Quantios

Future Focus Report 2025

Quantios.com

The real cost of digital inertia

Contents

3 Foreword

4 Introduction

5 At a glance: key findings and trends

8 The struggle to keep pace with digital demands

12 A roadblock to modernisation

16 Technology becomes a deal-breaker

18 Client expectations continue to evolve

20 Firms struggling to keep pace with regulatory maelstrom

22 Charting a course for digital success

26 Methodology

Foreword

The wealth, trust and corporate services sector is at a crossroads. While technology reshapes the industry, many firms continue to stand still. They're overwhelmed by the countless challenges facing them, unable to move forward. This inertia is costing firms dearly.

Other, more technologically-savvy competitors are capturing market share and increasing new revenue streams as they provide more modern solutions to accommodate the shift in wealth from baby boomers to gen X and millennials.[i] Digital transformation is no longer a luxury, it's a necessity for improving the bottom line.

This report, now in its fifth year, shines a spotlight on the critical role of technology in driving revenue, growth and operational efficiency within the sector. By analysing the industry's digital maturity, we aim to equip industry leaders with the insights needed to drive successful change.

After all, the path to profitability lies in digital transformation.

Guy Harrison
CEO, Quantios

Introduction

The sector is at a pivotal moment, facing unprecedented challenges as it struggles to keep pace with evolving regulatory requirements, changing client expectations and the relentless pressure to maintain margins.

The Quantios Future Focus Report 2025 highlights a recurring theme: underinvestment in the right technological solutions and a slow adoption of digital transformation. This ongoing reluctance is not just slowing growth, it's putting firms at risk of falling behind competitors.

As highlighted in our global survey of wealth, trust and corporate services providers as well as private banks, family offices and wealth managers, 71% of firms aspire to build a scalable business to support growth while controlling costs. Yet, the slow adoption of digital solutions and mounting regulatory and market pressures facing firms may cause those costs to spiral out of control. Or worse, those firms that fail to adapt, risk diminished profitability, regulatory fines, data breaches and missed opportunities for growth.

Many firms are trapped in "firefighting mode," constantly addressing immediate challenges that arise either from other issues, such as evolving regulations or outdated systems and processes. This short-term focus is preventing them from proactively embracing digital transformation and realising its long-term benefits on growth and profitability.

This report provides a comprehensive analysis of the key trends shaping the sector, from the rising complexity of compliance demands to the mounting pressure from clients seeking seamless digital experiences. The most notable trend in recent years is the deluge of challenges that firms must now navigate, and yet, the focus is clear: digital transformation is the key to unlocking future growth and profitability.

Top 3 business challenges:

1 — **71%** Increasing efficiencies while reducing costs

2 — **45%** Improving data quality

3 — **37%** Regulatory burden

At a glance: Key findings

Adoption of new technologies is an increasing challenge up from 10% to 34% this year

10% / 2023

34% / 2024

driven by the emergence of AI with

53%

of firms either actively implementing AI solutions or developing an AI strategy

The digital expectations of clients are growing

2023 / 9%

24% / 2024

73%

believe that digital transformation will help to **retain and attract top talent**

47%

admitted they currently allocate less than 5% of their **annual spend to innovations** and change projects – below the 8% benchmark expected by investors.

5%

8% benchmark

Trends for 2025

Over the past four years, the top challenges facing firms have remained largely consistent, though shifting priorities reveal a bubbling pot of multiple pressures now combining.

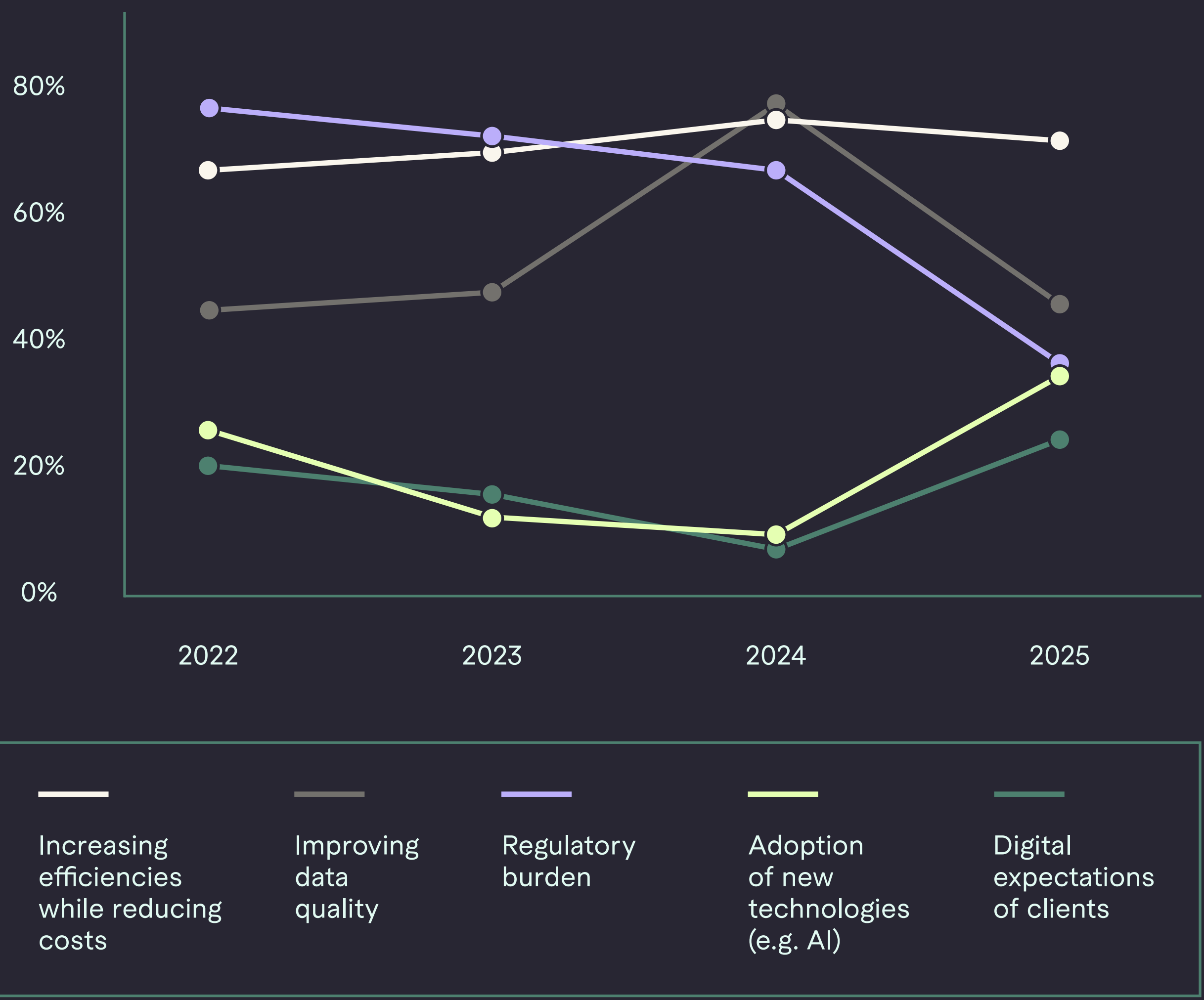
Since our first report in 2021, the regulatory burden as well as the need to increase efficiencies while reducing costs have been major concerns and as we enter 2025, the latter now tops the list. In fact, cost is the single biggest issue that is impacting the industry, from fee structures and valuation prices to the ROI on investments and operational costs.

