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SURVIVING THE DIGITAL UPHEAVAL IN THE ASSET MANAGEMENT INDUSTRY

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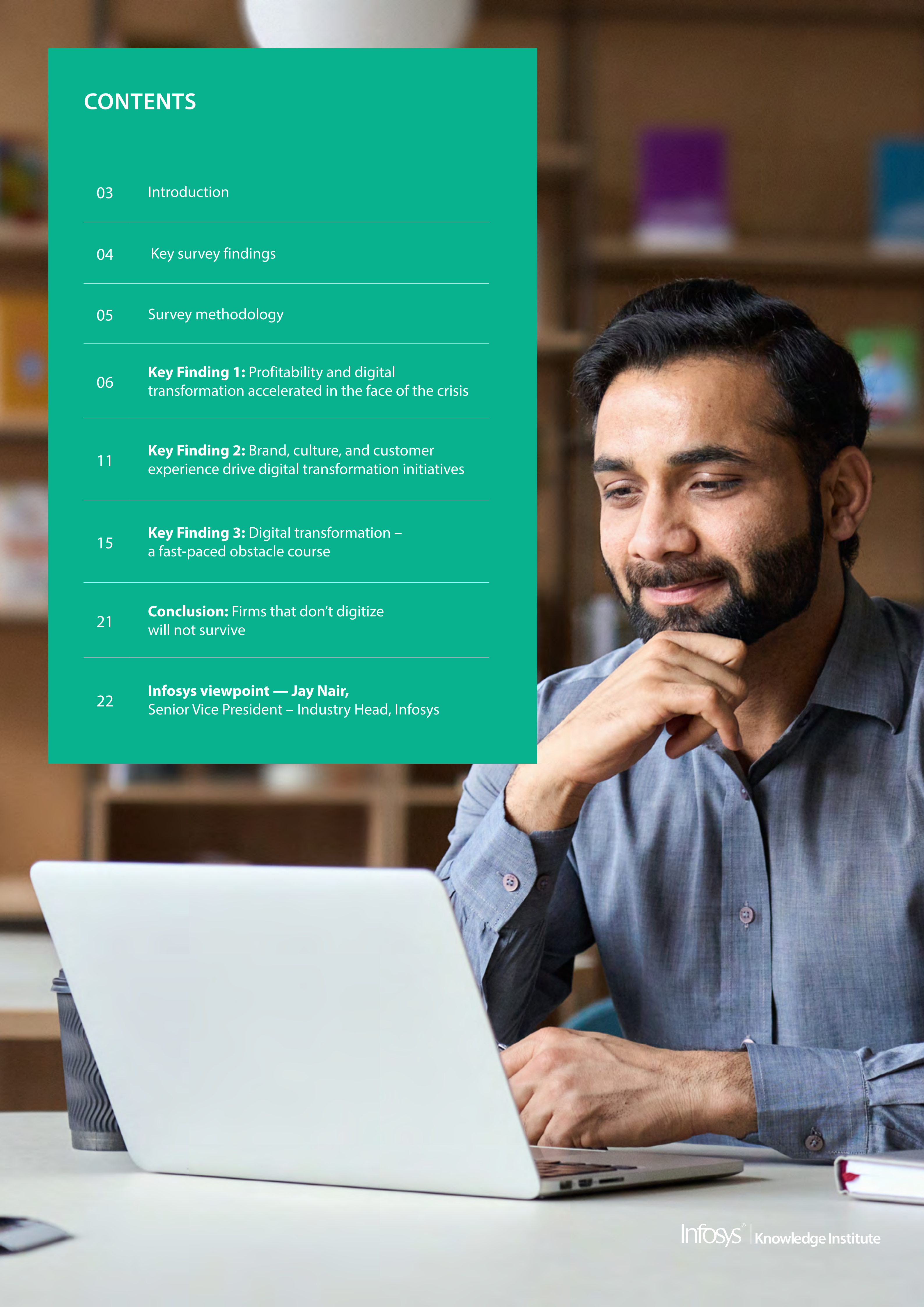

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INTRODUCTION

The asset management industry is successful by one set of measures — firms are reporting strong growth in assets. And yet, other indicators raise concerns. Profit margins continue to decline due to growth in passive investments and the demands from investors and regulators to reduce fees. While this fee revenue continues to decline, the increasingly complex regulatory environment will push operating costs upward.

As these financial pressures build, asset managers are also trying to adjust to changing customer preferences. With millennials rapidly acquiring wealth, this new digital customer insists that asset managers provide ethical investments and offer low-cost products that will further reduce margins.

To cope with industry changes, firms are attempting to become nimbler and democratize their services. Digitization is often seen as an answer to all the industry's troubles. According to Infosys research, asset managers plan to prioritize investments in data analytics, artificial intelligence (AI), machine learning (ML), cloud, and application programming interface (API) over the next two years. These are expected to strengthen the core technology architecture, enable mass customization, and help firms better connect with their customers.

Companies, however, face many challenges as they modernize and accelerate their digital adoption. Talent shortages during the pandemic have made these changes more difficult. Also, firms need to update their operating models to take full advantage of the opportunities offered by the latest technology. And as finances get tighter, companies will need to become more creative in funding these investments and reinvesting the savings. Often, the creativity needed to find the financial headroom is discovered through collaboration with partners and moving operations to a platform built around APIs.

The competition to attract and retain customers is intense. It requires companies to use digital technology to focus on the entire customer life cycle. One way incumbents can combat this intensifying competition is to reinvent themselves through customization and hyperpersonalization on an enterprise scale. And if asset managers don't move quickly, they could lose to digital natives that deliver just what the new, more demanding customer wants — and at a lower cost.

206
respondents

GOAL
To better understand their digital journeys, the impacts of various technologies and initiatives on their strategic objectives, and the impact of the pandemic

KEY SURVEY FINDINGS

The pace of digital transformation has accelerated considerably in response to the pandemic. To remain operational, many companies have been forced to embrace and enhance the digitization of their businesses faster and more comprehensively than ever before. And the results of Infosys' global survey of asset managers found that this technological sprint offers benefits beyond mere survival. Asset managers worldwide have accelerated the pace of their digital transformation during the past year. Further analysis of our survey results shows that the faster these firms evolve, the greater their profitability.

Let's take a close look at our **key survey findings:**

01 Profitability and digital transformation accelerated in the face of the crisis

- Sixty-eight percent of the 206 respondents from asset management providers said their organization's profits increased year over year.
- Ninety-one percent of these executives claim that their firms have doubled their pace of digital transformation. This includes nearly a fifth that more than quadrupled their pace.
- The results of our survey suggest that this technological sprint is linked to profitability — the more digitally transformed the asset management provider, the higher the likelihood of increased profitability.

02 Brand, culture, and customer experience drive digital transformation initiatives

- Increasing brand value, transforming business culture, and enhancing customer experience are the primary reasons for the respondents' digital transformation.
- Post-pandemic, the strategic objectives that respondents prioritize include social impact, innovation, and revenue growth.

03 Digital transformation — a fast-paced obstacle course

- The primary hurdles identified in our survey are security, compliance and regulatory issues, competition from fintechs, and budget constraints.
- To overcome these barriers, the survey results show that nearly 90% of respondents expect their firms to increase spending on digital technologies, including AI, ML, APIs, and cybersecurity, over the next 12 months. Nearly 57% of respondents expect a return on investment (ROI) after a year.
- Respondents who felt well-equipped to meet changing consumer demands were more likely to increase investments in digital transformation initiatives and technologies.

