

# Mitigating revenue leakage in fee billing

Strategies for optimizing fee capture  
and billing accuracy





## INTRODUCTION

Fee billing in wealth and asset management is a complex process encompassing normalizing data from multiple disparate sources, calculating fees, validating output, accruing, invoicing, reconciling, and collecting fees. Revenue leakage, the unintended loss of rightful income due to inefficiencies or errors in this process, has become a critical concern for firms handling complex structures and high billing volumes. For asset management firms with fee-based revenue models, even minor discrepancies can lead to substantial losses over time.

Addressing revenue leakage is crucial in an industry facing pressure from increased competition, regulatory scrutiny, and fee compression. According to a recent Boston Consulting Group study 'the average fee in 2023 was 22 basis points (bps), down from 25 bps in 2015 and 26 bps in 2010'.<sup>1</sup> Continually shrinking fee revenues have made it even more critical to address fee leakage, as tightening margins continue to impact profitability and growth.

A well-constructed fee billing platform and program are essential to tackle these challenges effectively. This paper summarizes key challenges contributing to revenue leakage in wealth and asset management and presents a comprehensive solution framework to mitigate these risks and optimize revenue streams.

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<sup>1</sup> Boston Consulting Group - May 2024 - [AI and the Next Wave of Transformation](#)

## SOURCES OF FEE REVENUE LEAKAGE

Three main sources of revenue leakage due to fee billing errors are:

### FEE CAPTURE LEAKAGE FROM INEFFECTIVE SYSTEMS

Accurate data capture and validation are foundational to effective fee billing. Inefficient or outdated systems may fail to accurately capture all billable events or services across the trade lifecycle. Legacy or poorly integrated systems can miss crucial data points, leading to unbilled services and lost revenue. Ensuring data accuracy is vital for minimizing discrepancies and preventing revenue leakage.

### DELAY LEAKAGE FROM BILLING AND INVOICING INEFFICIENCIES

Inefficient billing processes and systems contribute significantly to revenue leakage. Slow or delayed invoicing impacts cash flow and can lead to disputes or write-offs. Delays in reconciling trades across multiple systems can postpone billing cycles, sometimes pushing fee collection beyond contractually allowable periods. Addressing these inefficiencies through streamlined systems and enhanced billing processes can mitigate delay leakage and ensure timely revenue collection. Successful fee programs consider setting up defined processes and doing away with ad-hoc processes, thereby reducing manual intervention.

### LEAKAGE FROM INACCURACIES IN FEE AGREEMENTS

Complex fee structures often result in misinterpretations or errors in fee calculations. These inaccuracies arise from a disconnect between agreed-upon terms and their practical implementation in billing systems. Fee agreements need to be accurately translated by systems into programmable rules within the billing systems to avoid miscalculations. Ensuring precision in implementing these agreements is crucial for preventing revenue leakage.

A robust fee-billing platform is crucial for addressing fee leakage. It should eliminate fee leakage by accurately capturing all billable events and performing precise fee calculations, thereby increasing revenue. Reducing risk involves replacing outdated technology and manual processes with an efficient and accurate system. Improved straight-through processing ensures seamless data flows and automated exception handling to quickly address inaccuracies. [See Exhibit 1].

Exhibit 1 – Example Robust Fee Billing Platform





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## KEY CHALLENGES IN ADDRESSING REVENUE LEAKAGE

### COMPLEXITY OF FEE STRUCTURES AND CUSTOMIZED PRICING

The asset management industry has undergone a significant transformation in fee structures over the past two decades. Traditional flat-rate management fees have evolved into more sophisticated models to remain competitive, presenting substantial challenges in administration and calculation. Modern fee structures may include multi-tiered asset-based fees, transactional fees, fund-of-funds fee structures, customized carve-outs, waivers, and discounts. These complex arrangements require precise calculations, tracking of multiple thresholds, and continuous reassessment based on asset levels and other activity.

Further complicating matters, firms often implement customized fee arrangements to meet unique client needs. While beneficial for client relationships, these bespoke agreements add another layer of complexity to fee tracking and auditing. Examples include client-specific pricing models, fees contingent on market conditions or benchmarks, agreements with retroactive clauses, and special arrangements for new product launches. While these tailored solutions strengthen client relationships, they simultaneously intensify the challenges of accurate fee management and oversight.

### DATA QUALITY AND CONSISTENCY

Accurate fee calculation and billing rely heavily on data quality, completeness, and timeliness. Asset managers must amass and process vast amounts of information from various sources, including daily asset valuations, transaction histories, client account details, and other performance metrics.