While regulatory burden remains a pressing issue, the level of concern among firms has more than halved since our inaugural report. Improving data quality has also consistently remained a top three business challenge, particularly for firms with over 50 employees. This year the digital expectations of clients has risen to its highest level since our research began, now at 24% of firms citing it as a major business challenge.

Elsewhere, the challenge to adopt new technologies has seen a resurgence heading into 2025, given the prevailing nature of generative AI models like ChatGPT and Copilot redefining the workplace as we know it.[ii]

Yet, the evolving pressures around digitalisation have brought a rising tide of challenges. Now, the increasing focus on technology, data and operational efficiency is taking precedence as firms aim to modernise and meet the growing demands of clients and stakeholders. The truth of the matter is, the industry is willing to invest, with more than half (57%) saying they want to spend more money to keep up with the rest of the financial services sector. However, this year's data highlights that there's more to that story.

What are your top 3 business challenges?



> "While certain services will always be bespoke, a lot of what actually underpins that bespoke service are standard processes, so there's a huge opportunity to improve efficiencies and reduce costs through automation."
>
> **Stuart Geddes**
>
> Chief Information Officer, Ocorian

The struggle to keep pace with digital demands

The industry continues to grapple with the challenges of digital transformation. In fact, 71% of respondents highlighted increasing efficiencies while reducing costs as a top business challenge heading into 2025. While this is a 3% decrease from the previous year, showing how steps are being made in the right direction, it's only half the picture.

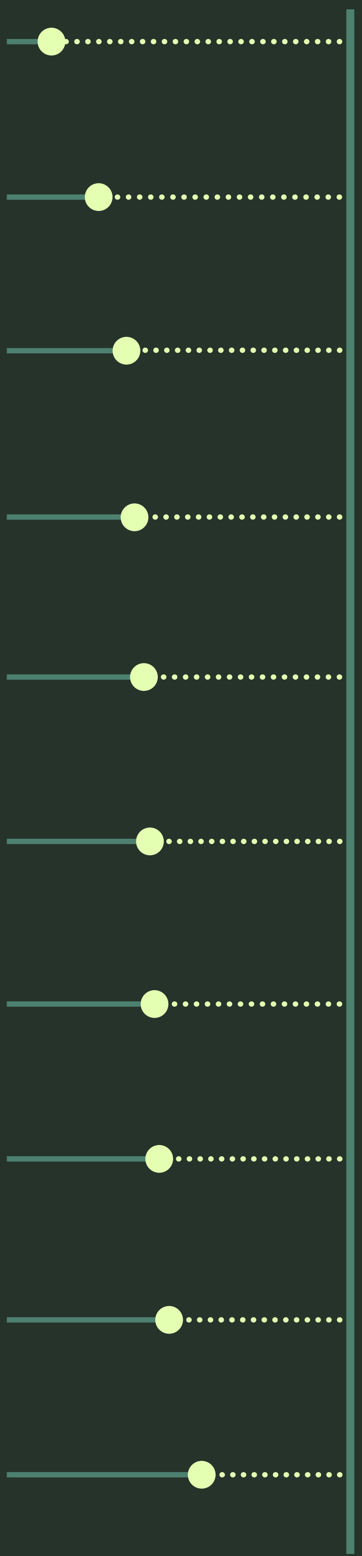
Now more than ever, the sector is being bombarded with changing client expectations, evolving market pressures, mixed macroeconomic signals, regulatory scrutiny and geopolitical risks.[iii] Firms are doing what they can, but are simply struggling under the weight of a rapidly evolving landscape. As an estimated £1 trillion in wealth shifts from baby boomers to Gen X and millennials throughout the 2020s,[iv] so too have expectations. Younger generations now forming a large part of the sector's clientele are accustomed to digital solutions like open banking, instant payments and apps with real-time data on investments.

While a significant majority (83%) of respondents agree or strongly agree that firms must digitalise their business models to remain competitive, many are unable to invest in the right solutions at levels comparable to other financial services sectors. Our research shows that their efforts are too focused on trying to put out other fires across the business first for short-term gains.