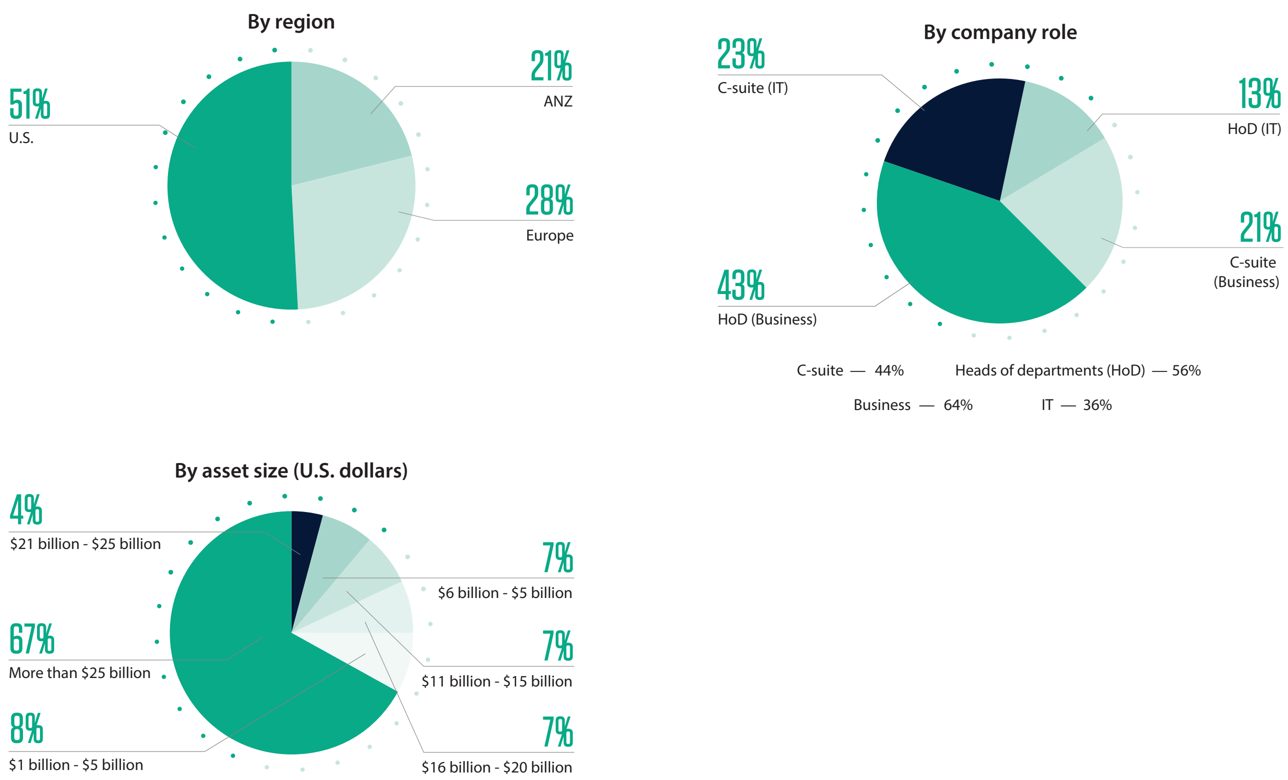
SURVEY METHODOLOGY

In March 2021, Infosys surveyed asset managers to better understand the industry's dynamics. The survey is intended to determine how digital transformation and various technologies and initiatives affected firms' strategic objectives. The survey also looks at how those objectives are expected to change in a post-COVID-19 era.

The data was collected from a global survey of 1,000 financial services industry executives (see Figure 1). A subset — 206 respondents — represents investment banking and asset management providers. The respondents include the C-suite and the heads of functions and technologies. The companies surveyed each have assets of more than US$1 billion and are based in the U.S., U.K., Germany, France, Ireland, the Nordics, Australia, and New Zealand.

The Infosys survey aims to identify the asset management providers' largest digital challenges, examine where executives plan to invest in their organizations, and understand when those investments might mature. The report also provides benchmarks for providers on their strategic digital initiatives.

Figure 1. Infosys survey of 206 respondents from asset management providers



Source: Infosys Knowledge Institute

KEY FINDING 1

PROFITABILITY AND DIGITAL TRANSFORMATION ACCELERATED IN THE FACE OF THE CRISIS

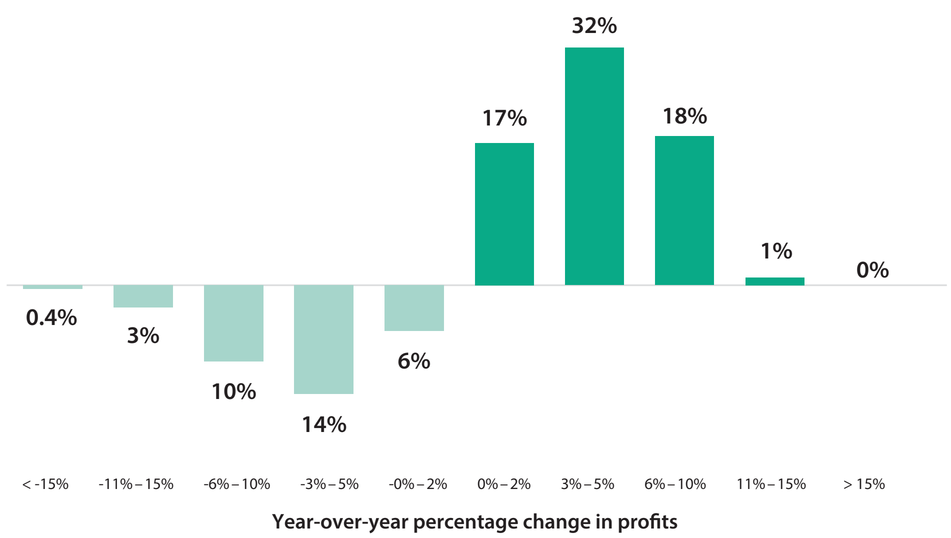
Despite a troubled global economy, challenges with customer interactions, and the shift to remote working, more than two-thirds (68%) of respondents in our survey said their firms' profits increased in the past 12 months (see Figure 2). Nearly one-fifth (19%) reported a rise of 6 percentage points or more. However, 13% of respondents said their company's profits dropped by at least 6 percentage points.

Other topline numbers also appear promising for the industry. Assets under management (AUM) for the top 20 public asset managers increased by 34% in the first quarter of 2021 (see Figure 3). However, prior to COVID-19, fee income had been declining due to regulatory demands for transparency and client demands for products with lower fees. These have been striking reasons for the increases in passive investment products. As regulators review fees and commissions, firms may need to lower what they charge, putting even greater pressure on the top line. A new model that can find an equilibrium between revenue and costs can help bridge the gap between returns to clients and what asset managers expect.

Q.

Did your company's profits increase (or) decrease over the past 12 months?

Figure 2. Nearly half of asset managers reported profit increases of up to 5% in 2020



Source: Infosys Knowledge Institute

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KEY FINDING 1

"Transparent fee structures boost confidence for clients and regulators and help build the asset management brand. What's required is an operating structure that balances profitability and fees, connects fees to performance, outcomes, and aligns innovation and offerings to customer goals."

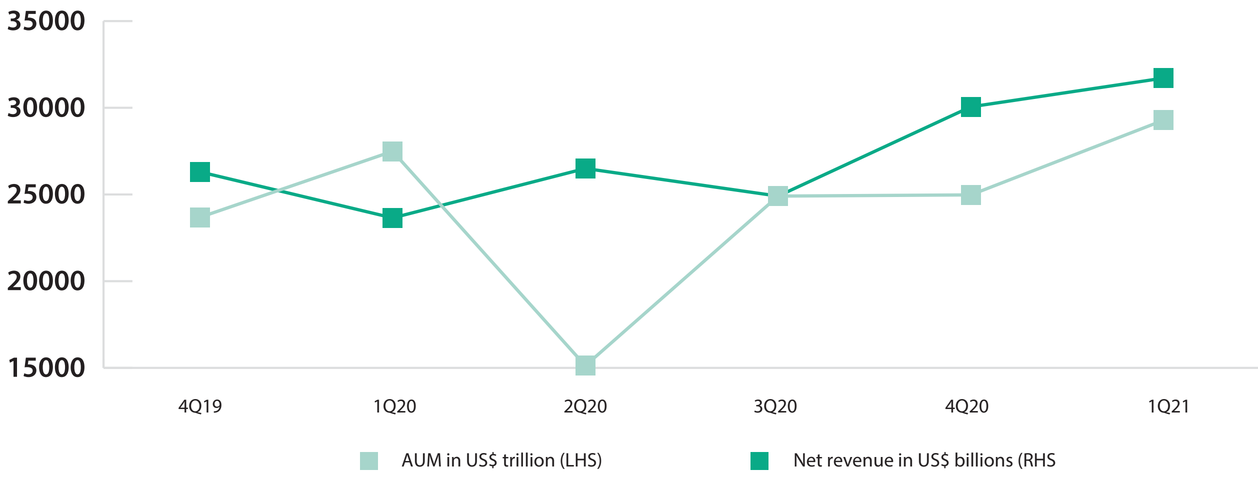
Vineeta Kumar
Associate Vice President and Portfolio Head, Financial Services

The often tradition-bound asset management industry is not typically perceived as a hotbed of digital transformation. However, the pandemic has led to a surge in these initiatives among providers. Almost all (91%) of those surveyed have at least doubled their pace of digital transformation during the past 12 months (see Figure 4). Nearly half of respondents have more than tripled their pace, and nearly a fifth have at least quadrupled the speed of their efforts.

