

Platform Assets Take a Hit

How have platforms fared since the pandemic-induced boom?

Platform run costs across the industry

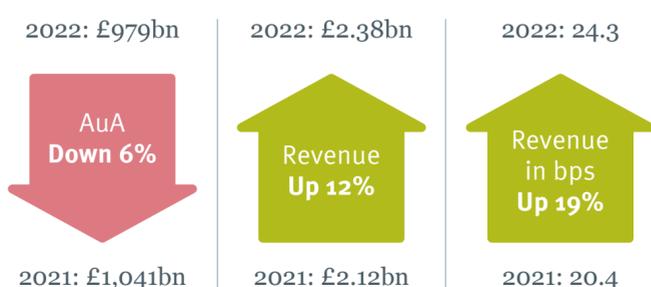
As another year draws to a close, we thought we'd revisit our platform stats infographic from the spring and, having trawled through the published platform results for 2022, look at just how they fared. It's not quite a story of boom to bust, but platforms certainly came away a little battered and bruised...

This time around, our analysis shows that the cost of running a platform, when expressed in bps per £AuA ticked up year-on-year, sitting at just shy of 20bps at the end of 2022. Whilst the fall in platform AuA's is a key driver of this figure, it is perhaps also reflective of the increase in operating costs seen as sections of the workforce continued to return to the office, albeit offset by the earlier benefits realised by forced adoption of digital ways of working and process changes.

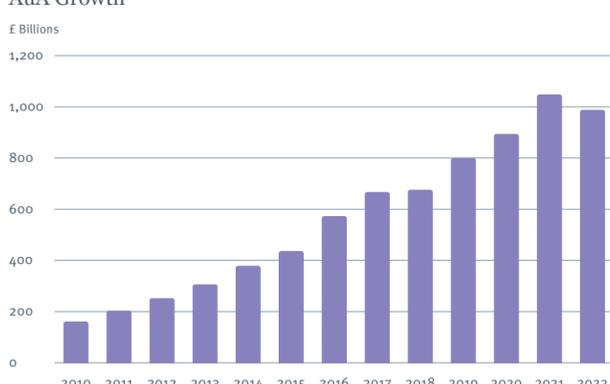
Platform Industry Cost in bps



Total AuA has shrunk, however revenue has risen



AuA Growth



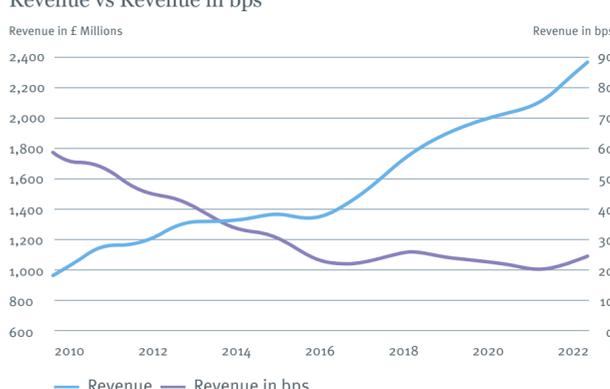
Having benefited from inflated asset valuations and investors with spare change during the pandemic years, 2022 was an altogether different story. A cost-of-living crisis, numerous macro-economic shocks and the ill-fated autumn mini-budget all led to a fall in platform market AuA.

The value of assets sitting on platforms at the end of 2022, having topped £1tn in 2021, sat at £980bn; a fall of around 6% year-on-year.

Revenue growth paints a healthier picture, up 12% year-on-year, or 19% when expressed in terms of bps per £AuA. The source of, and justification for, some of these revenues has however hit the headlines, with platforms benefiting from increased margins on client cash balances but not always passing these back to the client.

In the here and now, published AuA figures suggest industry assets have levelled out somewhat, but a return to the boom days appears a way off yet.

Revenue vs Revenue in bps



Key suppliers and participants in the platform market



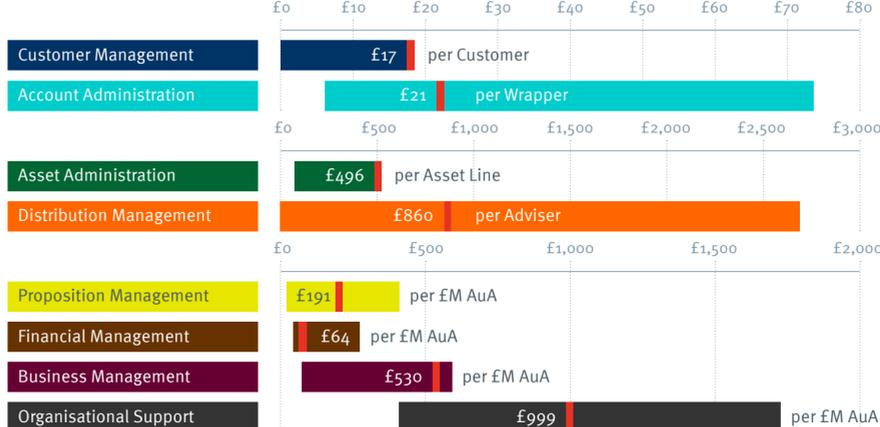
There are a wide variety of platform market brands in the UK, and we see newer market entrants, such as Seccl and SS&C Hubwise, gaining traction in both column inches and AuA. With newer tech that is both cheaper and more efficient to run, these players are well positioned to reduce their cost base and maintain margin. Advisers may also look to these newer platforms in a bid to reduce total cost to their clients, thereby preserving the assets under advice and demonstrating further value to their clients.

Building the cost picture

Through our structured industry reference models, Altus has developed a robust approach to understanding the costs linked to all the activities needed to run a platform, and what this looks like across the industry.

Using the Altus reference capability framework as a canvas, cost is broken down across major capability areas giving a complete and comparable categorisation of wrap platform outlays.

If you'd like to know more about our platform benchmarking, please contact us at: enquires@altus.co.uk



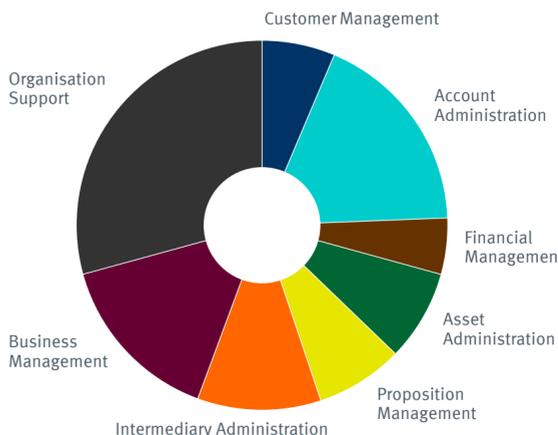
Typical platform cost breakdown

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 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 observes is a significant amount of spend in terms of IT and core support activities (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)



To download our latest platforms whitepaper, **Difference & Differentiation: What next for investment platforms?**, please [click here](#).