



# Sticking to the flight plan

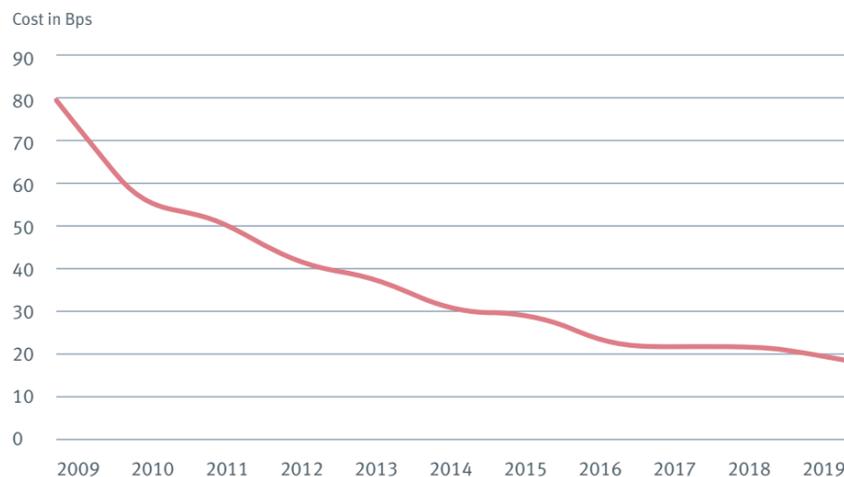
## How are investment platforms coping in a turbulent world?

### Platform run costs across the industry

In stark contrast to the aviation industry, which has been unable to recover from a catastrophic decline in business since the beginning of 2020, platforms are now very much back in the skies. Some of the Jumbos of the sector may have lost a little altitude, and a couple are being flown by new pilots, but none of the fleet have been grounded.

Initial figures show that AuA has recovered from a slump in the spring and is now at about the same level as in late 2019. In the context of this prolonged stall, it is therefore encouraging to see that the average cost of running a platform, measured in bps per £AuA, has continued to fall across the industry from 22bps in 2017 included in our “Platform Wings” white paper to 19bps in our most recent analysis of 2019 figures.

