

Does your interactive report solution highlight the value of the actual analyst model?

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Everybody talks about interactive reports and everyone wants to develop and implement them, but no one has thought through all the challenges in getting that done. We have had many discussions with our clients on interactive reports for some time now and have had the privilege of hearing the needs from our clients first hand. Most ideas we hear start with the many bells and whistles, but most existing solutions as well as client ideas seem to be missing one thing - clear presentation of the client's investment argument.

Interactive reports, in simple terms, involve taking your investment thesis online and making it accessible via the internet as well as interactive for the viewer to play around with. There are many elements that an analyst will want to show as an interactive component on any given medium. One of the most compelling is the sensitivity analysis, which has an underlying financial model that the analyst has defined and which is something clients would love to see. Just as the lyrics of a song define the depth of an artist or the way the frame of a painting defines the painting's place in a gallery, it is the financial model that defines the reality of the analyst's ideas. The financial model is what is used to provide the building blocks of the researcher's investment thesis. That's why sell-side firms recruit the best-rated analysts and pay Wall Street-level salaries to analysts so they can come up with the best models to justify revenues, other earnings drivers and better estimates, predictions or forecasts.

Many analysts would love to have parts of their models accessible to their key clients. They would love the idea of clients being able to interact with the model that the analyst has defined and elicit further discussion. However, these days, most banks appear to have adopted solutions that focus more on the bells and whistles and less on customised insights. The analyst models have lost their priority. True alpha hunters are forced to choose from standardised templates with fancy user interfaces. Creating such fancy user interfaces is challenging because all analyst models are unique. As such, some of the digitalisation solutions provide a generic model that can generate the most eye-catching user interface but is really just a proxy model that the solution has defined to bridge the real analyst model with the user interface. Consequently, the unique models that each analyst has defined get converted into a generic model just because it needs to be converted to an eye-catching user interface. If the sensitivity analysis works on a proxy model, which is common to any scenario, and has only predefined drivers in it, then why do banks need to hire the best-rated analysts by paying millions. They can simply hire an average analyst and ask them to model the company by

using a template that the research digitalisation solution has defined; by doing so, it would not be necessary to convert the analyst model to a generic model.

As far as we see, the main challenge is in providing a solution that can give a user access to the actual model that the analyst has defined. So, while the user interface needs to be eye catching, it also needs to reflect what the analyst wants his clients to see as well as the solution that clients want to see. Today investors will like the idea of having nice user interfaces where they can see a lot of interactive components as they see it as a unique offering. However, sooner or later, most banks will provide such interactive components and investors will then begin to mandatorily require banks to provide such offerings. At that point, when investors start to use the interface, they will question the underlying model once they start to notice that it might not be the actual model that the analyst talks about via the phone.

As research digitalisation is a new and hot phenomenon, many people are fascinated by nice responsive interfaces, but it is only later that the real problem crops up. That is why our research is more focussed towards bringing the actual analysis model interactive on web without defining a model which is couple with the user interface and which needs the analyst model converted to the underline proxy model. Our research is, therefore, more focussed on a dynamic user interface that can generate interactive components for any unique model defined by an analyst. This is because we believe our solutions should not overlook the effort that an analyst has expended on his model and we must highlight the value of the analyst model, rather than anything else.

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