
Asset managers tweak their value proposition: Cerulli

By Editorial Staff Thu, Jul 5, 2018

'Asset managers are dropping fees on asset management products to near zero, instead choosing to charge for asset allocation,' says Cerulli analyst Bing Waldert.

Asset managers have responded to accelerating fee compression by offering technology platforms and asset allocation advice, according to Cerulli Associates, a global research and consulting firm.

"There are multiple causes of fee compression in asset management, which compound upon each other to prompt industry change," said Bing Waldert, director at Cerulli, in a press release. "For example, greater regulation has formalized the buying process and created demand for low-cost passive products.

"Under the influence of professional buyers, eliminating the highest-priced products is often the first screen, creating a race to the bottom as managers try to avoid having above-average fees," he added.

Fueling the decline in asset management fees: the increasing importance of asset allocation advice.

"In some cases, asset managers are dropping fees on asset management products to near zero, instead choosing to charge for asset allocation, a task traditionally performed by the wealth manager," Waldert said.

"The growth of asset allocation advice demonstrates how asset and wealth managers are using these industry trends to enter each other's value chains and attempt to capture a greater share of a shrinking fee pool."

Cerulli expects that automation will continue to compress overall fees in wealth management. "Automation will lower the cost of transactions, bringing down fees in wealth management," said Waldert. "In addition, digital advice platforms emphasize asset allocation, which pressures fees in individual asset manager products and benefits exchange-traded funds (ETFs)."

These findings and more are from the July 2018 issue of *The Cerulli Edge-U.S. Asset and Wealth Management Edition*, which provides insight into the drivers of fee compression,

analyzes evolving advisor pricing models, and explores saturation in the ETF market.

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