Platform Industry Cost in Bps

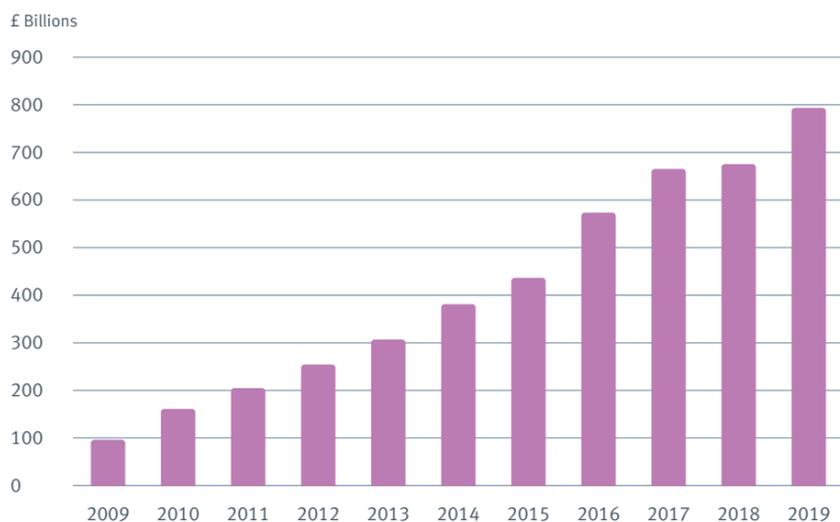


### Total AUA and revenue has risen, however revenue in Bps has fallen

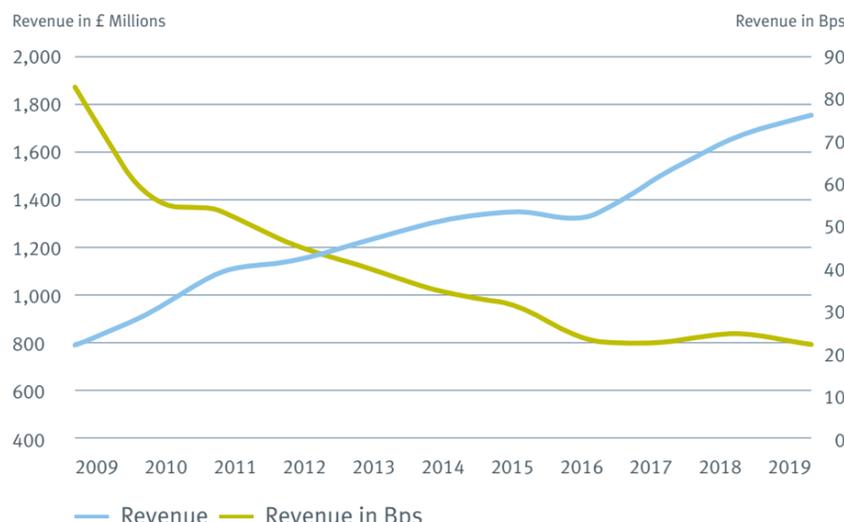


While revenue has continued to grow, it hasn't kept pace with AuA growth seen since 2017. We therefore see that revenue expressed in Bps has reduced, continuing the trend seen over the last decade. In fact, in 2019 this stood at just a quarter of the figure seen in a decade previously. Any levelling out of AuA growth will present obvious profit challenges if revenue in Bps continues to decline.

AUA Growth

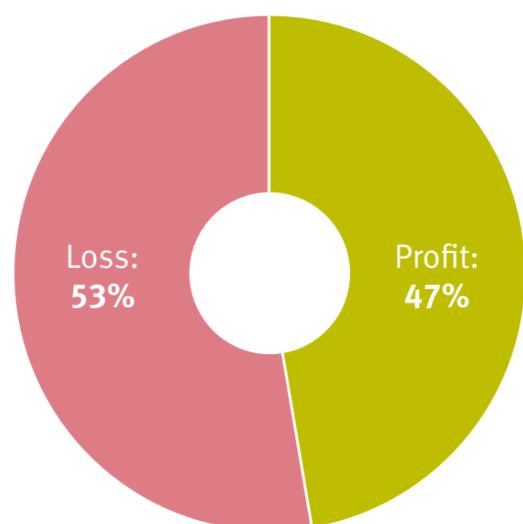


Revenue vs Revenue in Bps



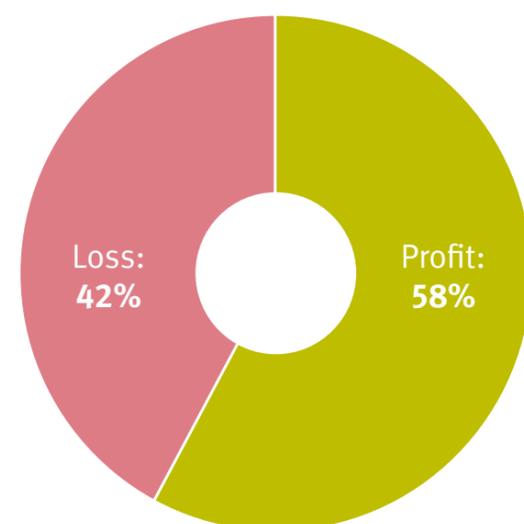
### The platform industry is still struggling to make a profit

2017 All Platforms



As a whole, the platform industry is more profitable than 2017, however this is still heavily reliant on a small number of profit making machines. In 2017, just over half of platforms were loss making, for a number of reasons including re-platforming programmes. In 2019, this trend has reversed and almost 60% were profitable, but the on-going challenges of 2020 could easily reverse these improvements.

2019 All Platforms



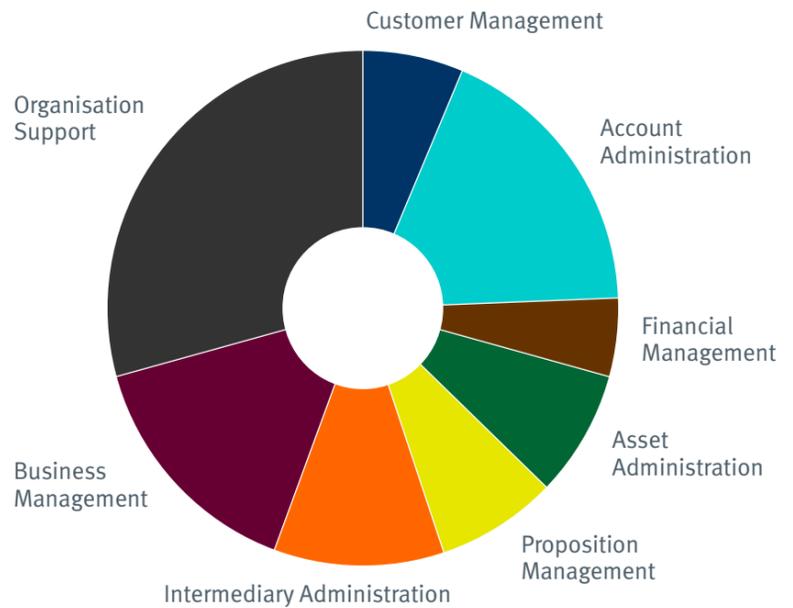
## Typical platform cost breakdown

Platform efficiency is about more than just Operations. When Altus analyses costs for our platform clients, we typically find that operational processing accounts for less than half the total spend, especially where a platform has achieved significant scale.