50% of those surveyed said they find it challenging to quantify the ROI for digital transformation projects, which further corroborates [v]trends. However, the push to modernise is moving slowly through the industry, particularly when 73% believe that digital transformation will drive new revenue streams and business models. 89% of respondents agree or strongly agree that digital transformation will improve operational efficiency and reduce costs.

The sentiment of change may be there, but actions speak louder than words. It's clear firms know what needs to be done, but several barriers are stopping them in their tracks. Those barriers include overcoming resistance to change within the organisation (44%), insufficient budget allocation (36%) and being unable to effectively measure the ROI of digital initiatives (34%).

Barriers to implementing and optimising digital transformation initiatives:



52%
Achieving operational efficiency through digital processes

44%
Overcoming resistance to change within the organisation

39%
Data security and privacy

38%
Providing adequate technical support and training

36%
Insufficient budget allocation

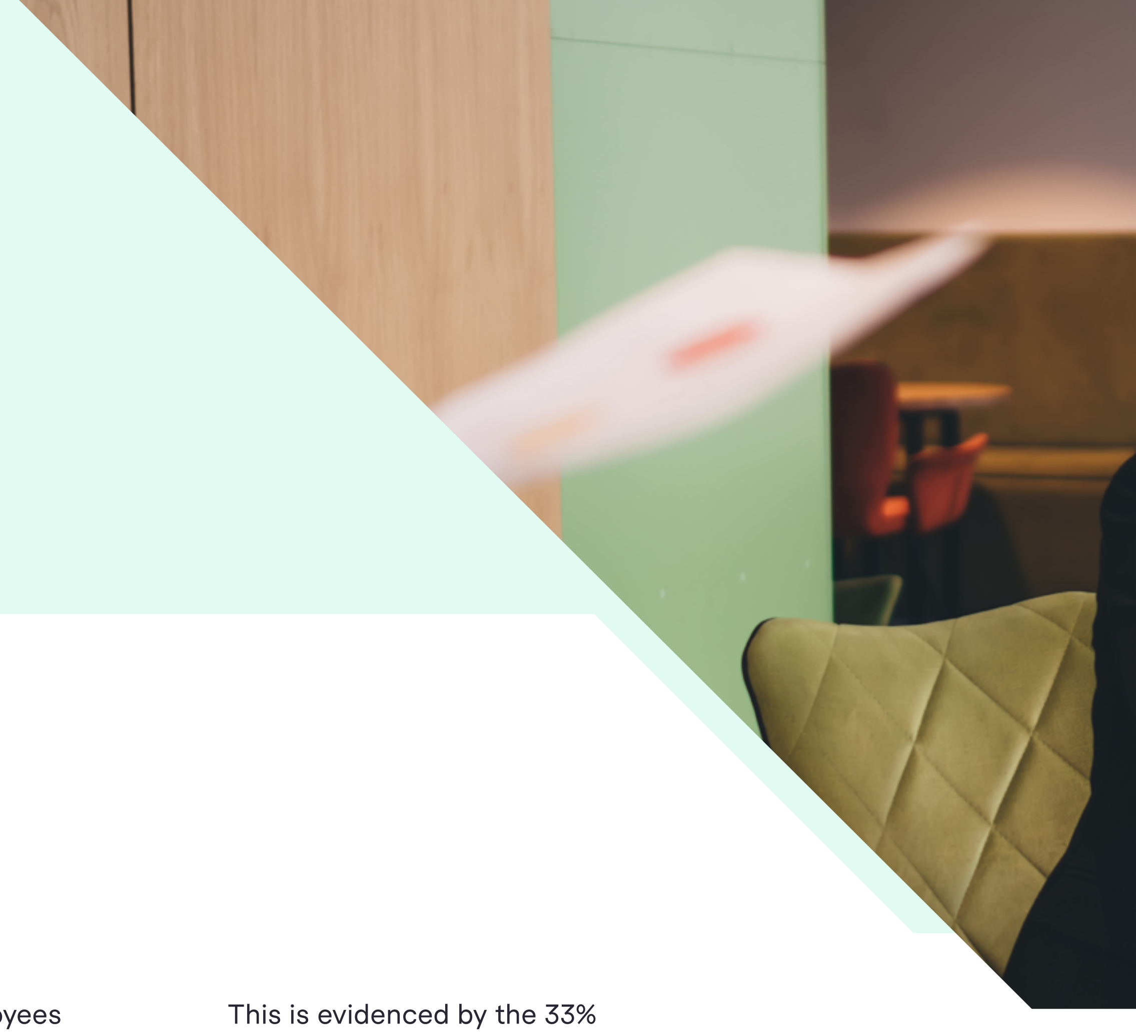
35%
Achieving a consistent digital experience across all touchpoints

34%
Measuring the ROI of digital initiatives

33%
Integrating legacy systems with new technologies

31%
Meeting clients evolving expectations and demands

26%
Attracting and retaining digital talent

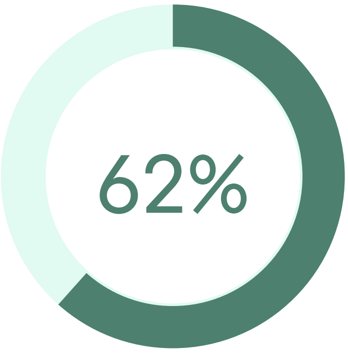


Those with over 800 employees said they often struggled with insufficient budget allocation, achieving a consistent digital experience across all touchpoints and integrating legacy systems with new technologies. However, those with fewer than 50 staff struggled the most with overcoming resistance to change within the organisation as well as achieving operational efficiency.

