

Coalition Greenwich

A division of **CRISIL**

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Market Data: Quality Over Cost



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Audrey Blater and David Easthope advise on market structure and technology globally.

Over **90%** of study participants cite data accuracy and feed reliability as the top drivers when choosing a market data vendor

64% and **46%** of respondents believe the cloud and APIs respectively will emerge as dominant market data delivery methods over the next 3–5 years



The Big Picture

Coalition Greenwich, in a collaboration with SIX Group, interviewed 79 global buy-side and sell-side firms to confirm what drives market data vendor decisions, types and frequency of data being consumed, and views on future use cases, sources and delivery.

The vast majority of the market is investing more into data. However, far more thought and research is being put into which firms these market participants will work with as a vendor. As both sources and types of data grow, there is the possibility and inclination to engage a wider vendor base without forgoing quality.

Key Takeaways:

Most study participants select their data providers based on data quality, which has consequently influenced the desire for greater vendor choice with vendors competing on quality as much as coverage and cost.

- Data accuracy, feed availability and timeliness, as well as data coverage, are key considerations influencing decision-making.
- While buy-side respondents are less price-sensitive than their sell-side peers, who continue to be challenged by cost considerations, performance and quality of data drives spend decisions to cover data gaps.
- Eighty percent of buy-side participants believe data budgets will rise over the next 12 months. Over one-quarter anticipate an increase of at least 5%.
- Meanwhile, sell-side respondents are expecting larger increases as more data sources are needed, higher frequency of data demands more investment, and upticks in licensing agreement costs get baked into contracts.

That's not all—respondents are seeking multiple market data vendors offering next-generation delivery methods. They also seek data delivery partners, which include software companies, that allow them to leverage data cost effectively.

- The cost of technology and data storage is perceived as quite high by the buy side, pressing the desire for more competition among market data vendors.
- Over the next three to five years, buy-side and sell-side participants will future-proof their market data strategies by turning to the cloud and APIs for data delivery.
- In the meantime, buy-side participants will look to providers to manage data, while sell-side participants will also connect to aggregators and direct data sources.

Introduction

Data is expanding all around us. Both buy-side and sell-side professionals are exploring better ways to consume data, analyze information and benefit from its abundance. This study is focused on understanding different types of market data and their usage by market participants. The paper explores key themes, such as considerations influencing technology and market data vendor choice, market data spending trends and future expectations of data technology adoption and use.

Capital markets professionals think about data in numerous ways. Most commonly, study participants believe the term “market data” refers to pricing and related data, including exchange, OTC and third-party pricing, as well as reference data that incorporates fundamentals, ratings and other descriptive information. However, data is also believed to refer to news and research. Derived data and even specialist or alternative data also come to mind. No matter the definition, market data is a broad category, and different requirements emerge depending on roles and areas of responsibility.

Seventy-nine global respondents spanning asset management, wealth management/private bank and sell-side firms offered their opinions in this study. These participants hailed from seven countries or regions—the U.S., U.K., France, Germany, Australia, Singapore, and Hong Kong—and provide segment and regional insights. The majority of opinions stem from professionals in front-office roles, including portfolio management, trading and research at buy-side firms, while others work in the middle or back office to get a full reflection of views. A detailed methodology section is included at the end of this paper.

Data Vendor Considerations

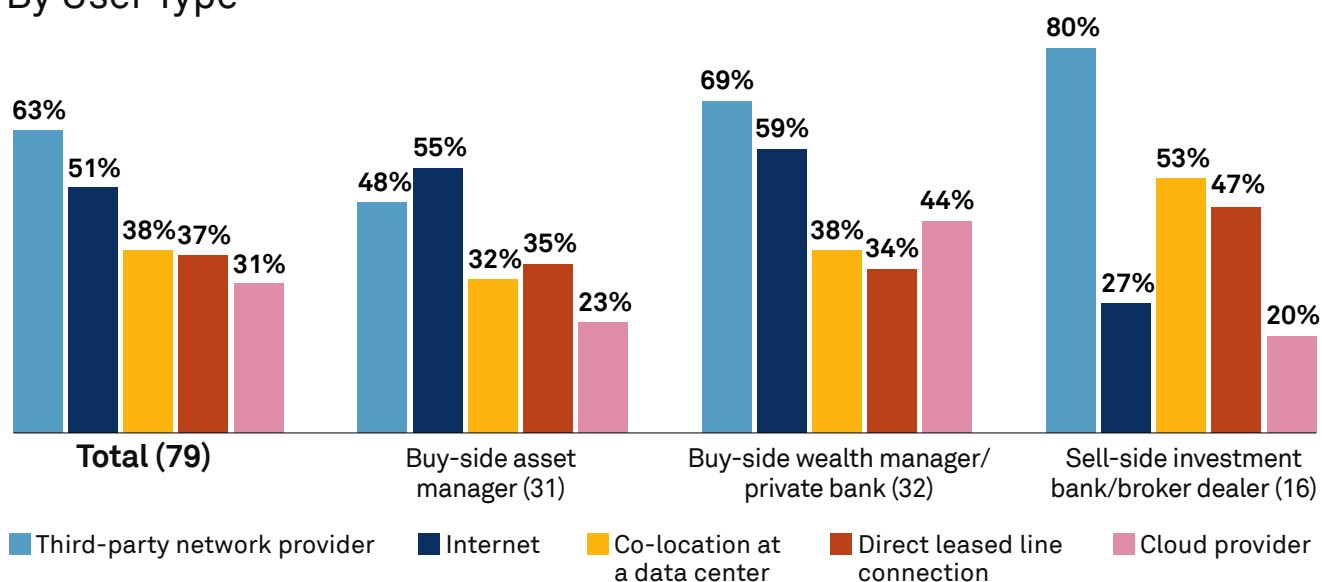
Over half of study participants believe third-party providers and internet-based delivery stand out as preferred methods for receiving market data. Although the cloud received recognition, the industry still stands at a 30% preference rate and has room to grow.

Our study viewed the topic of market data delivery through several lenses, including technology, sources and vendors. From a technological standpoint, third-party providers and the internet are the favored sources to receive market data across buy-side segments. While sell-side participants rely heavily on third-party providers, they tend to also receive information from co-location centers and direct leased line connections through specialized providers.

Cloud providers are being utilized for data delivery more on the buy side than the sell side—particularly by wealth managers and private banks. In an earlier study, Coalition Greenwich found buy-side firms to be earlier adopters of the cloud. In fact, these firms are expected to consume even more cloud-deployed data, including real-time market data, portfolio management data and risk analytics in the future.¹ But, as they say, cloud adoption is a marathon more than a sprint.

Looking to regional differences, Europe stands out against other areas with more reliance on co-location, direct leased lines and the provision of data via the cloud than the U.S./U.K. Meanwhile, participants in the Asia-Pacific (APAC) region seem to spread out data sources more evenly.