The precise distribution of the non-operational costs varies, but the broad shape is summarised to the right. Some of the common hot spots include regulatory change, proposition, sales and, of course, IT. The latter can be stabilised, though not eliminated, however the remainder warrant a deeper investigation.

What Altus often observe is a significant amount of spend in terms of IT and core support capabilities (grey and burgundy) as well as expensive sales and support teams (orange), but much less spent on developing products and other areas of the proposition.

Benchmark Average Run Costs (as % of total)



## Key suppliers and participants in the platform market



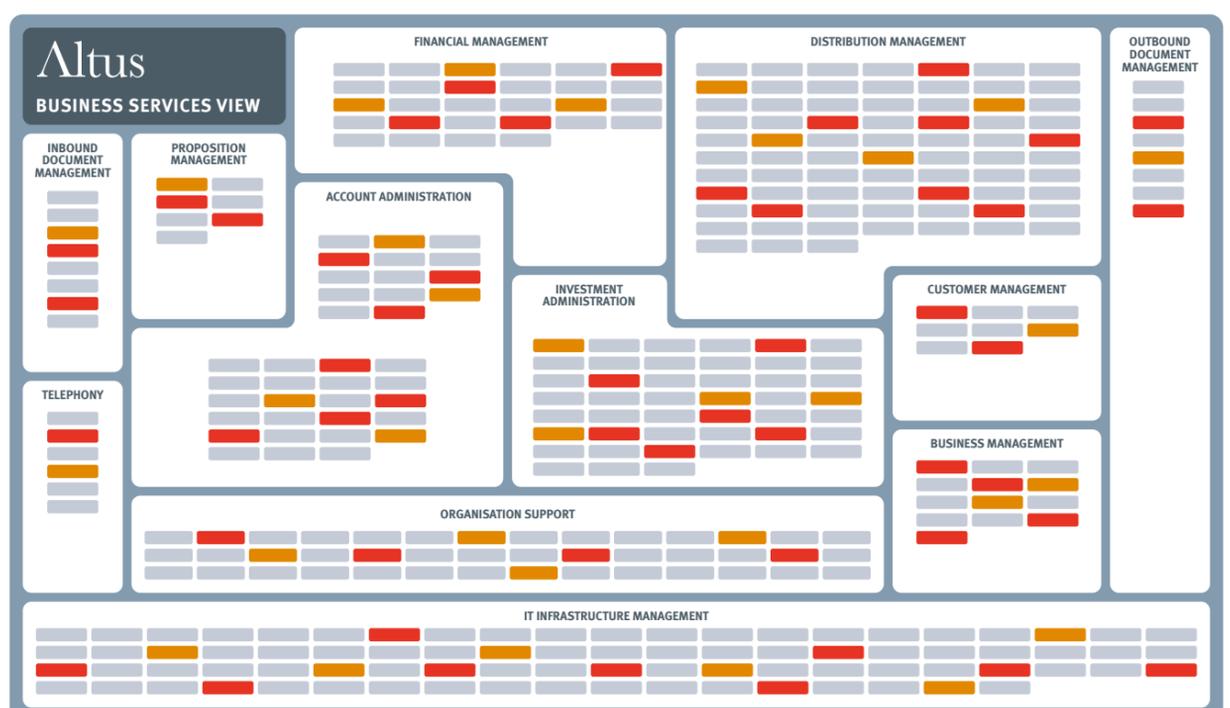
There are a wide variety of platform market brands in the UK, and we've seen a number of sales and company consolidations occurring over the last two years. These platforms utilise a combination of services and technology from a relatively small number of suppliers, where there has also been a number of changes of ownership.

## Piecing together the Platform jigsaw

Whilst it's natural to focus on the core administration technology, a typical investment platform will use at least 10 different systems to deliver a full service to clients.

The potential for duplication and overlap between those systems is substantial and the cost of integrating them can be daunting. The potential drag on profits is sizable so it pays to understand the whole IT estate and to ensure all the components are pulling their weight.

**Key:**  
■ above average cost  
■ top quartile cost



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To download the original Platform Wings white paper from 2018, please [click here](#).

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