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## **Unbundling of Research Costs Globally is Altering How Buy-Side Research Managers Operate: TABB Group Study**

**Regulation, Changing Economics and Investment Strategy Shifts are Turning the Investment Research Industry Upside Down, Says Larry Tabb**

**NEW YORK & LONDON, February 5, 2019** – TABB Group issues a heads-up to institutional money managers who will need to adapt to fee pressures and unbundling, says [Larry Tabb](#), founder and research chair at TABB Group in new research, “[Adapting to Unbundling: How Unbundling is Redefining Research Tech](#).” He warns, however, [fundamentally-based firms that leverage outside content](#) for their investment decisions will be hit the hardest.

Downward revenue pressures will drive brokers to charge for virtually every conceivable service, Tabb says. “If buy-side firms don’t begin to more tightly track and analyze their broker interactions and research usage, they’ll be at a loss when presented with a bill. As a result, the research management system is becoming the new platform for any buy-side firm consuming third-party investment services.”

The industry’s shift from active to passive investment management and the MiFID II regulation’s provisions for transparency, including unbundling of research costs, are changing the way research managers operate. While most of the effects of MiFID II have already been absorbed by the industry, the resulting shifts in investment capital and research funding resources are just starting to become more apparent.

This [exclusive 26-page, 34-exhibit, data-rich, interview-based study](#) delves deep down into the development of an entirely new class of buy-side technology, covering MiFID II; funding; study demographics; market size (including research platform spending and growth rate estimates 2021 for North America, Europe and Asia); functional preferences; system preferences; and vendor offerings.

Regulation, changing economics and investment strategy shifts are turning the investment research industry upside down, says Tabb. This uncertainty is creating a challenging commission/business environment. The whole research management space is virtually being re-written as we speak, as the shift from active to passive money management challenges the industry, and worries about MiFID II recasts what brokers and investors need. These questions are not superficial. They impact how research is provided, acquired, consumed and how it’s funded. This, of course, is creating concern and uncertainty in the research management platform business.

This uncertainty, however, can provide opportunity – opportunity that many investment managers shared directly with TABB Group. While the research management platform industry determines how the space will operate, it is not yet fully developed.

As Tabb explains, the RMS market is fairly fragmented, with many providers offering solutions that are not considered fully end-to-end functional from a user perspective. Vendors have been struggling to convince buy-side firms to replace their in-house proprietary systems, many of which are little more than downloads from FactSet or Bloomberg into Excel, which, for all their flaws, at least offer the flexibility of a spreadsheet, with the inherent control, turnover and safety of a robust platform.

Given the challenges investors have maintaining margins, the demands from clients and regulators to unbundle – and increasing pressure from brokers to satisfy their revenue requirements, as well as the economics from open-source technologies and cloud infrastructures, now seems like the perfect time for vendors to innovate.

“While it may not be for the faint of heart,” he says, “this industry seems like one of opportunity that should crystalize as regulators, investors and brokers adapt better to their post-MiFID II/unbundling needs.”

This comprehensive research study is now available for download by TABB equities clients and pre-qualified media at <https://research.tabbgroup.com/search/grid>. For more information or purchase, write to [info@tabbgroup.com](mailto:info@tabbgroup.com).

### ***About TABB Group***

With offices in New York and London, TABB Group is the international research and consulting firm focused exclusively on capital markets, based on the interview-based, “first-person knowledge” research methodology developed by Larry Tabb. For more information, visit [www.tabbgroup.com](http://www.tabbgroup.com)

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