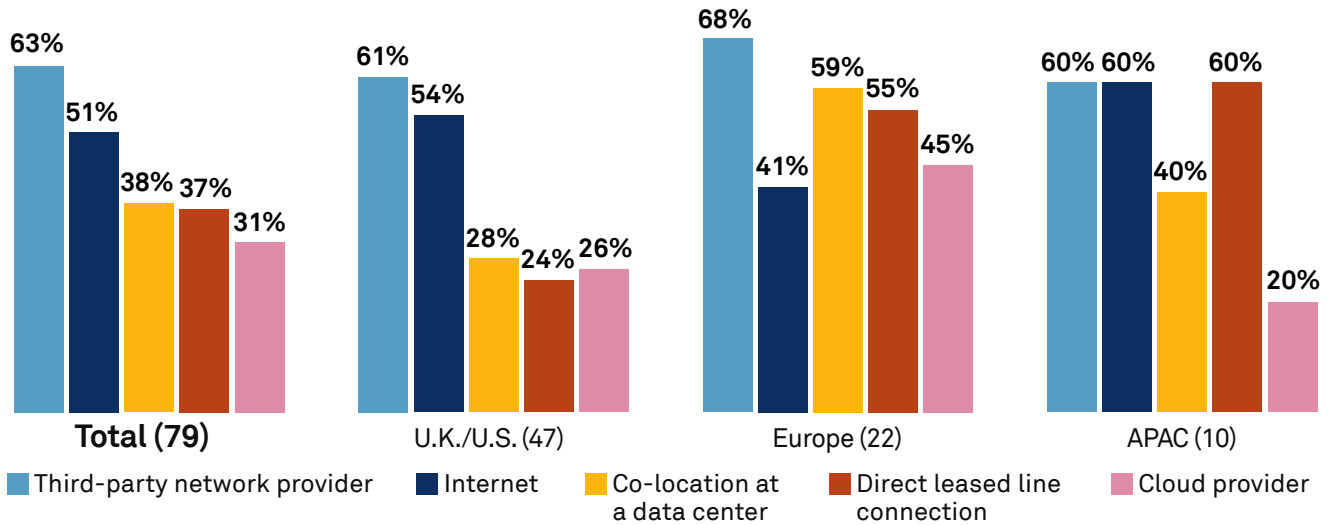
Technology Currently Used to Receive Market Data By User Type



Note: Numbers in parentheses represent number of respondents.
Source: Coalition Greenwich 2023 Market Data Study

¹ See [New Research from Google Cloud Reveals Five Innovation Trends for Market Data](#); September 22, 2021.

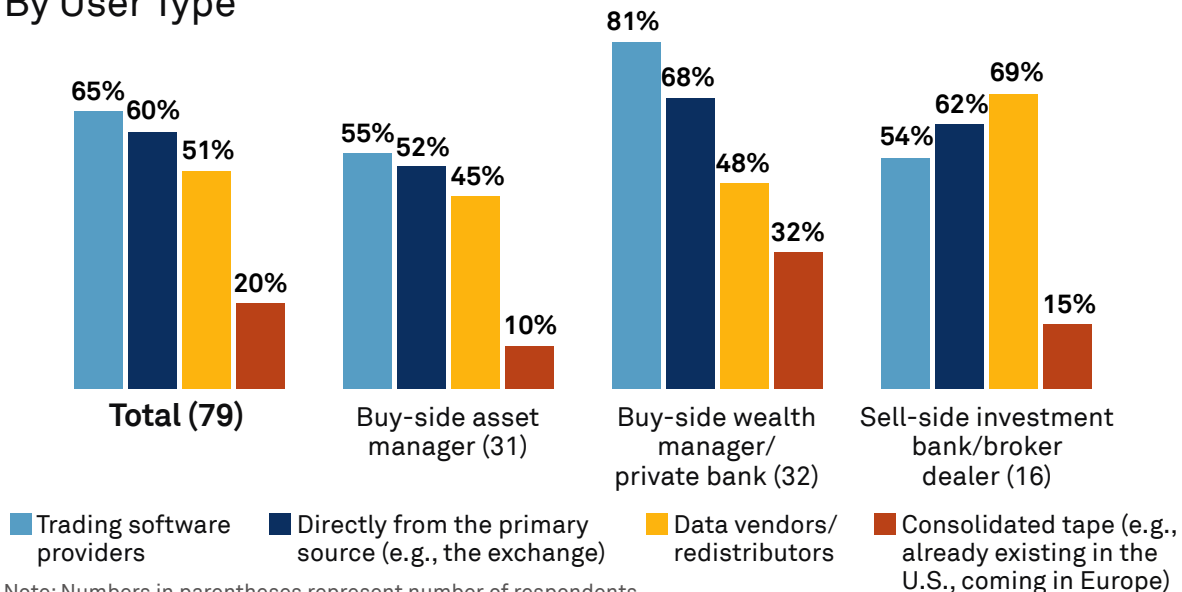
Technology Currently Used to Receive Market Data By Region



Note: Numbers in parentheses represent number of respondents.
Source: Coalition Greenwich 2023 Market Data Study

From a provider perspective, buy-side and sell-side participants receive market data via trading software providers and primary sources like exchanges, as well as from vendors and redistributors. However, there are some differences stemming from market structure. Sell-side firms are more likely to go directly to the source of the information, such as an exchange or aggregator. Meanwhile, buy-side professionals may instead look to their providers of order management systems (OMSs), execution manage systems (EMSs) and portfolio management systems (PMSs) to provide data from other sources.