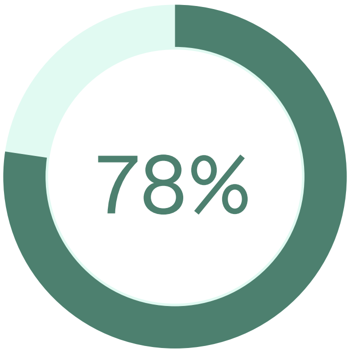
These barriers, alongside the growing number of challenges within the industry, emphasise how tough the environment has become as we move into 2025. When firms underinvest in technology, further bottlenecks are created that hinder progress and operational efficiency, ultimately impacting the bottom line. This just leads to further budget scrutiny and older systems and processes staying put.

This is evidenced by the 33% of respondents who cited the difficulty in integrating new technologies with legacy systems as a major challenge, with a further 62% stating they are yet to fully move to automated data inputs, data checks and key workflow processes. While this is a YOY decrease of 15%, it's evident that there's still work to be done if firms are to remain profitable and realise the full benefits of digital innovation.

An overwhelming majority (78%) of respondents also agree that technological innovation within the industry needs to accelerate, a similar level as last year (81%). The digital transformation process is not just about cost efficiency but also about creating more standardised, automated workflows. Yet, to achieve that, firms must continue battling the mounting challenges to achieve digital transformation.



have yet to automate data inputs, data checks and key workflow processes



agree that technological innovation within the industry needs to accelerate

A roadblock to modernisation

The adoption of modern technological solutions, such as cloud-based Software as a Service (SaaS) and artificial intelligence (AI), has the potential to revolutionise business operations within any sector. However, data reveals that 70% of respondents agree or strongly agree that their firm is still reliant on multiple legacy systems and manual processes. Legacy systems and processes are hindering firms' ability to seamlessly adopt new technologies like AI, making it a top business challenge with a YOY increase of 14%.

After all, technology is constantly advancing. Legacy systems do not. Outdated processes and systems are now a clear barrier and keeping them up and running can be a costly process.[vi] Old processes can also slow down operations, impacting valuation price as well as the ability to retain clients. Moreover, they lack the scalability and flexibility needed to meet modern data management and regulatory requirements.

Improving data quality is also now a prerequisite for firms looking to unlock the value of any technology platform, particularly in areas like regulatory reporting and AI. In fact, high-quality data is essential for accurate and reliable AI models. The concern is further emphasised when improving data quality has consistently been regarded as a major business challenge for firms over the last three years.

Now at 45%, many of those surveyed cited it as the second biggest challenge moving into the new year. Without first getting accurate and reliable data, firms will simply be unable to effectively implement new technologies and will miss out on the significant benefits and competitive advantages that these technologies can offer.

> "Data quality is key. If the data on the system is inadequate or cannot be trusted, you lose all efficiencies by having to always check and double-check client and regulatory reporting."
>
> **Andy Koh**
>
> IT Director HSBC Private Bank

Top business challenges for 2025:

Increasing efficiencies/ reducing costs
71%

Improving data quality
45%

Regulatory burden
37%

Adoption of new technologies (e.g. blockchain, AI)
34%

Ageing infrastructure/ software and legacy technology
30%

Fee pressure/ changes to fee models
28%

Digital expectations of clients
24%

Securing internal resources for upgrades or internal projects
20%

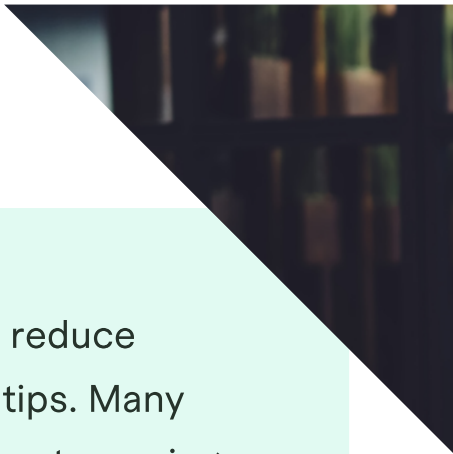
Managing internal software and infrastructure
19%

Industry consolidation/ business integration
14%

As AI becomes essential for productivity and efficiency, the industry must embrace it to stay competitive. In efforts to stay ahead, 53% of firms are either actively investing in and implementing AI solutions or are developing an AI strategy. For a handful of firms, AI represents an opportunity to automate processes, analyse large datasets more effectively and enhance client interactions through personalised services.

Even so, only 42% cited in a separate response that they will look to explore the technology in the next five years. This timeline may be too slow, particularly for those looking to remain competitive within the asset and wealth management sector.[vii] Those firms that are too preoccupied with short-term fixes rather than taking advantage of solutions with long-term benefits risk falling behind. Firms must act now to survive.

Of course, that's not to say firms aren't still driving transformation or exploring opportunities to increase productivity and profitability. For instance, 60% of firms are looking at implementing automation tools to streamline processes and improve efficiency within the next twelve months, while a further 39% want to upgrade IT infrastructure to the cloud to enhance operations. This once again highlights the importance of driving efficiency while reducing costs.



"SaaS is a great way to increase efficiencies and reduce costs by having all the information at your fingertips. Many firms already outsource services like payroll, so outsourcing technology to the experts is certainly the right way to go."

Laura Lees

Managing Director Nightingale Trustee

Moreover, 77% of respondents agree that Software-as-a-Service (SaaS) is an ideal solution for firms with fewer IT resources and infrastructure, a 3% increase over the previous year. It's a solution that offers firms flexibility, scalability and reduced overheads, making it a powerful tool for businesses looking to modernise without needing heavy IT infrastructure investments.