Prior to the pandemic, asset managers lacked the urgency to digitize. But the pandemic acted as an inflection point that boosted the pace of digitization, perhaps by many years. Customers have been pivoting toward digital channels to interact, transact, and review investments. So, asset managers were left with no choice but to digitize if they wanted to improve client experiences and retain customers.

Our survey also found that 4% of respondents decelerated how quickly they are transforming. These companies perhaps have insufficient budgets to transform their technology. Another factor could be the difficulty in attracting workers with the right digital skills. Often, the best talent is drawn to the largest businesses, which leaves other firms struggling to compete. Asset managers that are slow to digitize can fall far behind and might struggle to ever catch up. If they don't adapt to changing customer needs, their survival in the industry is at risk.

Figure 3. AUM and revenue of the top 20 public asset managers increased steadily throughout the COVID-19 pandemic



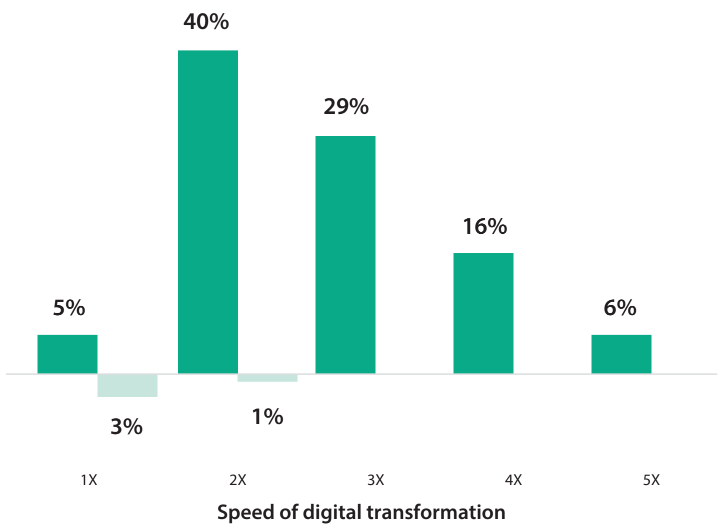
Source: Pionline.com

KEY FINDING 1

Q.

During the past 12 months, did your digital transformation journey accelerate or decelerate?

Figure 4. Few firms slowed their pace of digital transformation



Source: Infosys Knowledge Institute

Our survey results suggest there is a link between the speed of a company's digital transformation and its profitability.

In the asset management industry, respondents that say their firms accelerated digital transformation by three times their previous pace were likely to see profits 2.15 percentage points higher than the average.

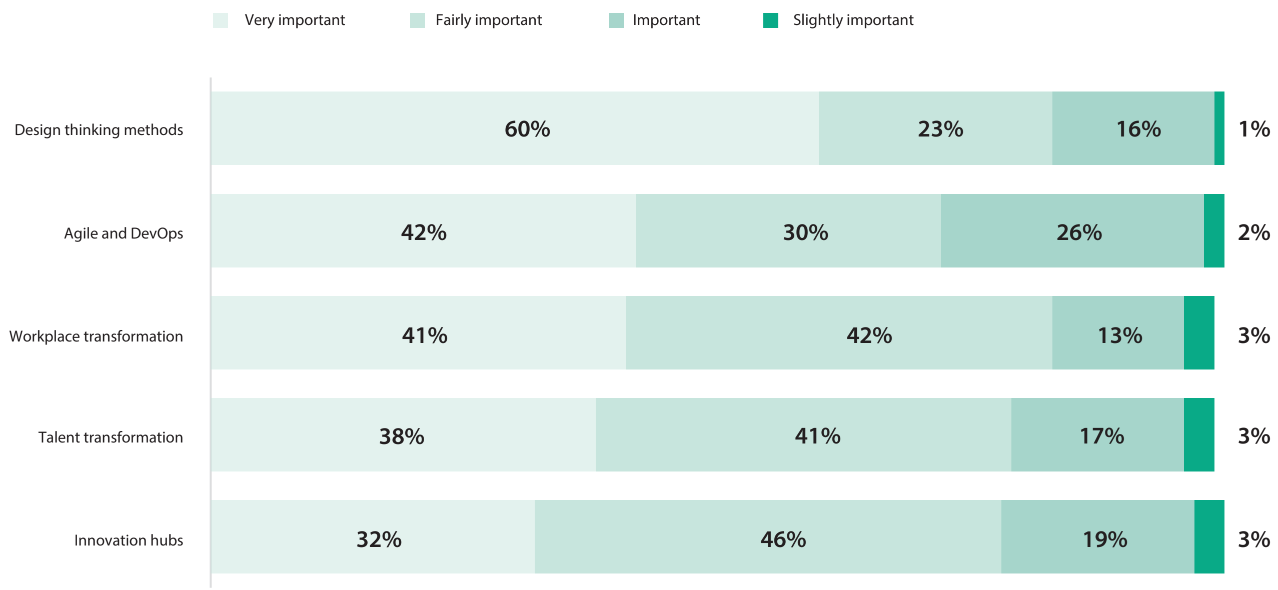
The data also showed a correlation on the opposite side. Firms that slowed their digital transformation twofold were likely to see profits nearly 5 percentage points lower than the average. The emphasis on digital transformation couldn't be more obvious — asset managers that don't invest in these efforts risk harming the bottom line.

Indicating that firms are focused on customer needs, 60% of participants rated design thinking methods as very important digital initiatives (see Figure 5). Design thinking tends to focus on business-to-consumer initiatives. This perhaps indicates that asset managers are looking to democratize their offerings. When introduced as a part of product development, this digital initiative ensures that customer needs remain at the forefront of the innovation process. As customers demand low-cost, hyperpersonalized products, injecting design thinking methods can help asset managers create better offerings.

KEY FINDING 1

Q. How important will each of these digital-orientated initiatives be to your strategic objectives?

Figure 5. Almost all respondents considered these five digital initiatives important