Provider Currently Used to Receive Market Data By User Type



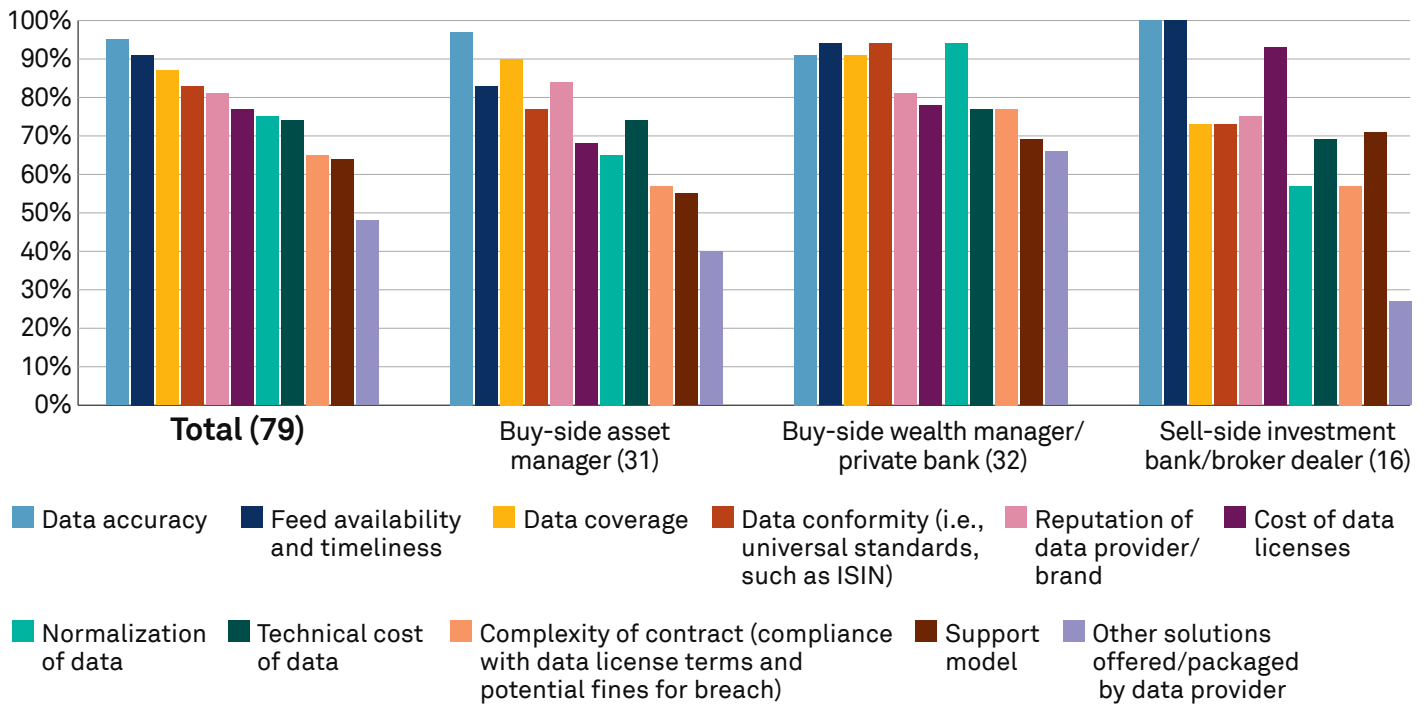
Note: Numbers in parentheses represent number of respondents.
Source: Coalition Greenwich 2023 Market Data Study

Clear trends have risen to the surface when buy-side and sell-side participants choose what features make a market data vendor attractive. Quality and reliability are key priorities across all participant segments that even trump rising data license fees.

The majority of participants choose market data providers based on accuracy, feed availability and coverage. Other highly valued requirements include data conformity, such as ISINs, conventions and other characteristics, as well as the reputation of the data provider. One surprising and interesting study finding is that while the cost of data licenses often draws ire, it falls further down the list—particularly for the buy side—as a key consideration. Interestingly, asset managers appear to be more specific and have a nuanced view of preferred functionality when compared to wealth managers/private bank participants, who express more of an “everything matters” perspective.

Sell-side participants are challenged by costs but are still sensitive to performance and quality considerations, like data accuracy, feed availability and timeliness of market data vendors. This is likely due to increases in expected data costs that can’t readily be passed along and are additive to other fees linked to market making and investment banking businesses.

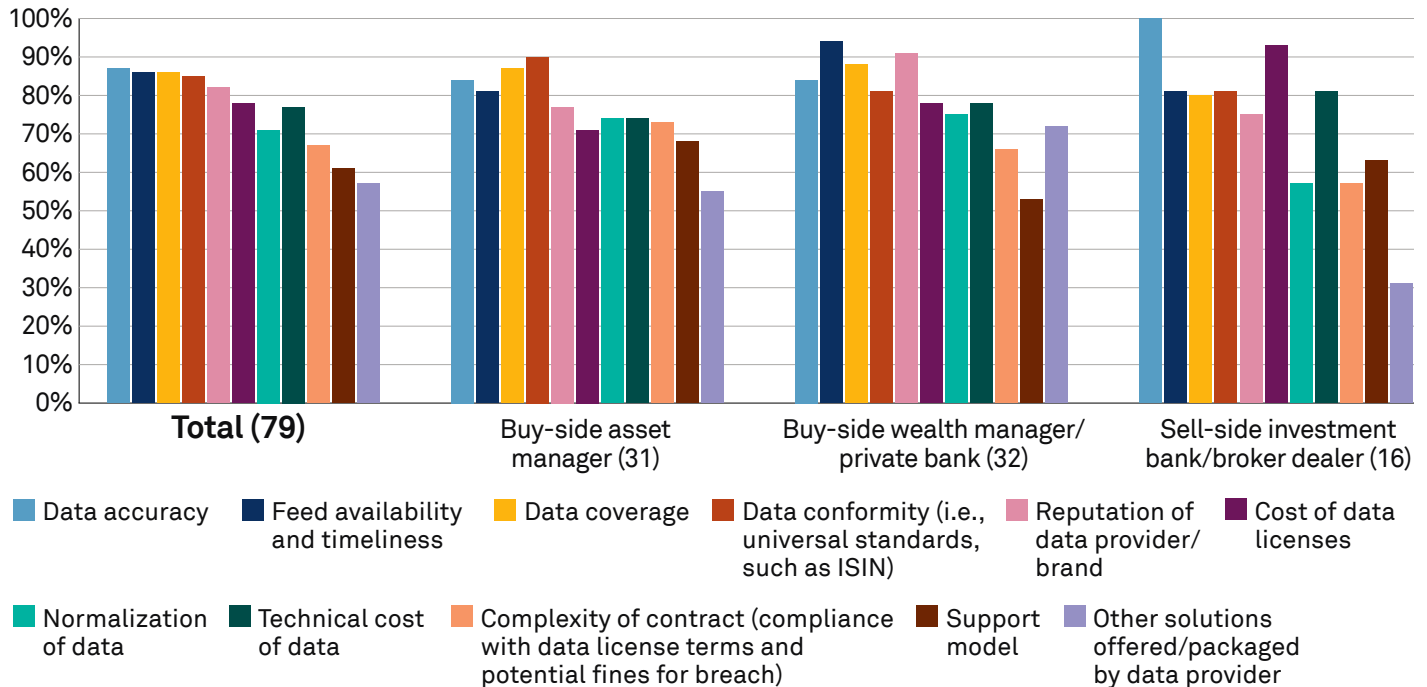
Important Considerations When Choosing a Market Data Provider



Note: Number in parentheses represents number of respondents.
 Source: Coalition Greenwich 2023 Market Data Study

The quality theme resurfaces when decisions are made to switch market data vendors. The same top considerations are impacting participants’ willingness to change providers and, again, quality prevails over cost and other considerations linked to contract complexity and packaged models.