Despite the advantages of SaaS, however, many firms face challenges in adopting cloud-based software solutions too. The primary barrier, as identified by 36% of respondents, is that firms,[viii] are prioritising other IT initiatives over cloud adoption, with other projects demanding more immediate attention. Other significant obstacles include a lack of funding (19%) and concerns over integration with existing systems (17%).

Put simply, many firms are trapped in a cycle of reactive "firefighting," addressing immediate challenges rather than focusing on the long-term benefits of transitioning to SaaS solutions. This short-term focus is preventing them from overcoming the inefficiencies of legacy systems and unlocking the full potential of modern, scalable platforms.

Despite the critical need for innovation, 47% of firms allocate less than 5% of their annual IT spend to innovation and change projects. This is lower than the industry benchmark 6-8% typically considered by private equity firms, highlighting a significant gap in strategic investment. Firms may recognise the importance of digital transformation, but the gap continues to widen between aspirations and their ability to overcome the endless stream of challenges. However, failure to evolve and keep pace with the rest of the financial services sector will only lead to a larger impact on valuation and the ability to retain clients.

Technology becomes a deal-breaker

Those companies considering a sale, a merger or an acquisition must understand the pivotal role technology investment plays in attracting potential buyers. The due diligence process when businesses are investing has become a lot more sophisticated over the years, with many evaluating beyond the most common factors – such as cyber hygiene, operational efficiency and data management – and to what platforms a firm has or might be missing. All this affects the valuation price as well as the risk level of investing. Savvy buyers simply prioritise targets with strong, modern technology infrastructures that can easily integrate post-merger.[ix] Having a back-office system in place that has, "Moved away from paper towards electronic,"[x] is now a necessity.

Our research shows that many believe the integration of acquisitions is much harder and more costly without a common digital platform or system in place, with 79% of respondents agreeing. This has risen from 73% last year, highlighting the growing necessity for a unified digital platform to facilitate seamless mergers. Additionally, 64% agree that automation solutions can streamline M&A processes and reduce costs, while 85% believe that data integration and management tools are vital for successful post-merger operations. This highlights the need for technological solutions. Without it, firms will have to deal with prolonged integration timelines, increased costs and inefficiencies that undermine the potential value of an acquisition.

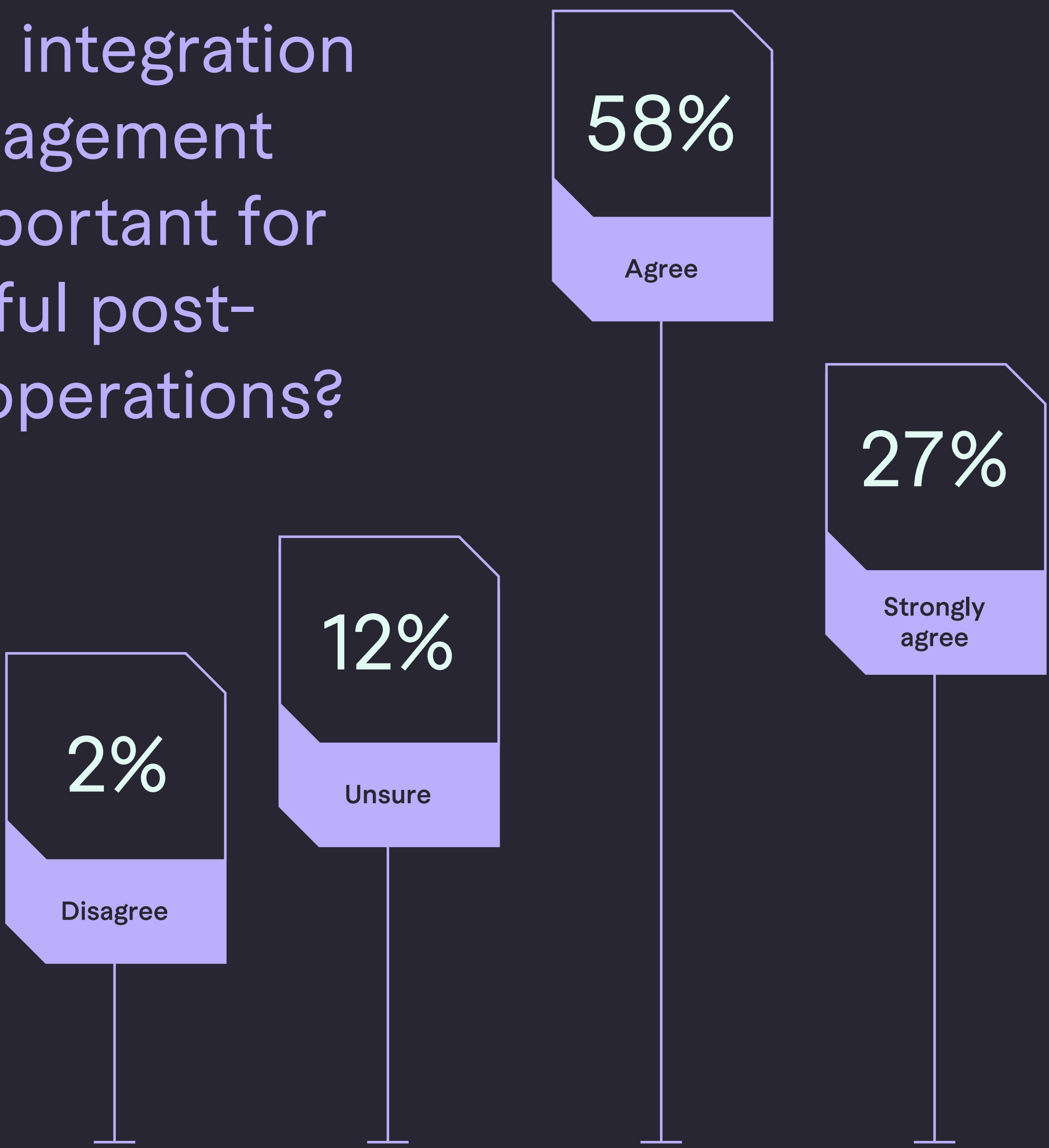
Furthermore, a robust cloud-based infrastructure is now viewed as essential for modern M&A success, enabling data integration, real-time collaboration and faster time to market. Around 30% of respondents agree on the critical need for cloud-based platforms.

