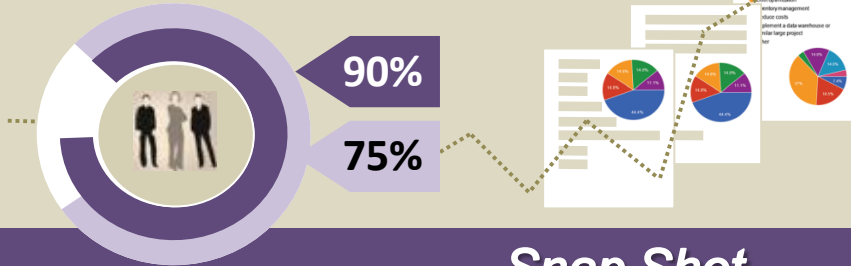# Market Data Survey Insights

Analyzing the results

Conducted December 2015

90% of participants are concerned with **Cost Management**

75% could benefit from adopting **Market Data Best Practices**

90%

75%

60 %

of survey participants were in a Leadership Role

Snap Shot

In a Survey conducted of Market Data Professionals , MDC reveals three major concerns and priorities
- Managing Market **Data spend** is a top priority
- Market Data Teams and their leadership have conflicting spend **expectations**
- Half are accountable for Invoice Reconciliation, a **critical element** for monitoring and reporting spend

Market Data Survey Introduction

Thank you to all respondents that participated in our Market Data Management Survey. The survey was designed to learn about the skills, general structure, and scope of responsibilities Firms employ in the area of Market Data Management. From the results, a **general profile** was built to capture the collective characteristics of the market, which we further broke down into their more representative groups - Buy-side, Sell-side, and Firms that manage both Buy- and Sell-side activities. Supplementing those profiles are notable observations when comparing questions.

Three major concerns and priorities could be extrapolated from the results:

1) *Managing Market Data spend is a top priority*
2) *Market Data Teams and their leadership have conflicting expectations of cutting spend*
3) *Half have accountability for reconciling, reporting and monitoring spend, a sign that many haven't benefited from adopting best practices*

The survey's findings are consistent with our views on the need for a clear inventory of what market data services a firm uses, validation of their utility, and ability to enforce proper controls and cost management best practices.
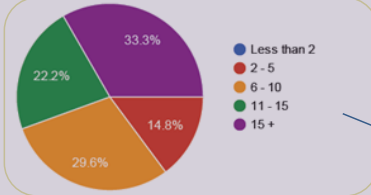
Lets' explore the results

RESPONDENT'S PROFILE

What is your role within the organization?
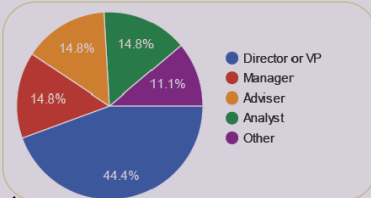
- Director or VP — 44.4%
- Manager — 14.8%
- Adviser — 14.8%
- Analyst — 14.8%
- Other — 11.1%

How many years of experience, on average do the members of the team have working in financial services?

- Less than 2
- 2 - 5
- 6 - 10 — 29.6%
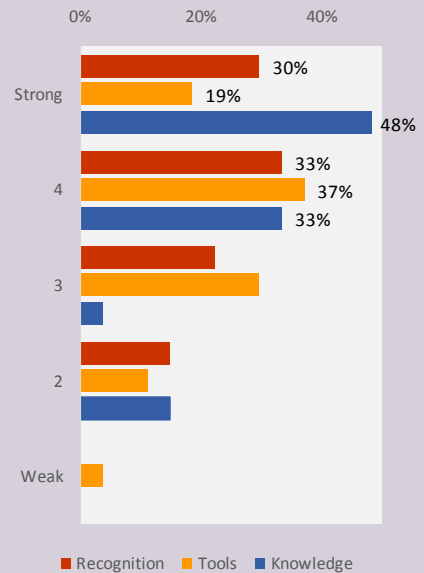- 11 - 15 — 22.2%
- 15 + — 33.3%
- 14.8%

The common profile of respondent's to the survey describe:

- A leader – Manager, Director or VP (60%
- Having more than 10 year's experience (55%)
- That is comfortable in their experience and knowledge of Market Data Management (81%)
- And believes to have the recognition/authority to act on behalf of the business (63%)
- 55% believe they are reasonably equipped with appropriate tools to perform their role
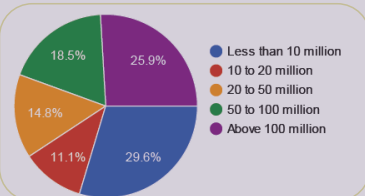
Most participants are in a leadership role with having more than 10 years Market Data experience
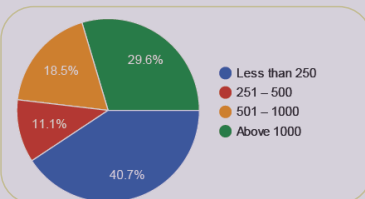
Market Data Management

Strong	Recognition	30%
	Tools	19%
	Knowledge	48%
4	Recognition	33%
	Tools	37%
	Knowledge	33%
3		
2		
Weak		

■ Recognition ■ Tools ■ Knowledge

COMPANY PROFILE

What is your firms global market data budget range ($) ?

- Less than 10 million — 29.6%
- 10 to 20 million — 11.1%
- 20 to 50 million — 14.8%
- 50 to 100 million — 18.5%
- Above 100 million — 25.9%

How many users of market data (subscribers) in your organization are there?

- Less than 250 — 40.7%
- 251 – 500 — 11.1%
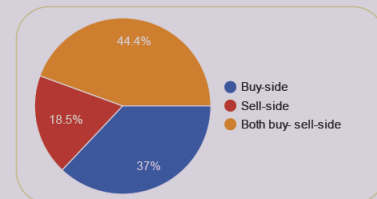- 501 – 1000 — 18.5%
- Above 1000 — 29.6%

The generic company profile, based on responses describe:

- A median $20-50 million market data budget
- An average $100 billion of Assets under Management
- With an extrapolated average of 1000 users (note: that the median range was 251-500)
- Both buy-side and sell-side characteristics represented

What is your Firms AUM?

- 1 - 25 billion — 22.2%
- 25 to 50 billion — 14.8%
- 51 to 100 billion — 11.1%
- 101 to 200 billion — 18.5%
- Above 200 billion — 33.3%
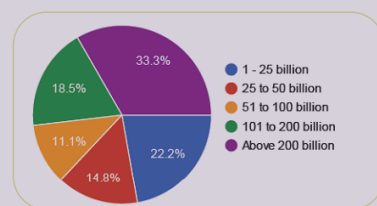
What type of Firm or area do you represent, for your organization?

- Buy-side — 37%
- Sell-side — 18.5%
- Both buy- sell-side — 44.4%

Market Data Company

TEAM PROFILE

How many people are within the Market Data Team?

Legend:
- Outsourced (market data administration)
- 1 - 2
- 3 - 5
- 6 – 10
- 11 – 20
- Above 20

(11.1%, 11.1%, 14.8%, 37%, 25.9%)

What primary inventory management system does your firm use?

Legend:
- Access (or other DB)
- CostOptics
- Excel
- FITS
- InfoMatch
- MDSL
- Proprietary (internal)
- None
- Other

(14.8%, 18.5%, 22.2%, 22.2%, 14.8%)

The common team profile, based on responses describe:

- A team of 5 people or less
- Half of which use a third party market data inventory tool (database)
- These teams likely report into IT & Ops (52%) or Procurement (15%).
- Their most likely source of Market Data Information is through 3 channels
  1. LinkedIn - 78%
  2. FISD - 59%
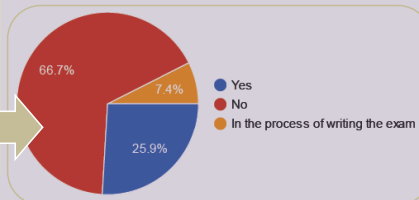 3. Product user groups - 40%
- Respondents and members of their team **are not likely** FIA certified (67%)

*A large percentage of Market Data Teams report into **IT & OPs***

Which Department does Market Data Report into?

Legend:
- Procurement
- IT & Operations
- Investment Operations
- Risk
- Compliance/Legal
- Data Management
- Market Data management decisions are made within each business unit
- Other

(11.1%, 11.1%, 14.8%, 51.9%)
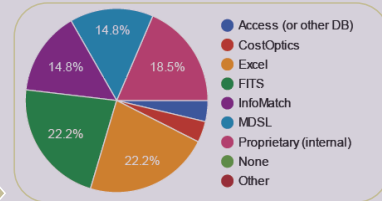
Are any of you or your colleagues FIA Certified (FISD)?