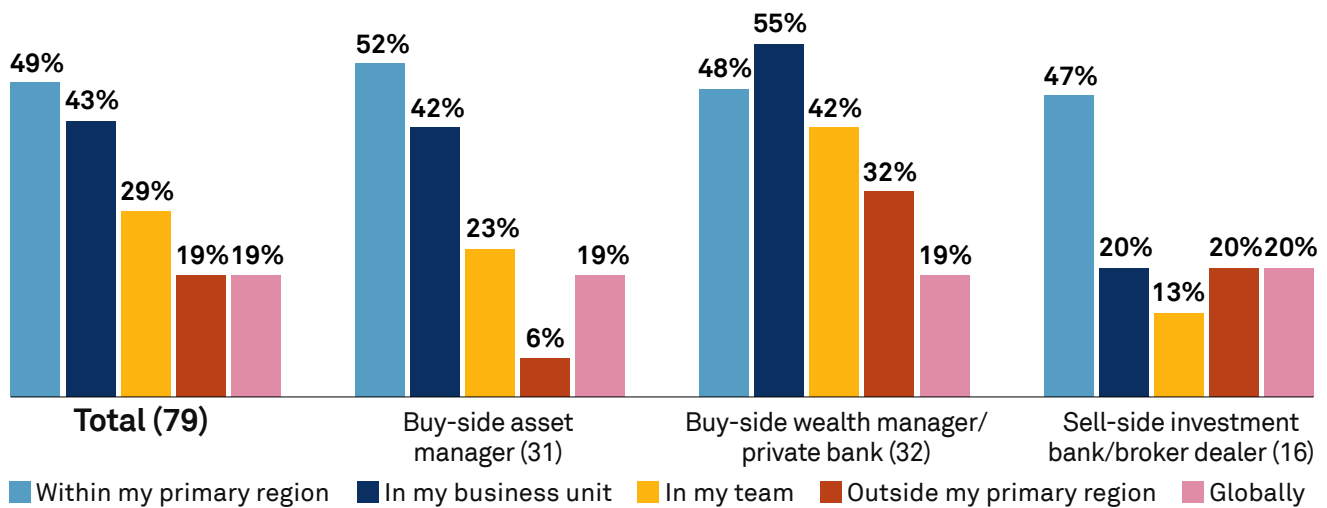
Considerations Driving a Change from Current Provider



Note: Number in parentheses represents number of respondents.
Source: Coalition Greenwich 2023 Market Data Study

Decisions concerning market data vendor selection are most often being made at a local level by both buy-side and sell-side professionals.

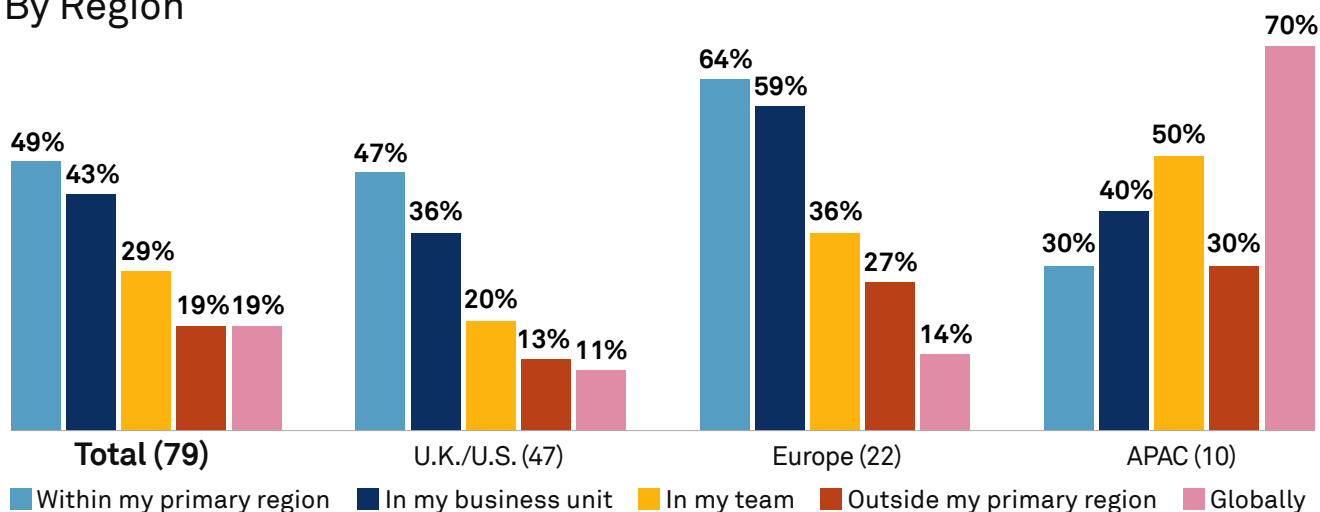
Location of Market Data Purchasing/Licensing Management By User Type



Note: Numbers in parentheses represent number of respondents.
Source: Coalition Greenwich 2023 Market Data Study

Looking across regions, however, different preferences exist. For instance, participants in the APAC region use a more global decision-making model, while European participants have a preference for more regional decision-making. Additionally, when decision-making is made more globally, our data shows that choices by buy-side participants tend to come more often from Europe than the U.S. for purchasing and licensing choices.

Location of Market Data Purchasing/Licensing Management By Region



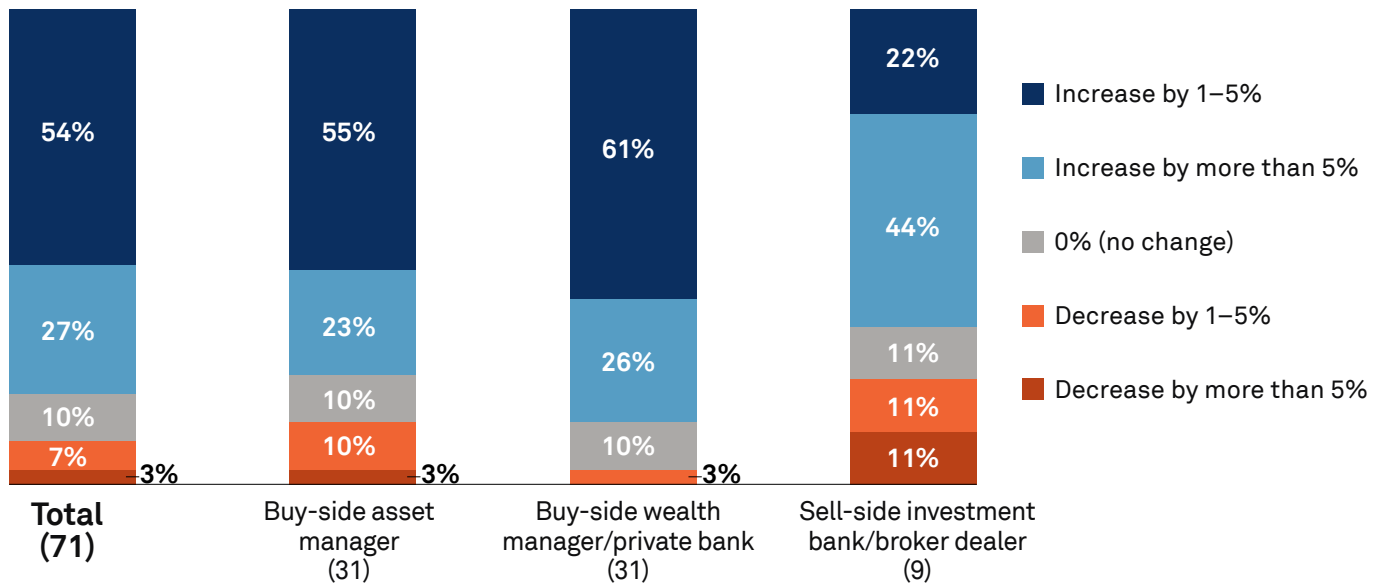
Note: Numbers in parentheses represent number of respondents.
Source: Coalition Greenwich 2023 Market Data Study