Yet, some firms remain set in their ways, with 21% believing that using spreadsheets and manual processes remains sufficient for their M&A needs. As everything becomes more digitalised, from regulations to client data, manual processes will only lead to firms falling further behind the curve, unable to keep up with the other rising pressures of the industry.

Furthermore, investors are increasingly scrutinising companies' technology stacks, recognising that outdated or insufficient systems and processes are no longer fit for purpose. They are seeking firms that demonstrate technological foresight and have established scalable systems capable of supporting future growth. In fact, digital transformation is often seen as a future-proof strategy, ensuring compliance, scalability and profitability.

In the next three years, firms are prioritising the development of new service lines to stay competitive. While 41% are looking to expand into new geographical markets, a further 40% of respondents cited a focus on acquisitions or mergers to broaden their service offerings, underscoring the importance of both technology investment and strategic growth through M&A activities.

Are data integration and management tools important for successful post-merger operations?



Client expectations continue to evolve

As digital transformation sweeps across industries, clients demand seamless, modern experiences. Now, 24% of the survey respondents cite the digital expectations of clients as a top business challenge, up from 9% a year ago. Failing to meet these demands puts firms at risk of losing not only existing clients but also missing out on new business opportunities.

This trend underscores a critical commercial impact: firms that remain slow adopters of technology risk losing competitive ground, experiencing diminished profitability and facing increased operational costs. The longer firms delay digital transformation, the more they expose themselves to the risks of regulatory non-compliance, data breaches and an inability to meet evolving client expectations, ultimately jeopardising their market position and growth.

Firms that can deliver on these expectations are more likely to retain clients and attract investors, particularly during M&A processes. In fact, 72% of respondents believe that digital transformation will directly enhance client satisfaction. Companies that invest in digital solutions not only improve customer experiences – through solutions like AI-powered chatbots or real-time data access – but also improve employee satisfaction and retention. A motivated workforce is essential for delivering exceptional service and strengthening a competitive position in the market.

Yet, there's a clear disconnect between these rising expectations and the ability of firms to meet them. A staggering 73% of respondents acknowledge that their firm could improve its digital offerings,

and 36% admit they're currently not delivering exceptional digital services that align with client needs.

This gap is a missed opportunity for enhancing client relationships and a significant vulnerability in a landscape where client acquisition and retention are becoming increasingly vital. Indeed, 44% of respondents listed client acquisition and retention as a top business focus over the next five years. However, younger generations are much more likely to switch financial advisors if these advisors aren't using emerging tech today,[xi] let alone within five years. If firms fall behind today, they'll lose out on clients tomorrow.

In a world where data is the new currency and AI has moved beyond the hype, businesses must navigate these disruptions strategically. Those who can use data and AI to deliver personalised, responsive client experiences within a shorter window will emerge as leaders within the sector. Transformation isn't just about staying relevant, it's about positioning the business to thrive in a future where digital experiences are now a necessity.

For many firms, maintaining consistency across operations to ensure high-quality service regardless of jurisdiction is a top priority, with 52% of respondents identifying it as a key strategic driver, while 29% emphasise the importance of responding to evolving customer demands.

As firms look to the future, 44% plan to invest in new technologies to improve customer experience in the next 12 months, recognising the critical importance of keeping pace with client expectations. If firms are to succeed in a world where digital expectations continue to rise, prioritising technology investments and aligning them with client needs is non-negotiable.

> "When it comes to driving transformational change, proper investment is key to overcoming resistance within the organisation. By fully investing in your change team, processes, and training, you create a scenario where people can see the value it brings to their daily work, making them more likely to support the change."
>
> **John Doublard**
>
> Group Chief Technology Officer, Oak Group

Firms struggling to keep pace with regulatory maelstrom

From Anti-Money Laundering (AML) to DAC6, the sector is being overwhelmed by an ever-expanding array of regulatory changes. The escalating complexity of these regulations, coupled with the sheer volume of data firms must manage, has left many struggling to keep pace. In fact, 90% of respondents agree that the regulatory burden is continually increasing, underscoring how businesses are grappling with compliance challenges across multiple jurisdictions, as well as other business challenges. This remains consistently high, only falling slightly from last year's 96%.

One of the most significant challenges firms face is ensuring data accuracy and completeness, particularly when it comes to regulatory reporting. In fact, 63% of respondents cited this as their biggest concern in meeting mandatory regulatory requirements. As a further 43% of firms emphasise the importance of upholding high standards of risk management and compliance, the integration of advanced technology solutions becomes increasingly vital.