Legend:
- Yes
- No
- In the process of writing the exam

(66.7%, 7.4%, 25.9%)

COMMON PERCEPTIONS & THEMES

Excluding CPI, do you anticipate Market Data Spend to:

Legend:
- Increase 3 - 9%
- Increase +10%
- Decrease 3 - 9%
- Decrease +10%
- Remain the same (plus or minus 2% range)

(29.6%, 22.2%, 44.4%)

Common perceptions & themes based on responses describe:

- Market Data spend to increase over and above cost of inflation (75%), with 30% fearing by more than 10%
- Conflicting Senior management expectations to reduce spend by 5-10%
- Costs and cost management themes expressed as primary concern - combine Optimization, Reduce Costs, and transparency (70%)
- Most have systematic reporting – Monthly (41%) or quarterly (26%)
- Some confidence shown by firm's belief that they have the capability to optimize market data (52% positive)
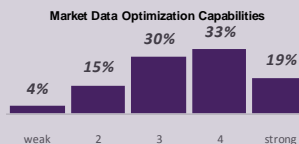
What expectations has Senior Management have for managing spend?

Legend:
- Reduce spend by more than 10%
- Reduce spend by 5 – 10%
- Reduce spend up to 5%
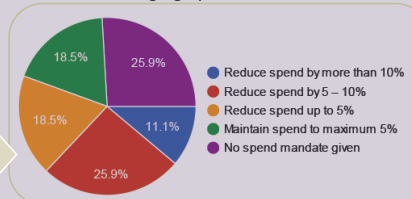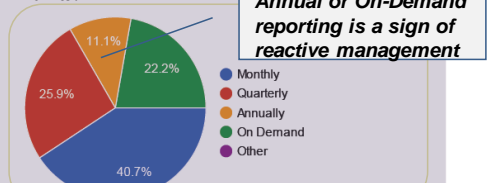- Maintain spend to maximum 5%
- No spend mandate given

(18.5%, 25.9%, 18.5%, 11.1%, 25.9%)

What is the Primary concern, in relation to Market Data management for 2016?

Legend:
- Skills development
- Contract/spend transparency
- Cost optimization
- Inventory management
- Reduce costs
- Implement a data warehouse similar large project
- Other

(14.8%, 14.8%, 37%, 7.4%, 18.5%)

Market Data Optimization Capabilities

weak	2	3	4	strong
4%	15%	30%	33%	19%

How often are Market Data usage and spend reports generated for review with business units?

Annual or On-Demand reporting is a sign of reactive management

Legend:
- Monthly
- Quarterly
- Annually
- On Demand
- Other

(11.1%, 22.2%, 25.9%, 40.7%)

Market Data Company

MDC Key Observations

- While there was a visible correlation between AuM and Market Data Budget, less clear was a standard or common ratio of Team Members to AuM, or to Market Data Budgets. This is likely due to the distinctly different strategies of buy-side and sell-side participants, but also attitudes towards costs -sell-side are extremely cost-conscious and the most aggressive for having staff seek out savings, while buy-side have a more cost-management focus where transparency and peer comparisons are more critical in their team structure and operational approach.

- Invoice processing (or owning the intake, reconciliation, and authorization of invoices) is a critical point of control in the Market Data Management function. Yet a large number of respondents indicate their teams **do not have** direct involvement in this process. This point speaks to the depth of spend intelligence we suspect is lacking among most firms who traditionally view invoice management as an AP function. Payment of Invoices certainly is, however reconciling, allocating, and investigating an average 300+ set of them for specialized products is simply unachievable. Without the capacity of understanding and tracking the granularity of services (to the user), quality of reporting/analysis is highly suspect for anything more than a very high level view.

- No more is the above point more evident than with Reporting. In our opinion, Annual or On-demand reporting is a sign of reactive management that is called upon only because it is a special requirement E.g. Budget Planning or unique analysis ordered. Developing systematic reporting requires detailed, complete, and reliable data to perform on a monthly basis. However the benefits greatly outweigh the costs; Business owners get clear, current consumption and spend information, for which they can engage with market data delivery teams on developing strategies alongside a critical operational requirement. As a result, **greater confidence** can be established where better transparency, and hence high quality decision-making, are the focus.

- A disturbingly large disconnect was observed by Senior Leadership expectations to reduce costs by >5%while Market Data Delivery Teams anticipate a post inflationary increase of >3%. Assuming market data delivery team perspectives are correct, conflict is inevitable as corporate goals are simply unachievable. The question that has to be asked is– Are market data teams doing enough to keep senior leadership appraised of the services, usage, and resulting spend to expect in a clearly difficult contracting economic environment?