Market Data Spending Projected to Grow

The cost of market data will continue to grow. While the cost of data (licenses, technical data cost and the use of possible cost-saving avenues such as packaged services) does not top the list of key considerations for vendor choice, our results indicate spend is on the rise—particularly for higher frequency and niche data.

Among buy-side participants, 80% believe data budgets will rise over the next 12 months. Over one-quarter anticipate a rise of at least 5%, as annual increases are often an anticipated expense and get baked into contract negotiations. Likewise, costs could be even higher for sell-side firms, as additional drivers of expense include more data sources, higher frequency of data and upticks in licensing agreement costs.

Expected Change in Total Market Data Budget/Spend Next 12 Months

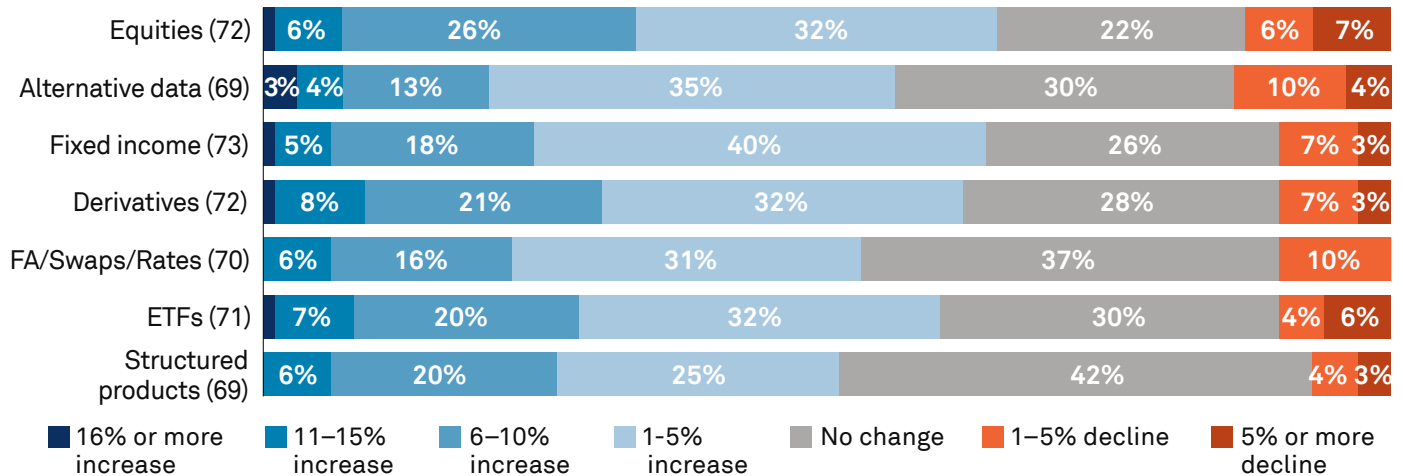


Note: Numbers in parentheses represent number of respondents. May not total 100% due to rounding.
Source: Coalition Greenwich 2023 Market Data Study

Higher data costs are eating away at budgets, particularly for equities data, where over one-quarter of participants believe budgets will expand by 6–10%. New data sets have also been a factor. Spend in other areas, including derivatives, ETF and structured products, is expected to grow by a similar amount, according to 20% of study participants.

Smaller increases keeping in line with overall budget changes of 1–5% are anticipated by the majority of participants across asset classes and products. FX and structured products expect little if any change. As FX becomes more commoditized and automated, its possible growth in data cost isn't warranted, given smaller margins connected to that business. Spend tied to structured products also appears unchanged and may be a consequence of the niche-ness of this suite of products across participants.

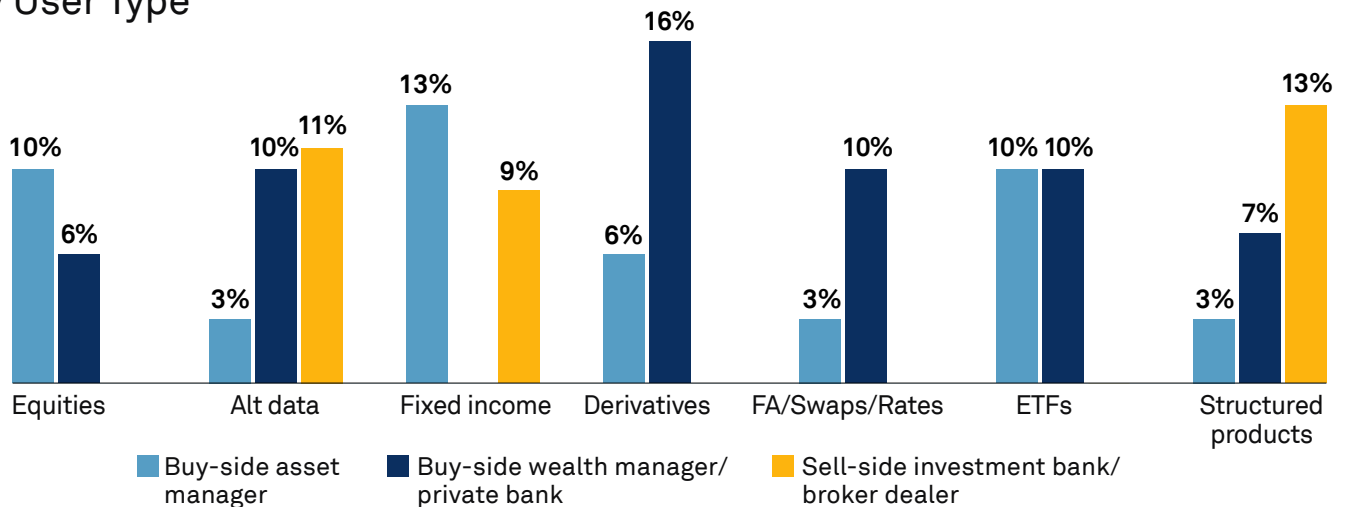
Expected Growth Range in Spending by Data Type Over Next 12 Months