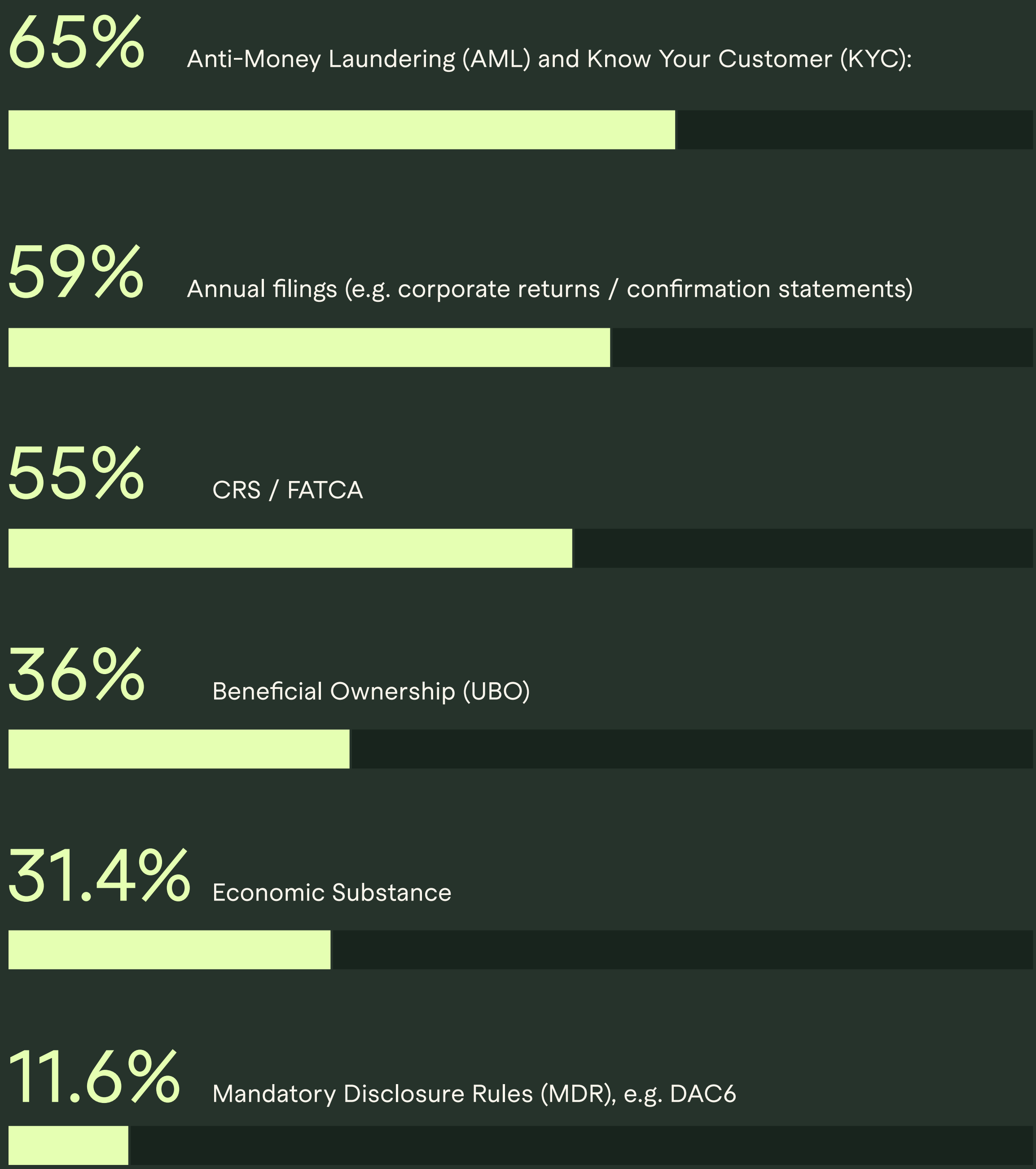
This becomes even more pressing when considering the ongoing challenges like the frequent changes in regulations (48%) and the high costs associated with compliance bombarding firms, including personnel and the technology required (50%) to keep up. AML and Know Your Customer (KYC) regulations present the greatest strain on resources, with 65% of businesses indicating these requirements consume the most time and effort.

As firms expand their global footprint, they must also navigate a patchwork of regulations across different regions. While some 45% of firms have turned to a single global compliance system to generate the information required to support all jurisdictions, 35% report the opposite, revealing a fragmented approach to regulatory compliance within the industry.

The time commitment to meet these regulatory demands is also substantial. Only a quarter of firms (29%) indicate that regulatory compliance takes up between 0-12 weeks per year in personnel hours, while 41% report spending up to six months on compliance activities. This is placing a heavy strain on resources and is indicative of the sheer volume of regulations firms are now having to keep up with. For some, however, the regulatory burden has grown so significant that it's nearly impossible to keep up, with a quarter (29%) spending more than six months of personnel effort annually on compliance.

Without significant investments in technology and data management solutions, more and more firms will begin to sink under the weight of the rising regulation maelstrom. Whether it's adopting a single global platform or investing in automation and data tools, the ability to handle complex regulatory frameworks efficiently will be key to not only maintaining competitiveness but also remaining compliant. Moreover, almost three-quarters (73%) believe that digital transformation will help to retain and attract top talent, further reducing the regulatory burden and the burnout on staff having to deal with endless manual processes.

The set of regulations consuming the most amount of time and resources:



Other: 11.6%

Charting a course for digital success

The increasing complexity of managing vast amounts of data, maintaining client satisfaction, and ensuring regulatory compliance, among other challenges, is stretching many businesses thin. This year's data reveals a growing divide between firms that have begun their digital transformation journey and those still hindered by legacy systems and manual processes – often not by choice. The gap is widening, and the consequences of lagging behind are becoming more severe.

Yes, 84% believe that technology should be viewed as an investment in growth as opposed to a cost but growing challenges and barriers have restricted firms from taking action. Digital transformation is no longer optional – it's a necessity in a rapidly advancing technological landscape.

Of course, not all problems can be solved at once. Attempting to tackle every challenge simultaneously can overwhelm firms, leading to inefficiencies, burning through costs and wasting resources. After all, effective technology investment goes beyond mere spending. Firms must focus on simplifying operations, ensuring scalability and aligning those digital transformation initiatives with overall business goals.

Therefore, businesses must prioritise the areas where digital innovation will have the most significant impact, while also making sure the right solutions are implemented.