Challenges in ensuring data accuracy include:

- **Data silos:** Many firms operate with multiple legacy systems that don't communicate effectively.
- **Manual processes:** Many firms still rely on manual data entry and Excel-based calculations for some parts of their fee processes.
- **Data timeliness:** Ensuring fee calculations are based on the most accurate up-to-date information is crucial but often challenging.
- **Data volume and aggregation:** Asset managers often struggle with the overwhelming volume of data and the technological complexity of aggregating and translating granular datasets for billing purposes.

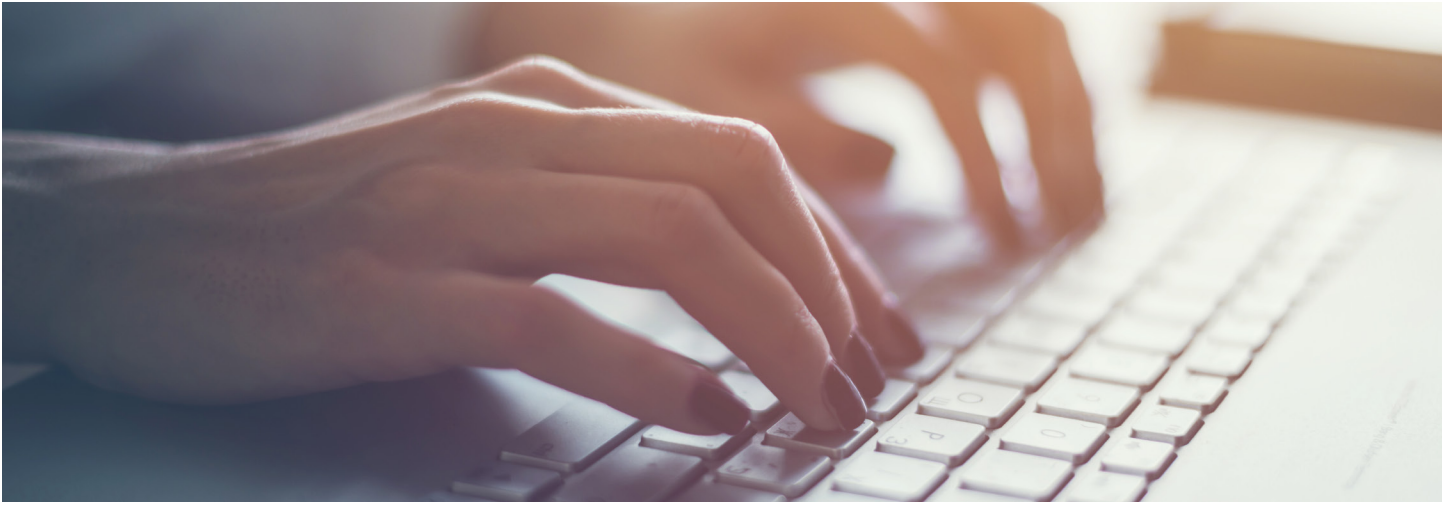
### LACK OF STANDARDIZATION

The industry lacks standardization in fee calculation methods and models, complicating fee computations, validation and invoice presentation, especially for firms operating across multiple jurisdictions or offering diverse product lines.

### INEFFICIENT WORKFLOWS AND PROCESSES

Many firms rely on manual intervention and/or infrequent audits to detect billing discrepancies, an approach often too cumbersome to prevent significant revenue leakage effectively.





## STRATEGIES FOR MITIGATING REVENUE LEAKAGE

Broadridge employs a holistic strategy using multiple levers:

- **Review and standardize fee agreements:** Simplify fee structures by creating pricing templates and conducting large-scale reviews of existing models against agreements.
- **Standardize calculation models:** Ensure uniform data sources and accurate formulas to minimize manual interventions.
- **Automate models and workflows:** Introduce automation to reduce manual steps, enhance process control, and allow timely audits and data analysis.
- **Actively manage client payment times:** Implement rigorous follow-up and escalation procedures to expedite fee collection.

Quantifying revenue leakage requires precise metrics:

- **Input metrics:** Identify incorrect models and data-related errors.
- **Throughput metrics:** Measure the degree of straight-through processing, invoice creation time, and accounts receivable time.
- **Output metrics:** Track billing errors, rework time, and credit memos issued.

These metrics allow firms to benchmark performance, drive improvements, and ensure sustainable optimization.

## IMPLEMENTATION STRATEGY

### **PREVENTING FEE LEAKAGE: A PRAGMATIC APPROACH**

The best way to start is by launching a pilot initiative targeting a specific business unit and client segment. Steps include:

1. **Brainstorming scope:** Determine sample extent and client segment
2. **Agreeing on methodology:** Decide on back-testing, process optimization, and metric definitions
3. **Identifying resources:** Structure the project team, governance, and define deliverables
4. **Evaluating and expanding:** Refine approaches post-pilot and scale up to other segments and units

## CUSTOMIZED SOLUTIONS

Recognizing each firm's unique needs, Broadridge tailors its approach based on specific client segments and billing methodologies. Solutions can be scaled and adapted to suit various organizational sizes, complexities, and technological infrastructures.