Source: Infosys Knowledge Institute

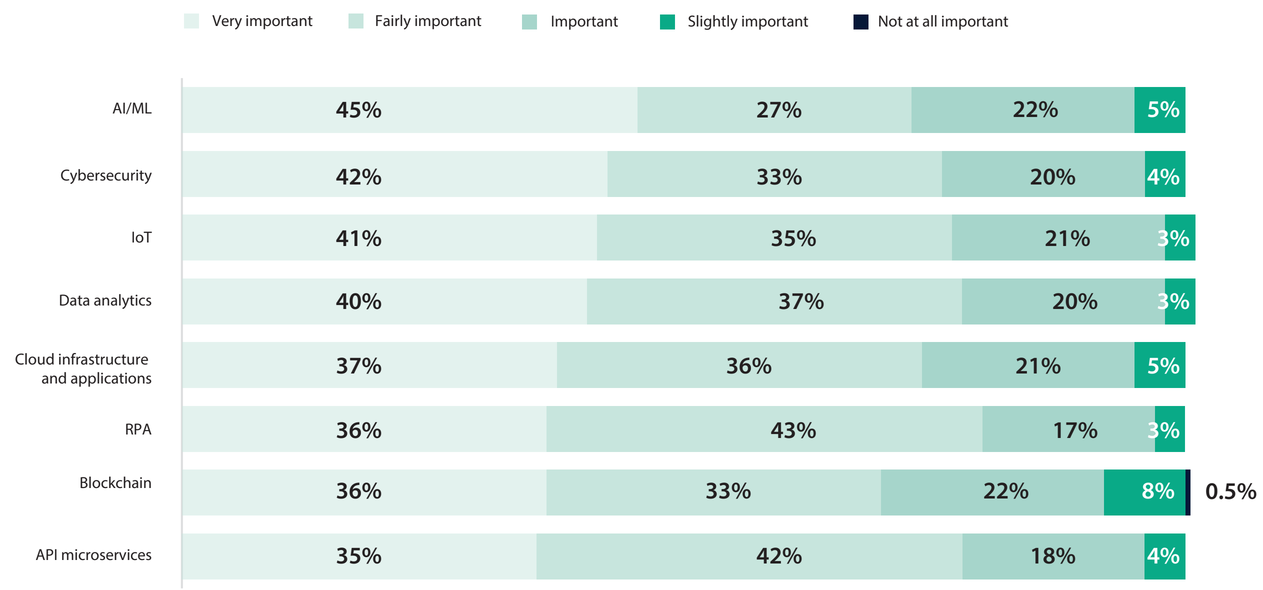
To address the challenging new workplace and increase productivity, asset managers are also focusing on Agile and DevOps and on workplace transformation initiatives. Among all respondents, it was only the head of business departments that had contrasting responses. They considered Agile to be the least important.

In addition to these initiatives, our survey identified the technologies that asset managers say are the most important for meeting their strategic objectives during the next 24 months (see Figure 6). Respondents consider AI and ML to be among the most important initiatives. ML algorithms are now being designed using inputs from behavioral experts to analyze investment decisions and reduce recurring biases. The other top technology priorities are cybersecurity, internet of things (IoT), and analytics. However, robotic process automation (RPA) was considered the most broadly important.

KEY FINDING 1

Q. **How important will each of these digital-orientated technologies be to your strategic objectives?**

Figure 6. At least one-third of respondents consider each of these digital technologies to be very important



Source: Infosys Knowledge Institute

Among the other technologies, analytics is an obvious choice given the volume of customer data that asset managers possess. Data can help firms grow their business, predict client behavior, and change investment goals. This often happens through targeted client acquisition, better decision-making, and investment management, and can also deliver hyperpersonalized products and services across multiple channels. Yet, the technology is not limited to only creating better offerings. These advances can drive efficiency in back-end operations and manage risk and fraud that might result from remote working. Also, when combined with ML algorithms, analytics help identify patterns and derive meaning out of environmental, social, and governance (ESG) data and ratings, which are becoming increasingly important.

All these technologies do not exist in isolation. AI, combined with data analytics, is used to defend against cybersecurity threats. Financial institutions are at significant risk due to the inherent value of the information they possess. A recent Infosys and Interbrand study revealed that the cumulative value at risk due to a cybersecurity breach could be as high as US$2.6 billion. The curse of digitization is that it exposes institutions to cyber risks, often in the form of denial of service and ransomware attacks. Most recently, cybercriminals attacked Advanced Technology Ventures, a venture capital firm with over US$1.8 billion in AUM, stealing personal information of the firm's private investors.[1]

Asset managers were already on the path of cloud adoption, using the technology to leverage cost and to improve agility. COVID-19 has accelerated that cloud journey and transformed the way the technology is being used to gain real-time insights, accelerate product innovation, and hyperpersonalize products and services. Asset managers are modernizing their legacy infrastructure and are working toward implementing polycloud strategies to support resilience and improve security. By operating toward a polycloud strategy, asset managers can benefit from being cloud-agnostic, thus enabling portability. This further allows these firms to automate traditional processes, benefit from open banking, and enhance fraud prevention.

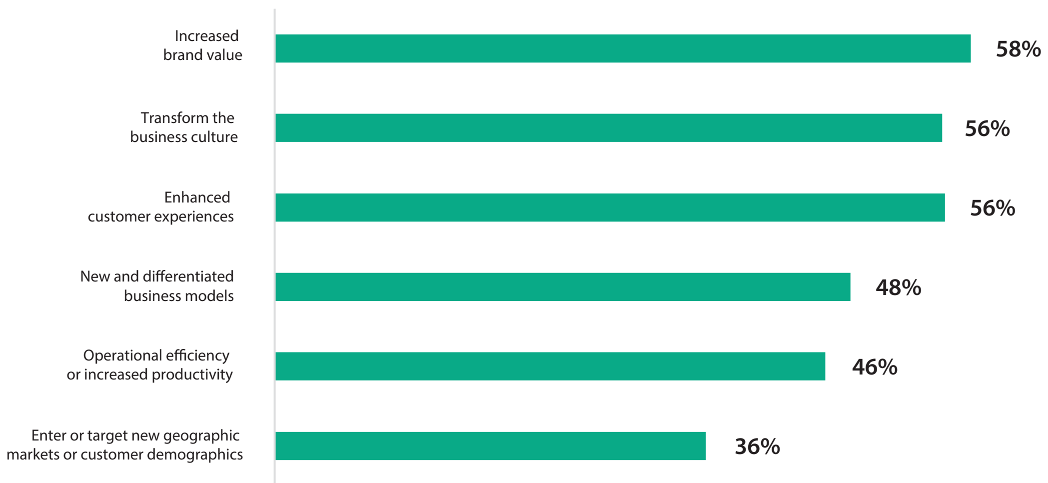
KEY FINDING 2

BRAND, CULTURE, AND CUSTOMER EXPERIENCE DRIVE DIGITAL TRANSFORMATION INITIATIVES

Asset managers have used digital transformation initiatives to enhance the level of trust and transparency. They are gradually enabling investors to experience the benefits the above initiatives create for them.

Although the industry is embracing digital transformation, firms' reasons vary. When asked about the business objectives behind digital transformation, our survey found that increasing brand value, transforming business culture, and enhancing customer experience were the most important (see Figure 7). More than half of respondents consider those initiatives the most valuable.

Figure 7. Branding is the leading reason to transform digitally



Source: Infosys Knowledge Institute

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KEY FINDING 2

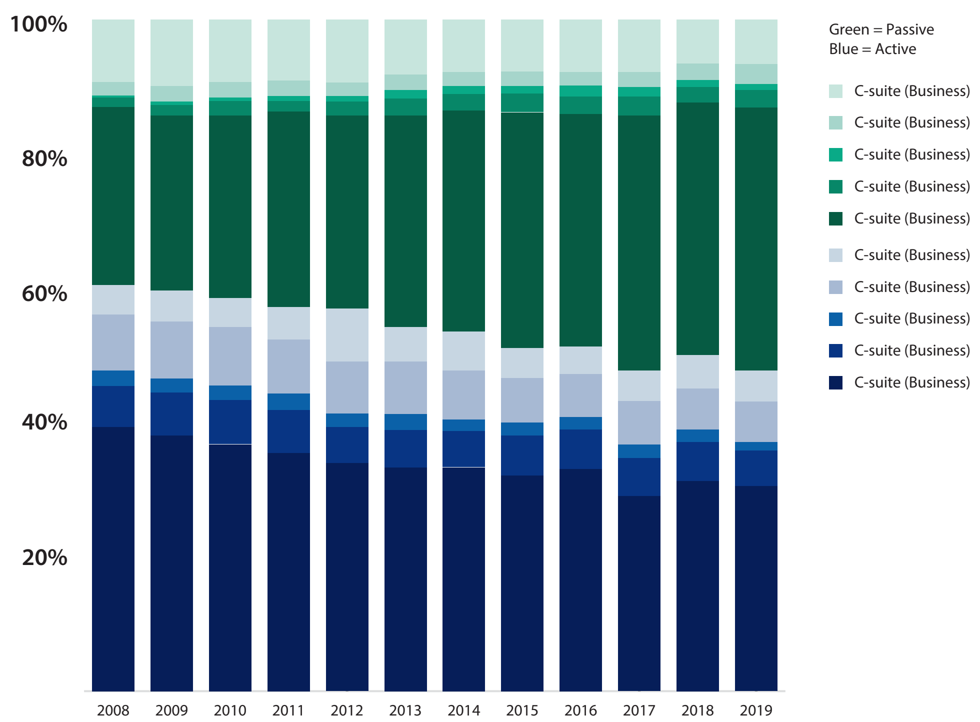
Brand perception and value have always been the cornerstone of asset managers and are even more important now as the industry becomes commoditized. Evolving customer demographics and the need to digitize and derive value from data have forced firms to reevaluate their brand image. Understandably, asset managers consider their brands to be all-powerful tools, but they must optimize them to remain effective.