Note: Numbers in parentheses represent number of respondents. May not total 100% due to rounding.
Source: Coalition Greenwich 2023 Market Data Study

Comparing segments, asset managers are investing more in equity, fixed-income and ETF data, in line with core investments. Sell-side participants continue to invest in fixed-income and gap areas like structured products data. Perhaps most uniquely, growth in spend in alternative data is happening on the buy and sell side. According to an earlier Coalition Greenwich study, two-thirds of buy-side firms that employ alternative data believe it adds at least some alpha.²

Expected Growth Range in Spending by Data Type Over Next 12 Months By User Type

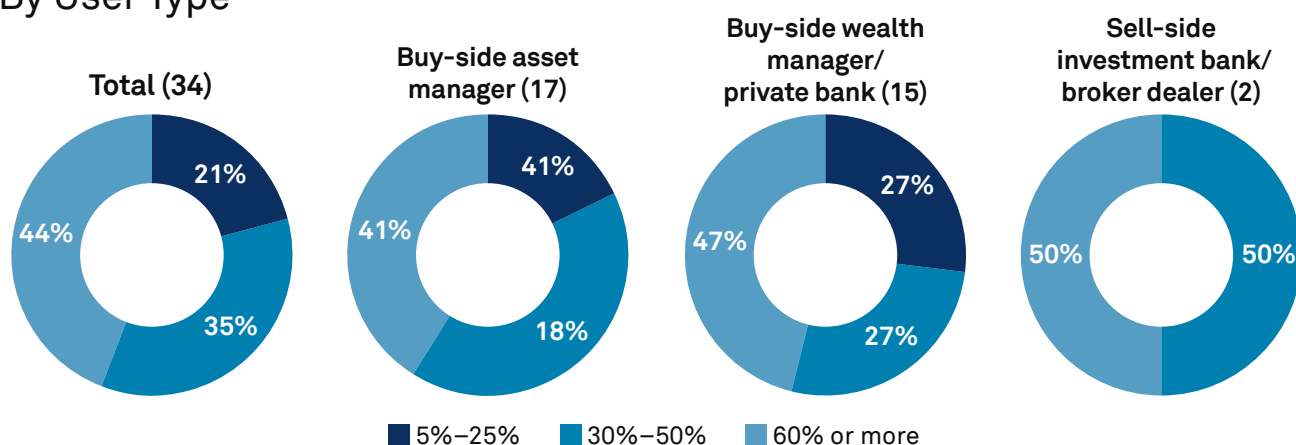


Note: Based on 79 respondents. For a detailed respondent breakout by asset class and user type, please see the Appendix.
Source: Coalition Greenwich 2023 Market Data Study

² See Coalition Greenwich [Alt Data Continues Multi-Year Growth Trend](#); March 14, 2023.

Many users of real-time market data expect this type of information to eat up large portions of their annual market data budget. On the buy side, the majority of asset managers and wealth managers/private banks combined believe 60% or more of their market data budgets is allocated to higher frequency data. Sell-side participants had a harder time nailing down percentages of spend in this area, likely because of the size of their firms and large teams of people using data.

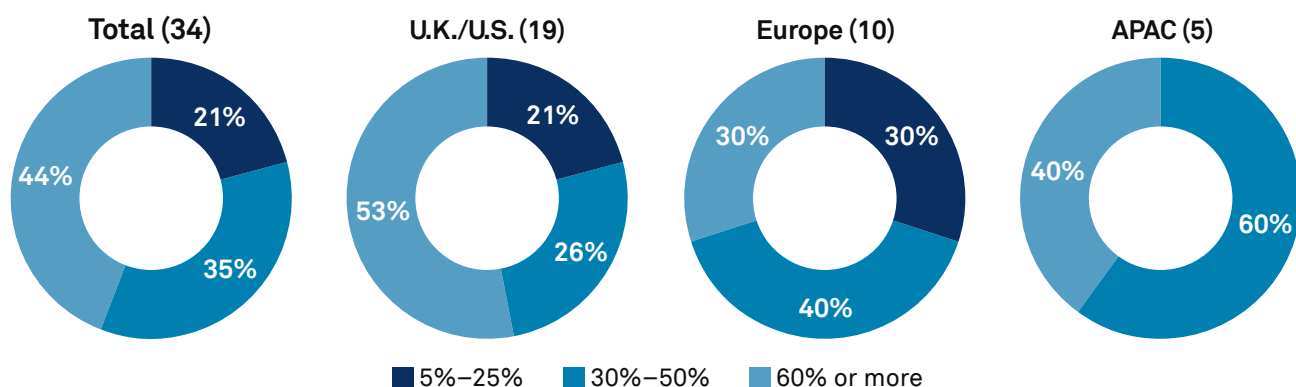
Percentage of Annual Market Data Budget/Spend Allocated to Real-Time Market Data By User Type



Note: Number in parentheses represents number of respondents. May not total 100% due to rounding.
Source: Coalition Greenwich 2023 Market Data Study

Budgets allocated to real-time data tend to be higher in the U.S./U.K. due to the prevalence of large asset managers and sell-side users in this study located in those regions that need real-time information for reacting to/providing liquidity and risk management activities. However, participants in Europe and APAC appear less sensitive to streamed data but still spend one-third to half of their budgets on real-time data, despite preferences for delayed information.

Percentage of Annual Market Data Budget/Spend Allocated to Real-Time Market Data By Region