Breaking down the respondents into their more representative groups, the following paints how respondents described themselves

		Buy-Sideonly	Sell-Sideonly	Buy- and Sell-Side
Respondent'sCharacteristics	What is your role within this organization?	Director/VP	Manager	Director or VP
	On a scale of 1 to 5, do you consider you have the appropriate knowledge/training to effectively manage market data within your Firm?	4.3 (strong)	3.3 (moderate)	4.5 (strong)
	On a scale of 1 to 5, do you consider you have the tools to perform all your market data management tasks in an efficient and effective manner? *	3.3 (moderate)	4.0 (strong)	3.8 (moderate)
	Which of the following Market Data related organizations, or user groups, are you a part of:	Primarily FISD and Linked-In Groups	Primarily FISD and Linked-In Groups	Primarily FISD and Linked-In Groups
	Are you, or any of your colleagues, FIA certified (Financial Information Associate certification of FISD)?	FIA Certified	Not FIA Certified	Not FIA Certified
FirmCharacteristics	What is your Firm's AuM ($) range?	51 to 100 Billion	101 to 200 Billion	Above 200 Billion
	What is your Firm's global market data budget range ($), as represented by the answers to this survey?	20 to 50 million	50 to 100 million	50 to 200 million
	How many users of market data (subscribers) in your organization are represented by the answers to this survey?	251-500	501-1000	Above 1000
	On a scale of 1 to 5, do you consider you have the recognition (and/or authority) from the Business or Management to represent the organization in vendor dealings?	3.8	3.3	4.1

Team Characteristics	How many years of experience, on average, do the members of the team have working in financial services markets?	6-10	11-15	15+
	How many people are there in the Market Data Management group (or role)?	1-2	3-5	11-20
	What primary inventory management system does your firm use for contracts/vendors/spend?	Variety of 3rd party and internal (Excel and Access)	Variety of 3rd party IMS	Variety of 3rd party and internal (Excel and Access)
	Besides Market Data, what other services/products does your team support (i.e. provide primary administrative support)?	Market Data only focus	Primarily Market Data only	Primarily Market Data; Systems and software licenses
	Which of the following Invoice Processing activities are managed by your team?	Invoices not managed by group (majority)	Reconciliation, Authorization, Investigation	Extremes from all to "not managed"
	Which of the following Service Categories are managed by your group?	All Service Categories	All Service Categories	All Service Categories
	On average, how often are market data inventory, usage and spend reports generated for review with Business units?	On-Demand	Systematic (monthly)	Systematic (monthly)
	Which of the following steps are being used to address the risks presented by vendors and other third parties at your Firm by your team or group?	Variety from none to all steps identified	Variety	Most all steps identified
	Which department does Market Data management report into?	IT & Operations	IT & Operations	Variety, including Business (de-centralized)
Market Data Perceptions	Excluding CPI, do you anticipate market data spend to:	Increase 3-9%	Increase 3-9%	Increase 3-9%
	For 2016, what expectations has Senior Management placed on your team for managing spend?	No spend mandate	Reduce spend by 5 - 10%	Reduce spend by 5 - 10%
	On a scale of 1 to 5, how would you rate your firm's market data optimization capabilities (regularly review, analyze, adjust services to maximize effectiveness)?	3.2 (moderate)	3.3 (moderate)	3.9 (good)
	What is your primary concern, in relation to Market Data management, for 2016?	No dominant theme	No dominant theme	Cost optimization, Contract/spend transparency

Conclusion

Overall, market data management teams feel confident in their ability to effectively manage market data, yet no discernable industry standards could be concluded from the survey - the optimal structure varies greatly (e.g. Team size relative to Users or AuM) as did the actual skills/tools employed (e.g. Certification standards, information sources, and systems). Respondents are certainly aware of the practices and processes required of market data management teams, however it is distinctly clear that a variety of interpretations about how to achieve effective cost management exists. The best example being how most anticipate costs to increase significantly, yet they have been mandated by senior leadership to reduce costs by an equally aggressive amount. A properly resourced, skilled, or structured team would be better able to manage that conflict by either being able to **meet with** senior leaderships expectations, or by **altering senior management expectations** to more reasonable and achievable levels.

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About MDC

MDC is a leader in Market Data compliance, operations, technology and advisory services. The insights and quality services we deliver build trust and confidence in the world of capital markets. We develop industry leadership that delivers deep domain expertise to all of our stakeholders. In so doing, we play a critical role in building a better innovative working world for our people, our clients and overall the industry.