One way firms increase brand value is through a better customer experience in which they offer multiple capabilities across investment themes.

Changing factors have influenced the industry's current business trends — a preference for passive investing, an increasing number of millennials, more ESG-focused customers, and increasing competition. These changes have encouraged asset managers to focus on their core business by improving customer experience through data-driven operations and increasing operational efficiency using AI-based automation.

In many cases, these changes are hitting asset managers' bottom lines. Low-cost passive funds have been gaining popularity and, correspondingly, a higher share of AUM. They now account for more than half of all U.S. equity funds and more than 20% of European funds (see Figure 8).[2,3] One reason is the high fees for active funds as regulatory compliance and operational costs increase. Low fee-based products, such as Smart Beta, which uses AI and ML to self-correct and generate alpha, also help optimize costs.[4,5]

Figure 8. Passive investing now has a majority of the U.S. market



Source: Pionline.com

KEY FINDING 2

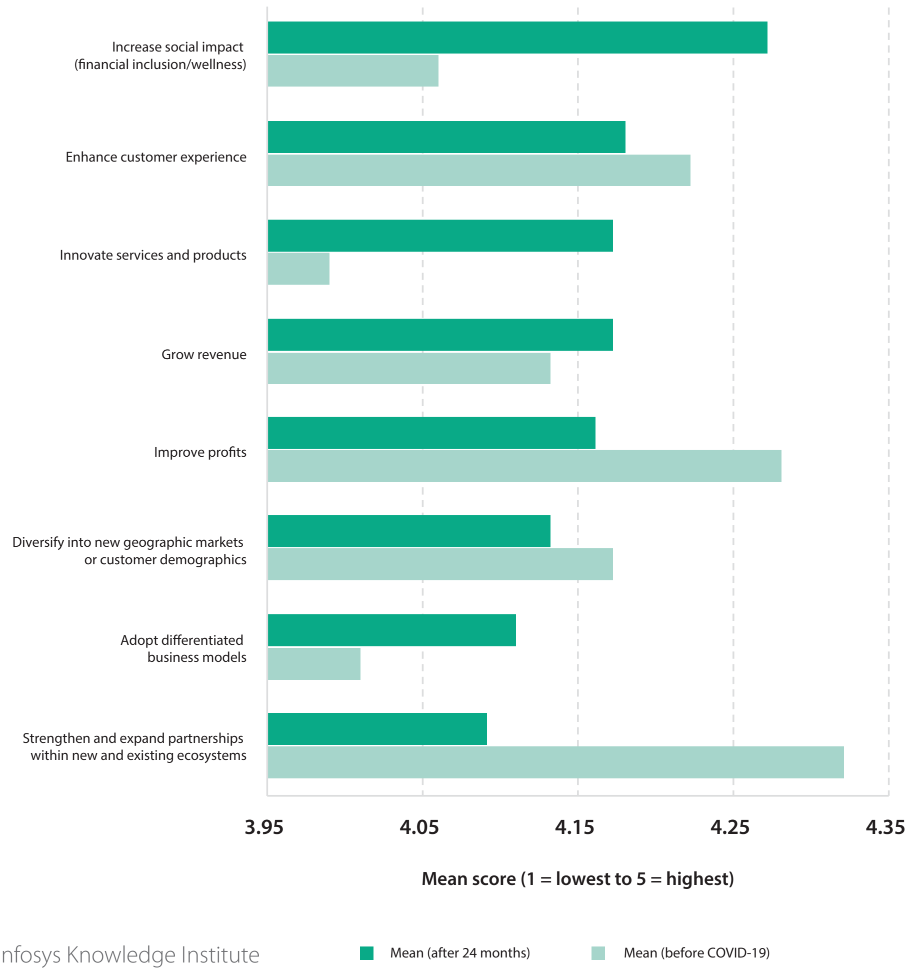
Over the next two decades, nearly US$100 trillion of wealth is expected to be transferred to millennial heirs worldwide.[6] Their expectations from an asset manager are completely different from previous generations. Firms that are more focused on improving their digital capabilities and channels stand to gain by attracting these new clients or retaining heirs of existing ones. Millennials are known to demand quick, personalized services and prefer digital channels. APIs enable this pivot, allowing fast customer onboarding. And a combination of APIs and data analytics can improve customer experience by evaluating income and spending patterns and preferences.

Asset managers have been interested in improving the buying experience for years. Changing consumer behavior and openness to and demand for digital experiences previously caused minor waves of disruption in the industry. The pandemic, however, has brought that issue to the top of the agenda. Customers are no longer satisfied with standardized services and are seeking goal-based, hyperpersonalized, and subscription-based products and services.

Although millennials are the most cited example of changing customer demand, many investors are now considering factors beyond just returns. They want their funds invested in sustainable assets, which is forcing the industry to rethink its strategies. Global ESG assets increased to US$30.6 trillion in 2018 and are on track to reach more than US$53 trillion by 2025, according to Bloomberg.[7] This represents 38% of a projected US$140.5 trillion AUM. This focus on ESG products and investment options is part of the overall experience customers are seeking and is fast becoming an industry mainstay.

When comparing how strategic objectives have shifted, there is expected to be a stark change from the pre-COVID-19 days. In the next 24 months, firms say that the importance of strategic objectives such as social impact, innovation, and growing revenue will increase (see Figure 9). Given that they continue to prioritize growth as well, asset managers need to perform a bit of a balancing act in the next two years to achieve all their objectives. Asset managers are also prioritizing innovation in an effort to differentiate themselves from the competition.