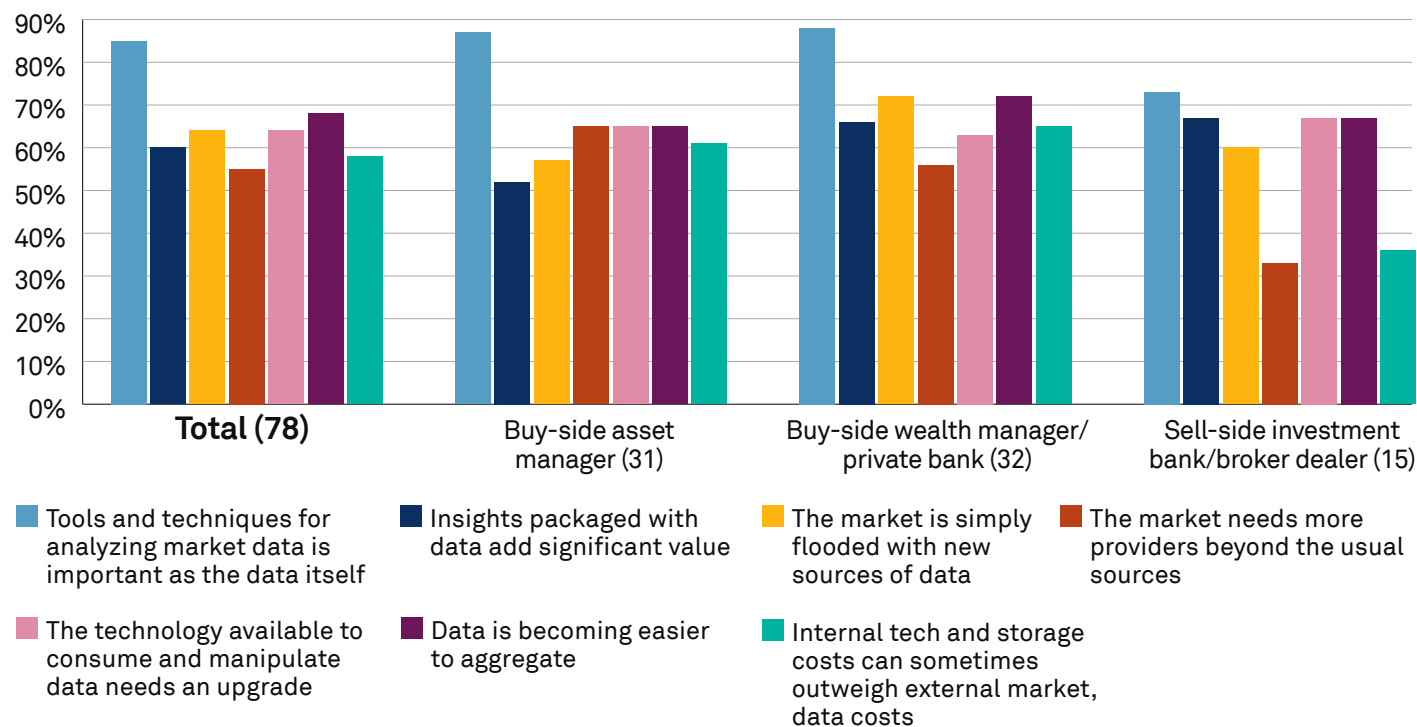


Note: Number in parentheses represents number of respondents.
Source: Coalition Greenwich 2023 Market Data Study

Future Perceptions of Market Data

Participants across all segments agree that while data aggregation is improving, tools and technology are paramount. Some of these may require upgrades as the market continues to be flooded with more data and information. Meanwhile, participants believe insights packaged with data offer significant value—an unsurprising result, given the complexity of today’s markets. For the buy side, the costs of technology and data storage can outweigh market data license fees, and there is a pressing need for more providers, particularly as the demand for high-quality data is expected to grow.

Agree/Completely Agree That the Following Statements are True

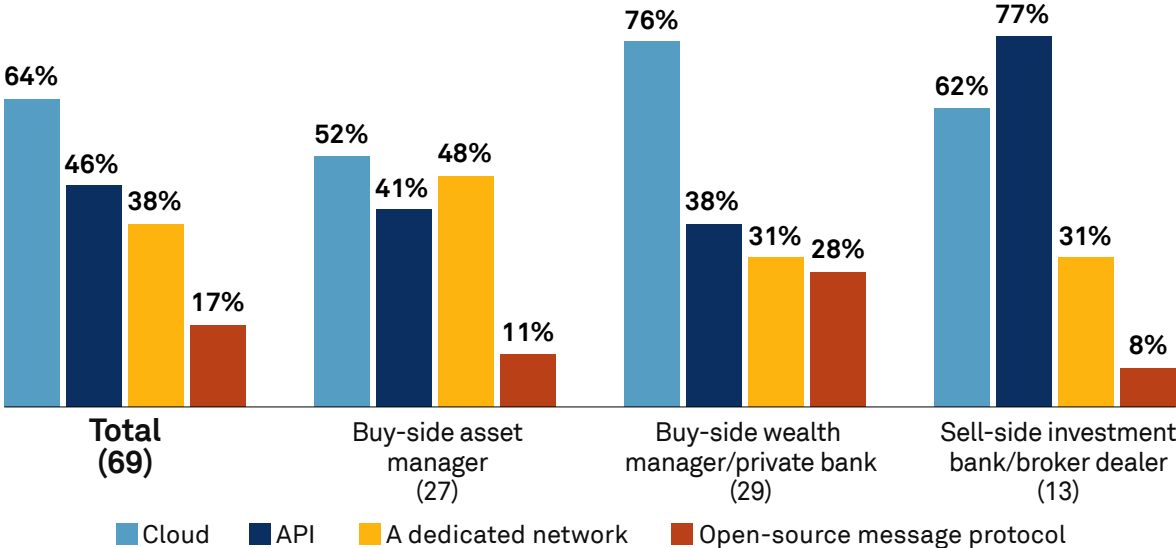


Note: Number in parentheses represents number of respondents.
Source: Coalition Greenwich 2023 Market Data Study

Going beyond today’s functionality and geographical preferences, our study finds technology will continue to shape decisions concerning buy-side and sell-side provider choice. As a result, use of the cloud and APIs is set to become more pervasive.

Looking ahead over the next three to five years, cloud stands out as the buy side’s preferred market data delivery method, with APIs following closely. Preferences tied to the cloud are often associated with lower cost distribution and the speed necessary to get new data up and running, although transition costs cannot be overlooked in the short run. Meanwhile, sell-side participants will focus more on APIs in the coming years to foster market-making practices. The sell side has been a later adopter of the cloud than the buy side and, at some point, will catch up as resources and know-how permit.

Expectation for Company’s Preferred Method of Data Delivery in Next 3–5 Years



Note: Numbers in parentheses represent number of respondents.
 Source: Coalition Greenwich 2023 Market Data Study

In summary, our study finds that adoption of the cloud and APIs will continue to grow and drive investment into technology and expertise.

Conclusions

Market data will continue to be sourced from both vendors and software providers for some time. Both buy-side and sell-side firms will look for data quality above all other attributes, and this will govern their decisions of choosing the right market data vendors. The buy side is less concerned about costs in the near term and less concerned with latency; accuracy and reliability are set to remain in focus. Sell-side firms are expected to continue to be challenged by cost constraints in the coming years but will still have strong preferences toward performance and data quality.

Looking ahead, there are multiple use-cases and a need for different data frequencies desired by market participants. Decision-making is expected to remain at the regional level for the majority of buy-side and sell-side firms (although the APAC respondents buck this trend). Spending will grow as inflation and cost increases remain a fact of life. However, market participants will be selective, as buy-side respondents most often turn to long-lived equity, fixed-income and ETF investing, while the sell-side professionals seek more niche revenue streams such as structured products. Uniquely, both groups have an interest in alternative and real-time data—areas which are expected to continue to draw substantial interest and investment.