→ While the path forward is undeniably complex, firms that follow these strategic steps will be well-positioned for long-term success.

However, it's important to recognise that navigating this journey can be challenging without the right expertise. For those struggling to keep pace, partnering with external providers that offer scalable, innovative solutions may be the most efficient way to address these challenges and ensure seamless integration of new technologies.

In an increasingly competitive and regulated environment, digital transformation is the key to increasing efficiencies and unlocking new opportunities. The challenges are vast, but firms that resist change or delay investment in modern solutions risk falling further behind. Now more than ever, adopting the right technology and strategy is essential not just for staying competitive but also for surviving.

Here are a few key steps that firms can consider to drive digital transformation:

Step 1

Stop firefighting, evaluate current systems and identify gaps

Firms need to step back from Business As Usual (BAU) and allocate sufficient resource, time and energy to conduct a thorough audit of existing technology infrastructure and process. This will pinpoint areas where manual processes and legacy systems are hindering growth or operational effectiveness and could benefit from the most appropriate technological solution.

Step 2

Invest in scalable solutions

Cloud-based platforms, AI and SaaS solutions offer the flexibility, scalability and security necessary to handle growing regulatory demands, support global operations, and better manage client data. These platforms allow firms to modernise without incurring the high costs of maintaining in-house infrastructure.

Step 3

Prioritise data quality and governance

With the increasing focus on compliance and client expectations, firms must ensure they have accurate, accessible and secure data. By prioritising data quality, firms can unlock the full potential of readily available technologies like AI. Implementing robust data management systems and establishing clear governance frameworks are therefore critical for producing reliable, real-time data that meets regulatory standards.

Step 4

Foster a culture of innovation

Digital transformation goes beyond technology. It requires a cultural shift within the firm, where everyone from employees to senior management is encouraged to embrace new tools and processes that can drive efficiency.

Methodology

Quantios conducted a global survey of 91 wealth, trust and corporate services providers as well as private banks, family offices and wealth managers between August and September 2024.

References

i. https://www.abrdn.com/en-gb/intermediary/insights-and-research/wealth-transfer-how-to-prepare-for-the-responsible-heirs

ii. https://www.forbes.com/sites/qhamirani/2024/02/15/heres-how-generative-ai-will-redefine-the-workplace/

iii. https://www.pwc.com/us/en/industries/financial-services/library/asset-wealth-management-trends.html

iv. https://www.abrdn.com/en-gb/intermediary/insights-and-research/wealth-transfer-how-to-prepare-for-the-responsible-heirs

v. https://www2.deloitte.com/us/en/insights/topics/leadership/maximizing-value-of-tech-investments.html

vi. https://medium.com/@audaciatech/the-cost-of-legacy-it-1c1fa6217e59

vii. https://www.pwc.com/jg/en/publications/asset-and-wealth-management-revolution.html#:~:text=Change%20in%20the%20asset%20%26%20wealth,re%20to%20survive%20and%20prosper.

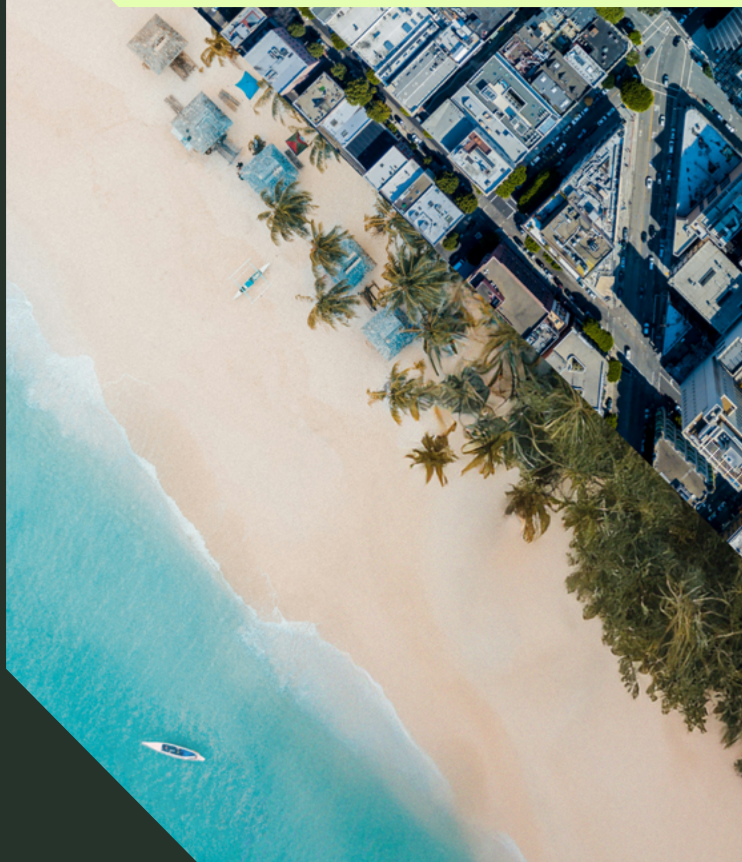
viii. https://info.quantios.com/on-demand-growth

ix. https://www.bain.com/insights/wealth-and-asset-management-m-and-a-report-2024/

x. https://ifamagazine.com/the-secrets-of-success-in-mergers-amp-acquisitions-a-qampa-with-ascot-lloyds-gordon-kerr/

xi. https://www.businesswire.com/news/home/20240924516305/en/Survey-Wealthy-Gen-Zs-Millennials-Use-AI-Regularly-%E2%80%93-And-Expect-Financial-Advisors-To-Do-The-Same

The real cost of
digital inertia



Quantios

Future Focus
Report 2025

Sentinel House
Harvest Crescent, Fleet
GU51 2UZ, UK

+44 20 3976 8100
info@Quantios.com

Quantios.com