Figure 9. Firms are prioritizing social impact over profits

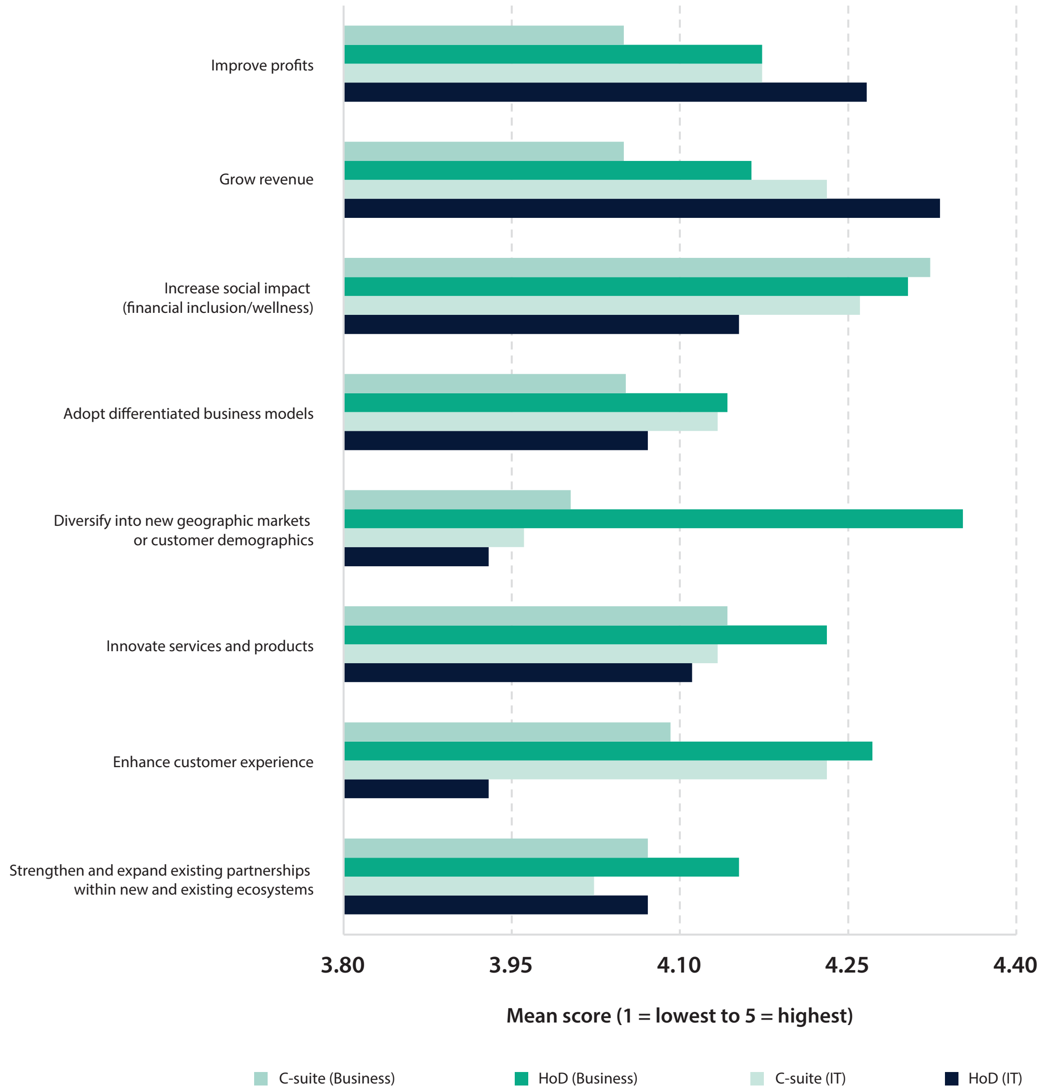


Source: Infosys Knowledge Institute

KEY FINDING 2

Although it's still one of the highest priorities, survey data also shows that the pandemic has led asset managers to slightly shift focus away from customer experience. But respondents in different job roles did not always agree on what was the most important. Interestingly, when breaking down responses among those in different roles, we found that IT respondents prioritized financially driven outcomes (growth and profitability) higher than business respondents (see Figure 10). Also, head-of-department respondents valued strengthening partnerships more during the next 24 months, while the C-suite considered it of lower importance.

Figure 10. IT leaders are more focused on finances than the business side



Source: Infosys Knowledge Institute

KEY FINDING 3

DIGITAL TRANSFORMATION — A FAST-PACED OBSTACLE COURSE

Although digital transformation is accelerating at a faster pace for most companies, the industry still faces additional challenges.

The primary hurdles identified in our survey are security, compliance and regulatory issues, competition from fintechs, and budget constraints (see Figure 11). Companies need to navigate these challenges smartly to prioritize and implement elements of this fast-paced transformation while still maintaining profitability.

The pandemic-led digital push has highlighted the heightened cybersecurity threats. The industry has access to data and financial resources that make it attractive to cybercriminals. Security and the risk of data breaches are one of the top concerns for the asset management industry, which has some of the most lucrative financial data and resources. Another concern is the increasing regulatory complexity, which is adding to firms' costs. New rules and stricter regulations in the European Union and the U.S. have made regulatory compliance more expensive.

Asset managers have always been concerned about building their brand image, an even greater priority now as fintechs and Big Tech offer new competition. Firms are also looking to co-opetition by forming alliances with competitors that can benefit all parties. This cooperation with similar firms can save costs, avoid duplication of efforts, increase innovation, and develop niche investment products. IZNES is an example where competing asset managers have come together to create a blockchain-based platform.[8]

Another growing challenge is the skills gap. The magnitude of the skills shortage is stunning — there were 1.4 million openings for computer-related roles in 2020, according to a New American Economy Research Fund analysis.[9,10]

Since Infosys' financial services survey in March 2021, the dearth of digital skills has widened as demand significantly outweighs supply.

Firms are aggressively competing to incentivize the right talent — high pay packages and counteroffers are often 15% to 20% higher.[11] Asset managers are working with partners who can provide the necessary skills to resolve immediate transformation challenges.

Interestingly, the complexity of IT infrastructure was rated as one of the lowest concerns. This is possibly because most firms are in the process of migrating to the cloud or are already moving to platforms that offer software-as-a-service.

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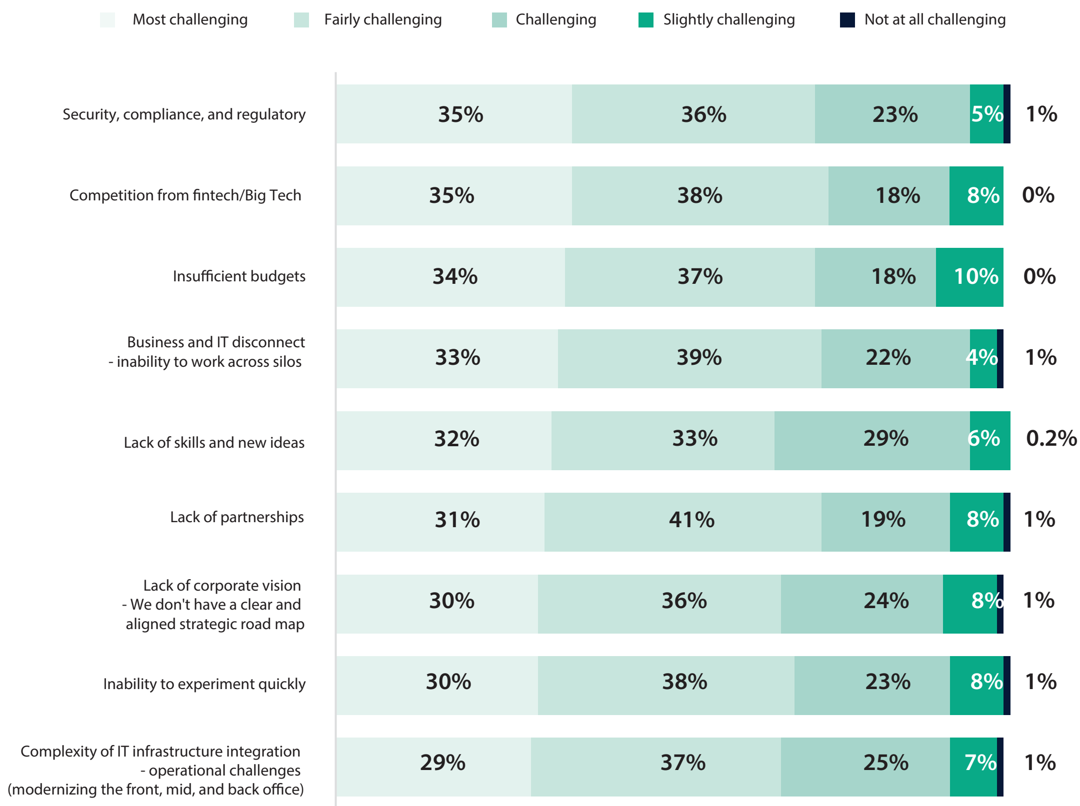
Q.

Please rate the challenges you face in progressing digital transformation within your business.

Figure 11. Competition is a serious challenge to asset managers



Source: Infosys Knowledge Institute

The industry's embrace of digital technology poses challenges when integrating the new and the old. Business transformation projects usually clash with siloed work cultures and environments, redundant and inefficient processes, and disparate data — among other challenges. Our survey found that there is a lack of communication between the heads of IT departments and all other respondents about the seriousness of infrastructure integration complexity.

These differences of opinion also include regional splits. Respondents from Europe and Australia and New Zealand consider budgets and lack of skills among the top impediments, while U.S. respondents do not. The opposite was true with respect to a lack of partnerships, where U.S. respondents consider it among the top challenges.

Despite these differences, the disconnect between business and IT has narrowed over the years. Perhaps one reason is that financial institutions are pursuing people with both business and IT skills rather than focusing on one-dimensional workers. This demand for multiple skill sets is also bringing about a cultural change where lines of business communicate more often with technology and vice versa.