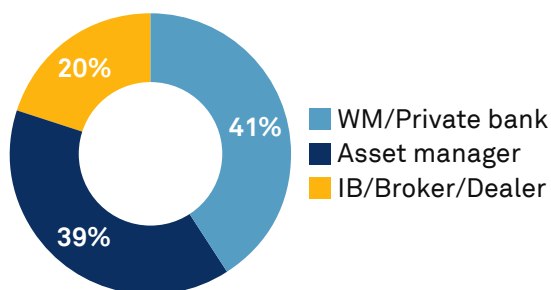
METHODOLOGY

During April and May 2023, Coalition Greenwich interviewed a total of 79 global buy-side and sell-side market participants to confirm what drives their choice of market data vendor, what types and frequency of data these firms are buying and consuming, and their views on anticipated future use cases, sources and delivery. The majority of opinions came from professionals working at either asset management firms or wealth management firms/private banks, with experts at dealers and banks making up the balance. Nearly half of asset management firms in our study reported AUM of at least \$1 billion, with about one-quarter of that group reporting AUM of at least \$5 billion. Likewise, respondents tended to work for larger wealth management firms/private banks, over half of which had AUM of \$1 billion or more.

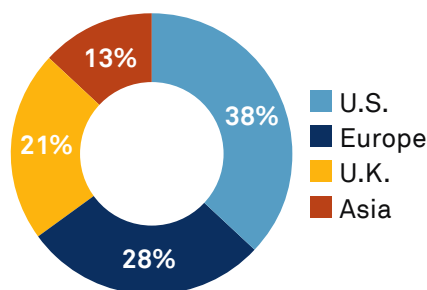
Looking across regions, the majority of participant business is conducted in the U.S., followed closely by Europe. U.K. and the APAC make up a smaller piece of the pie. While buy-side firms are distributed across all regions, nearly all sell-side respondents—which primarily consist of large global banks and dealers—conduct the majority of business in the U.S.

Respondents

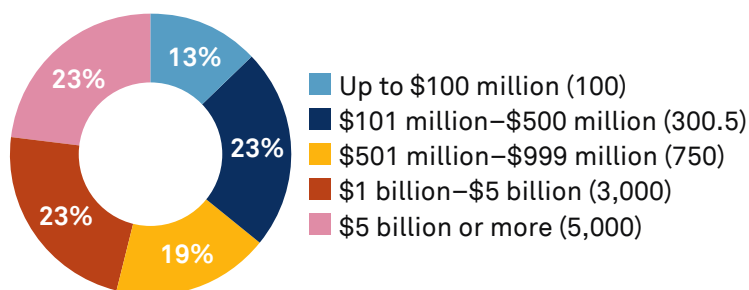
Type of Industry



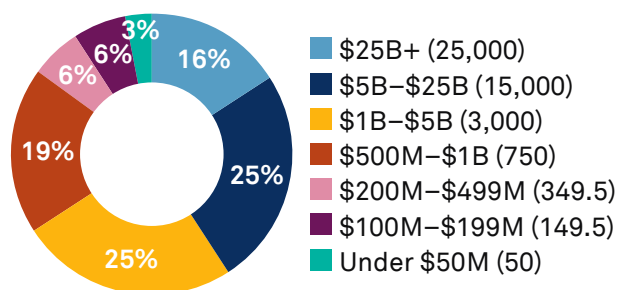
Region



Asset Management AUM



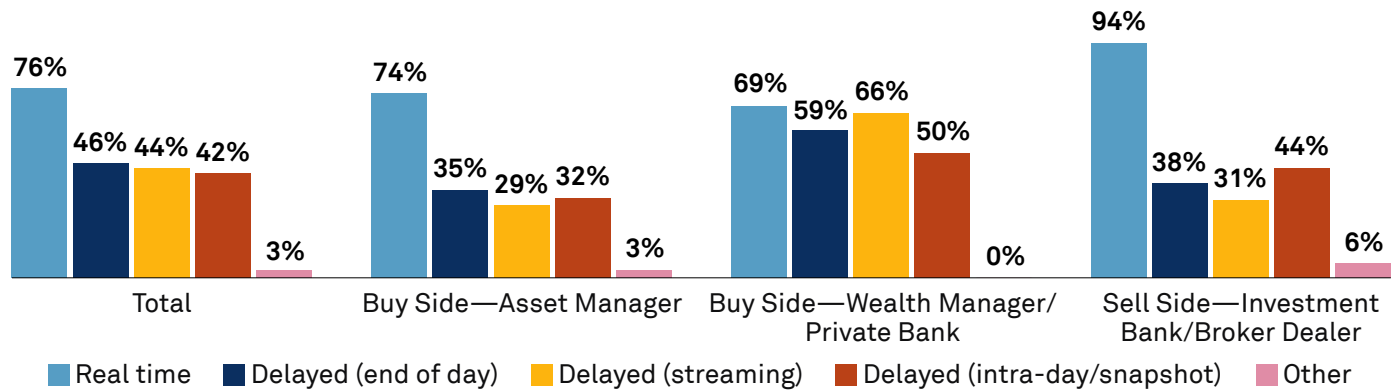
Wealth Managers AUM



Note: Based on 79 respondents. May not total 100% due to rounding.
Source: Coalition Greenwich 2023 Market Data Study

In most cases, participants hailing from buy-side firms have between one and 25 people within their area of responsibility or business function using market data. On the sell side, this figure was often much higher, with nearly one-third of participants pointing to over 100 people using market data. When it comes to the frequency of data being used, real-time data stood out from other frequencies as the preferred data type for both buy-side and sell-side study participants. As the market environment becomes more volatile and unpredictable, the value of real-time information grows and is leading capital markets professionals to increasingly rely on higher frequencies of information.

What Frequency of Market Data do you Rely on in Your Role?



Note: Based on 79 respondents. May not total 100% due to rounding.
Source: Coalition Greenwich 2023 Market Data Study

Appendix

Respondent Breakouts for Graphic: "Expected Growth Range in Spending by Data Type Over Next 12 Months"

		TOTAL	Buy Side– Asset Manager	Buy Side– Wealth Manager	Sell Side– Investment Bank/ Broker Dealer
ASSET CLASS	BASE: Equities data	72 5 7%	31 3 10%	31 2 6%	10 0 0%
	BASE: Alternative data	69 5 7%	30 1 3%	30 3 10%	9 1 11%
	BASE: Fixed-income data	73 5 7%	31 4 13%	31 0 0%	11 1 9%
	BASE: Derivatives data (i.e., options, futures, warrants)	72 7 10%	31 2 6%	31 5 16%	10 0 0%
	BASE: FX/Swaps/Rates data	70 4 6%	31 1 3%	30 3 10%	9 0 0%
	BASE: Exchange-traded funds data	71 6 8%	31 3 10%	29 3 10%	11 0 0%
	BASE: Structured products data	69 4 6%	31 1 3%	30 2 7%	8 1 13%

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