash, streamlined onboarding, an intuitive and functionally rich UI and – longer term – Open Banking capabilities



Operational efficiencies for cost reduction and reduced people dependency

It's no secret that behind the scenes many platforms rely on manual processes, such as exception reviews, custody and bank recs and manual changes to reports. Automation reduces Platform costs and can either be taken directly to the bottom line or reduce costs to the client. Automation also reduces people dependency and the need to hire as assets grow



Risk and control optimisation

Manual processes can cause poor client service and low satisfaction scores. Management is diverted to oversee manual processes and deal with Regulators. And no matter how good manual process are they don't prevent operational incidents & near misses. Automation enhances client satisfaction, reduces operational losses and frees up the leadership team to focus on winning in the market

So what new capabilities are Cashfac expecting to deliver to Platforms and their Wealth Management clients?

Cashfac is typically deployed into an existing Wealth or Platform architecture to deliver transformed operational cash management capabilities with minimal disruption to operational processes

1

Automated cash receipts and allocations

Cashfac can transform even the most advanced platforms by achieving close to 100% automated receipt matching

**2**

Become bank agnostic and multi-banks

Platforms can enable Wealth Managers to have a multi-bank capability and switch banks with ease

**3**

Yield enhancement with a single view of the cash

Enables firms to optimise the yield on client cash and dynamically manage cash through a single management dashboard

**4**

End to end back-office integration

Put an end to fragmented internal solutions by using APIs to become fully integrated

**5**

Fully automated Client Money capabilities

Eliminate manual processes to reduce risk, deliver operational efficiencies and reduce regulatory oversight



NEXT STEPS: CONSULT WITH OUR EXPERTS

We can offer a confidential 1:1 consultation with our experts on what we are seeing in the market and industry best practice:

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