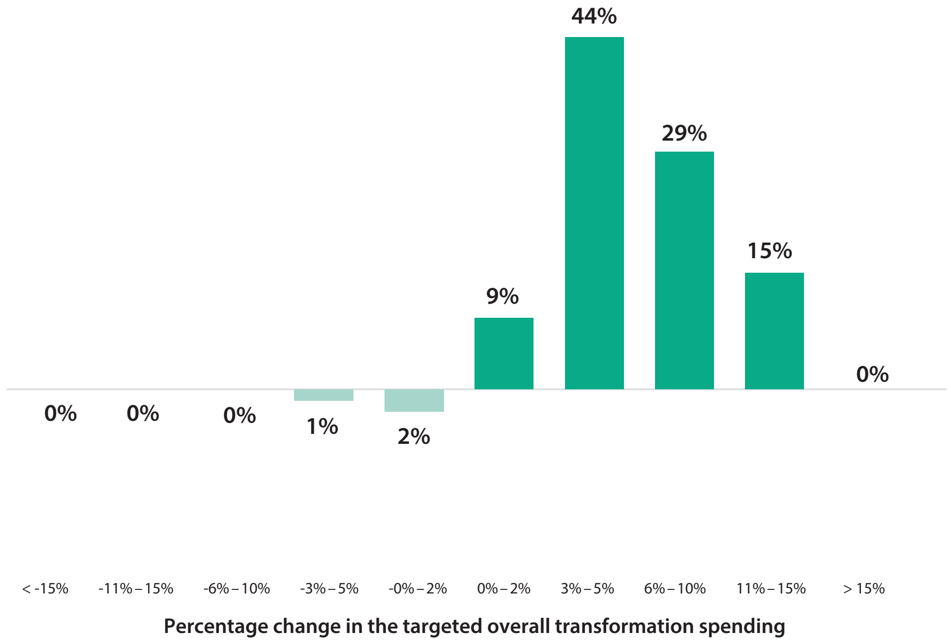
To resolve these challenges, asset managers plan to invest in their transformation journeys. When asked if respondents have a transformation spending target over the next 12 months, nearly all respondents said they expect to increase their transformation investments (see Figure 12). Of those, 44% indicate that spending will increase by more than 6%. Nearly one-quarter of the asset managers say their firms have a targeted run-cost reduction program to fund transformation efforts.

KEY FINDING 3

Q.

What is the targeted overall transformation spend in the next 12 months?

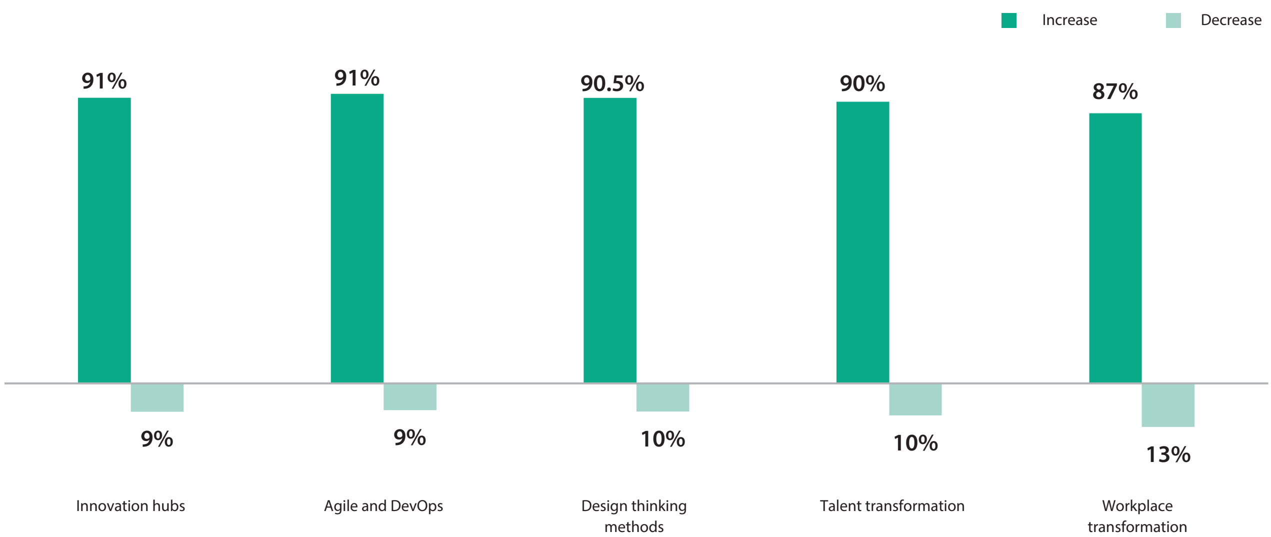
Figure 12. 97% of respondents say they plan to increase digital transformation spending



Source: Infosys Knowledge Institute

Our survey shows that asset managers are investing in initiatives to make the work environment more efficient — the spending is focused on Agile and DevOps and innovation hubs (see Figure 13). Respondents indicated that investments in workplace transformation seem to be slowing, perhaps as organizations are already achieving or will achieve projected ROI within a year. Investments in design thinking will also help asset managers understand customer needs better.

Figure 13. Investments in digital initiatives increase across the board

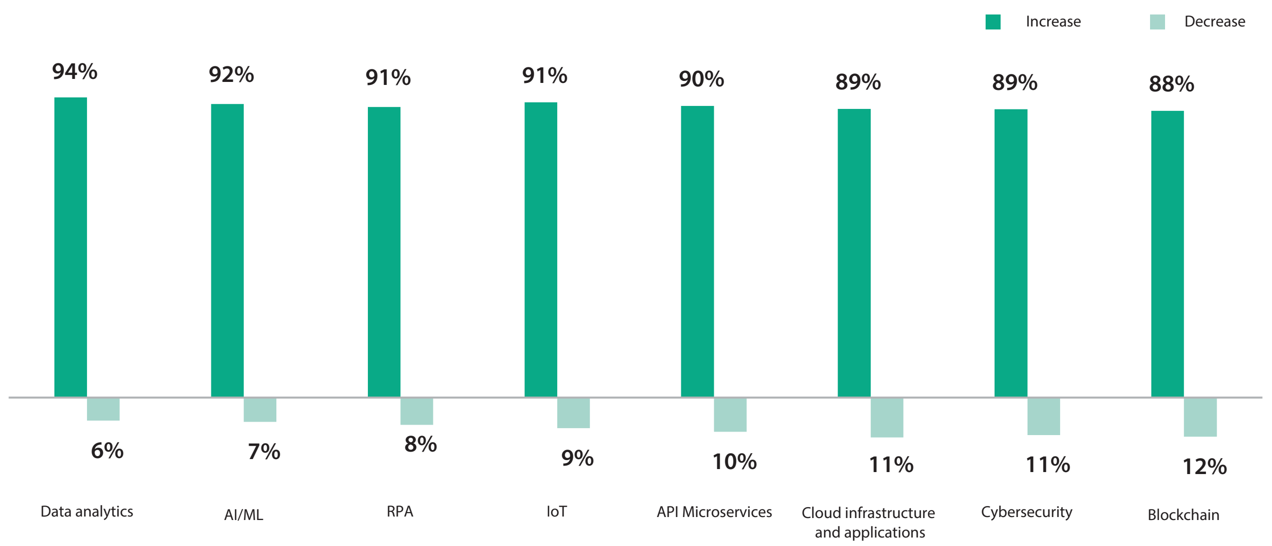


Source: Infosys Knowledge Institute

KEY FINDING 3

Over the next 24 months, asset managers plan to invest heavily in a broad range of technologies and related initiatives. However, they seem to be more focused on improving the use of data and automation (see Figure 14). Those priorities include AI, ML, APIs, and cybersecurity. What's surprising is that nearly 90% of respondents indicated they are investing in IoT and blockchain, although the size of those investments was not part of our survey. Many of these investments are designed to help firms meet changing customer needs and ensure long-term relevancy.

Figure 14. Data analytics is the top priority among technologies



Source: Infosys Knowledge Institute

Asset managers must make necessary investments to become future-ready. According to our survey, 57% expect an ROI to take more than a year (see Figure 15). Certainly, there are some digital initiatives and technologies that take longer to pay back the initial investment. However, companies can seek areas that are quicker to achieve ROI, such as APIs and RPA.