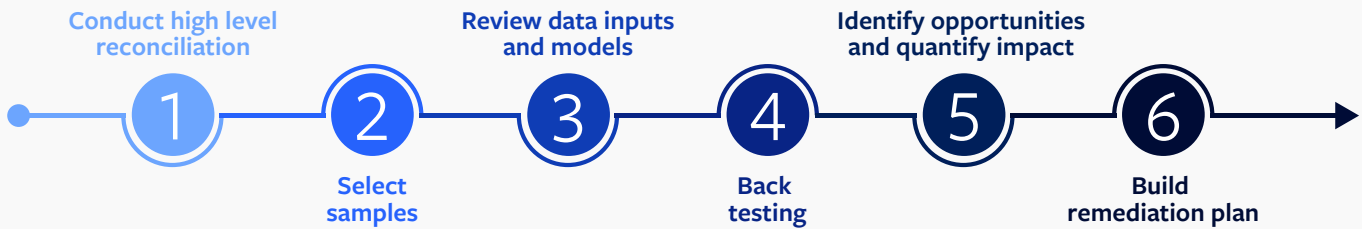
Broadridge's strategy for mitigating revenue leakage is built on two complementary workstreams:

### 1. Identification of existing leakage and root cause

**analysis:** This involves back-testing and remediation of current inefficiencies by reconciling accounts, sampling billing accounts, reviewing data sources, conducting back tests, and creating a methodical remediation plan. [See Exhibit 2]

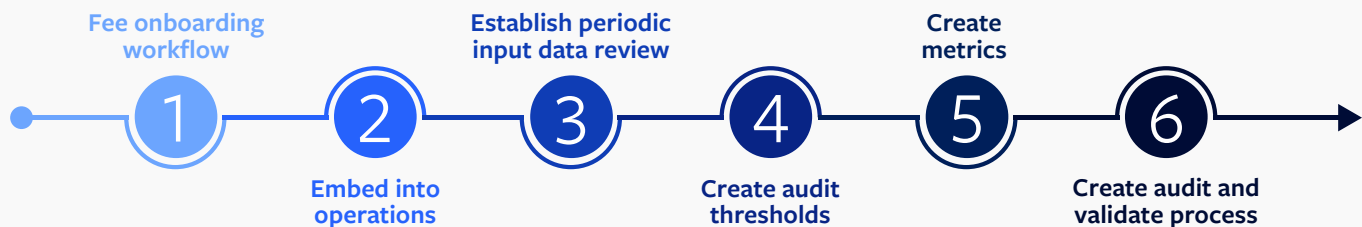


Exhibit 2 – Identification of Existing Leakage and Root Cause Analysis



**2. Prevention of future leakage:** This workstream focuses on process optimization through standardizing workflows, ensuring timely billing setups, implementing robust data controls, creating fit-for-purpose metrics, and scheduling periodic audits. [See Exhibit 3]

Exhibit 3 – Prevention of Future Leakage



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## CONCLUSION

Mitigating revenue leakage offers a significant opportunity for wealth and asset management firms to boost profitability and sustainability. By implementing a comprehensive solution framework encompassing advanced fee management platforms, enhanced data management practices, and continuous monitoring and analytics, asset managers can enhance accuracy in fee calculations, streamline billing processes, improve transparency, ensure regulatory compliance, and recapture lost revenue.

Addressing revenue leakage is not just a financial imperative but a competitive necessity. The solution framework outlined offers a proven pathway to optimize revenue management practices, enabling wealth and asset management firms to focus on delivering value to investors while ensuring they are fully compensated for their services.

Taking action to implement robust fee management and revenue assurance processes is crucial for safeguarding financial health and positioning wealth and asset management firms for sustainable growth. By leveraging technology and best practices, firms can turn the challenge of revenue leakage into an opportunity for operational excellence and improved profitability.

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## CASE STUDIES

Examples demonstrating the impact of Revport consulting solutions include:

### 2% increase in billed revenue

An asset management firm with \$500 billion AUM reduced its billing cycle time by 40% and eliminated manual errors, leading to a **2% increase in accurately billed revenue**.

### 30% reduction in operational costs

A wealth management company streamlined billing processes across multiple business lines, resulting in a **30% reduction in operational costs** and faster launch of new fee structures.

### Billing accuracy across 20 countries

A global capital markets institution leveraged Revport to adapt quickly to MiFID II requirements, ensuring compliance while maintaining **billing accuracy across 20 countries**.



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