



# The Front-to-Back Operation Movement in Investment Process: Evolution and Integration

## INTRODUCTION

In recent years, the asset management industry has undergone a noteworthy evolution towards a "Front-to-Back" (F2B) movement. While this concept is not entirely new, it has historically been dominated by a single provider for over a decade. The primary driving force behind this evolution is the realization among Asset Managers that their legacy fee structures and the costs of maintaining in-house solutions or investing in best-of-breed fully customized setups are no longer sustainable in today's competitive marketplace. In the current landscape, industry headlines are dominated by service providers and vendors trying to develop a universal Front-to-Back Office Operations solution using various strategies such as acquisition, partnerships, collaborations, and in-house development.

## AS SERVICE PROVIDERS AND VENDORS CONTINUE TO NAVIGATE THIS PATH, A PIVOTAL QUESTION ARISES:

### How will partnerships and cross-product integration unfold?

Licensing of underlying components for these new offerings is a necessity for all players in the industry. Will the industry maintain its collaborations or will licensing conflicts surface as companies begin to become direct competitors with one another? The answer to this question will carry significant implications for existing operational models and practices. The reactions of key industry leaders will not only serve as an essential gauge for assessing the magnitude of future changes in the industry but also underline their pivotal role in shaping the industry's future.

### Investment Industry Integration of Front-to-Back Office Operations

The initial market evolution of investment operations to front-to-back-office operations was primarily built from partnerships to create a complete solution utilizing multiple vendors/sources/systems to complete an end-to-end offering. As the market matured, acquisitions have become the newer trend in the evolution, allowing ownership of the entire end-to-end technology of the F2B solution. These acquisitions, primarily lately in the data offering space around analytics and benchmarks, create an interesting dynamic when an acquired company has multiple partnerships with companies that compete against one another.

These consolidations are still in their infancy as each acquiring company begins integrating the acquired, so there has yet to be a notable change in the market. History shows that once each integration is complete, there will be impacts on the market due to the acquiring company trying to leverage its new position and recoup acquisition costs. The most common trend is the acquiring company marketing their new integrated offering to existing clients and the market. Meanwhile, they also start applying higher fee structures for stand-alone 3rd parties still utilizing the acquired companies' offering.

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## Potential Difficulties

Typically, transformational changes have long lead times to plan appropriate transitions like retiring in-house technology or approaching end of contract with a provider. Meanwhile, the acquirer's decisions upstream of end clients will have a direct unforeseen impact, requiring end clients to face forecasted decisions on how to respond to changes in the market's offering. These changes could potentially include higher fees on their existing setup, alterations to their operating model solutions, and/or changes to their single sources of truth for information.

## CONCLUSION

While none of these options are currently on end-client roadmaps, they will need to be considered at some point as necessary change management. Understanding how each acquisition could potentially impact the market is a topic we plan to follow closely as the industry matures, ensuring that our audience is well-informed and prepared for the changes ahead. Having a strategic partner like Meradia, who is experienced in these types of changes will help accelerate decision-making and minimize disruptions to drive success in today's dynamic environment. [Contact us](#) to learn more about how we can support your organization's goals and initiatives.



**Jeremy Welch** leverages his deep knowledge of project management and investment performance to support clients through their most challenging outsourcing decisions. He is an expert in investment operations outsourcing with over 15 years of experience. Jeremy frequently serves as the bridge between outsourcers and end-clients to ensure the smooth onboarding of global platforms. Through his work with front-to-back solution offerings, Jeremy holds an intimate understanding of investment operations technology and how to maximize efficiency while also helping firms avoid common pitfalls through implementations.