Surprisingly, API microservices and cloud infrastructure take the longest. Given that asset managers want to improve brand value and see competition as a challenge, they need to quicken their pace. Additionally, asset managers should more rapidly create value for their customers. For example, Vanguard is using open APIs and microservices to plug and play into the participant's or the plan sponsor's portal of choice.[12] Vanguard can also nudge participants to increase their retirement contributions without leaving the sponsor's system.

KEY FINDING 3

Q. **When do you think you will achieve a return on investment from each of these digital-orientated initiatives and technologies?**

Figure 15. Most firms expect the payback periods on digital investments to take more than a year

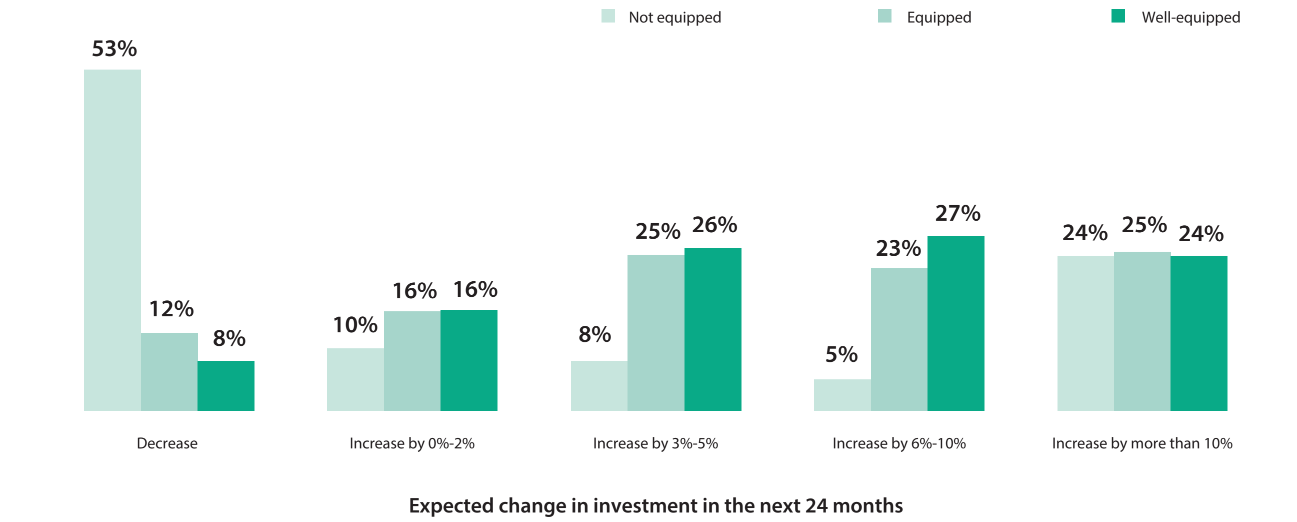
Source: Infosys Knowledge Institute

KEY FINDING 3

When analyzing our survey, we found that respondents who consider themselves ill-equipped to meet changing consumer demands say they plan to spend less on digital transformation initiatives and technologies (see Figure 16). For those firms, the future is even more difficult without the necessary investments or digital strategies in place.

The opposite dynamic is true for those that feel well-equipped. They reported an increase in their digital investments. This effect does not persist for asset managers that expect to increase investment by more than 10%; about one-quarter of each respondent group fell in that high-investment category.

Figure 16. Well-equipped companies plan to spend more on digital investments



Source: Infosys Knowledge Institute

These findings could highlight a future gap in the industry between those that invest and those that don't, especially as companies move into an era where remote working will be the norm. Firms that started their journey sooner, embed digital technology into their culture, and continue to invest will likely turn into industry leaders of the near future.

CONCLUSION

Firms that don't digitize will not survive

Technology has always been used to gain an edge over competitors. Our survey indicates that there is an accelerated shift toward digital transformation to service client needs more quickly. Yet, asset management firms are at different stages of these journeys. More often, these institutions start based on specific needs — to service customer demands and obtain outcomes such as scale or experience. Firms beginning their digital transformation should consider the following five factors:

1 Data-driven automation

The benefits of automation go beyond improving the efficiency of legacy processes and saving costs. Coupled with data, automation helps asset managers relieve the pressure on declining fees and margins. These insights aid in targeting customers and creating personalized client portfolios. When implemented efficiently, data-driven automation can give firms a competitive edge by generating better offerings and preventing fraud. This has a direct bearing on customer experience.

2 Cloud

Cloud lays the foundation for other technologies. Currently, the cloud is deployed to build resiliency, improve agility, and accelerate innovation. However, incumbents have adopted this technology differently: Some began with cloud, while others started with a design-led experience. The goal was to improve customer experience, which our survey found to be a priority. Firms realized that customer experience is no longer limited to the front end. The gold standard provides a seamless overall experience, with simplified operations at the back end powered by a strong digital cloud core.

3 Cybersecurity

With increased digitization and an evolving hybrid working model, cybersecurity threats have increased — a danger recognized by executives we surveyed. Strong cybersecurity is necessary to protect infrastructure and digital processes. Exposure to cyber risks — and the resulting loss of data — is expensive and, more importantly, breaches customer trust.

4 Compliance

Regulatory demands for fee transparency, especially in a low-margin environment, has pressured firms to limit charges. Better digital infrastructure can decrease regulatory and associated costs, including IT infrastructure, staff costs, and compliance platform updates. Also, software fees can be lowered while processes are made more efficient.

5 Customer-centricity

Adopting a design thinking approach that keeps the customer at the center of their strategy can lead to better product design, deliver superior experiences, and keep firms competitive. Most respondents in our survey rated this as a very important initiative. An outcome of a customer-centric approach is the creation of products that deliver social impacts, such as ESG funds.

Asset managers are investing heavily in technology but are not yet making full use of these advances throughout the value chain. While the pandemic accelerated digital efforts, not all are ready to take on an end-to-end transformation. This journey is no small feat. To facilitate a transformation, firms must continuously evolve and learn, and in effect, become what we call a Live Enterprise. To become one, however, it is important to have the right skills with the capabilities to innovate and create services that are fast, efficient, and cost-effective.

INFOSYS VIEWPOINT

Jay Nair

Senior Vice President –
Industry Head, Infosys

The past year and a half has brought about rapid changes in the asset management industry — necessary changes that had long been ignored. When injected with digital agility, firms have shown they can adapt quickly to unfamiliar business environments, such as enabling remote working, creating hyperpersonalized products and services, and pivoting to new business models. Asset managers that were already on their digital journey pre-pandemic were better placed to navigate this new world. Those that procrastinated need to hasten their efforts just to tread water.

The asset management industry's digital transformation progress in the past year has been extraordinary — arguably accelerating these efforts by a decade. And it is perhaps unlikely to slow down soon. Digital transformation progress was possible due to the adoption and investment in technologies such as AI and analytics. This helps firms become more flexible, provides cost efficiencies, and reduces errors.

But to be digital to the core requires a complete end-to-end reinvention and commitment to digitally engage with the customer. It is clear from our report that if asset managers ignore the move to digitize, they will lose customers and become less competitive in an industry where competition is already intensifying.

Customers must be kept at the center of product innovation and business decisions. Those firms that provide an enhanced, personalized experience — quickly and reliably — will grab their rightful market share. However, businesses were already playing catch-up due to skills and budget shortages when the pandemic amplified these obstacles. Meanwhile, digital natives and their modern technology architecture pose great challenges to asset management firms with decades of accumulated legacy infrastructure. And a digital world needs protection from cybercrimes, especially as remote working continues unabated. Investment in cybersecurity and the protection of customers' data are necessary for a great customer experience.

Decisions around where to invest, especially when margins are being squeezed, are tricky. Finding affordable financial headroom requires a more creative approach to save costs and deal with these challenges. Collaborative partnerships, API-led platforms, and reskilling can unearth innovative solutions.

At Infosys, we believe investments in a better customer experience, backed by AI-driven analytics, API-enabled platforms, design thinking-based customer journeys, and a cloud-based infrastructure will allow firms to democratize products and services at scale while personalizing for each customer. Decisions and actions taken over the next few months around technology and how fast firms can digitize will determine the winners and losers in the next 24 months.

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