

Based on the SWOT Model, Analyze and Compare the Top Three Companies in the Asset Management Industry

Xinze Li

Department of Economics and
Management, Beijing University
of Chemical Technology, Beijing,
100010, China
2024060345@buct.edu.cn

Abstract:

The development of financial companies has always been one of the key research objects in the field of global economic development. Asset management companies, as an emerging and increasingly important component of the financial industry, are gradually replacing the dominant position of traditional investment banks in some fields. However, at present, the academic community still lacks systematic and comparative research on the asset management industry, especially the three major asset management giants represented by BlackRock, Vanguard Group, and State Street Global. Therefore, this paper collects the relevant information of these three companies and uses the Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis method to conduct a horizontal and vertical comparative analysis of the top three companies in the asset management industry. This study finds that there are differences among the three major asset management giants, BlackRock, Vanguard, and State Street. At the same time, similarities among these three companies were also discovered. Their future development opportunities are roughly the same. They all benefit from the strengthening trend of passive investment to conduct business, all need to focus on the development of fintech in the future, attach importance to innovation, and all need to focus on the development of sustainable investment to explore new business growth points.

Keywords: SWOT model, BlackRock, Vanguard, State Street

1 Introduction

The development of the financial economy is an important part of the world's development, and the

development of financial companies is an important engine and pillar of the financial economy's development. The public's impression of the financial industry, especially that of Wall Street, still lingers

on established investment banks like Goldman Sachs and Morgan Stanley. As leaders in the Global asset management industry, the three companies, BlackRock, Vanguard, and State Street Global Advisors, not only manage assets worth tens of trillions of dollars, but also play a crucial role in the global financial market. Three financial institutions now hold 25% of the stock in the largest U.S. public companies. The figure may soon be closer to 40%. Vanguard, BlackRock, and State Street Global Advisors (SSGA) — the so-called Big Three — dominate the market for the low-cost, highly diversified investment vehicles known as index funds. As more investors put their savings into these vehicles, these institutions have accumulated an unprecedented level of economic power. Policymakers and scholars have been working urgently to understand the social impact of this consolidation of ownership and what to do about it — up to and including breaking up the industry [1-4]. However, at present, there is a gap in the research on the three giants of asset management, such as the similarities and differences among them.

This article analyzes and compares the three major asset management companies based on information collection and processing. This study will use the Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis model to analyze the strengths, weaknesses, opportunities, and threats of the three major asset management companies, and conduct a horizontal comparison analysis.

2 BlackRock

Blackrock is one of the world's largest asset management groups, dedicated to helping more investors achieve financial happiness. As a global enterprise, BlackRock combines its global scale advantages with its locally rooted investment service capabilities to drive the steady development of its business in major global markets. As of the end of the first quarter of 2025, the company had over 23,000 employees, distributed across offices in more than 40 countries and regions, thereby providing services to customers in over 100 countries and regions. It is not only entrusted to the government and enterprises, but also provides extensive services to institutional investors such as pension funds, sovereign wealth funds, insurance companies, banks, non-profit organizations, as well as individual investors [5].

2.1 Advantages

BlackRock holds a relatively absolute leading position in the market. As of the end of the second quarter of 2025, BlackRock managed total assets of 12.5 trillion US dollars globally, ranking first in the world, with a huge brand influence [5]. It can offer a wide range of investment products, including stock strategies, fixed income, multi-asset classes, money market funds, and alternative investments,

covering stocks, fixed income investments, multi-assets, cash management, alternative investments, digital assets, etc [5]. At the same time, it can provide investors with diversified investment portfolios and services.

The company possesses strong risk management capabilities and credit ratings. One of its core competencies is its independently developed Aladdin system, which can manage assets worth 21.6 trillion US dollars and serve over 25,000 investment professionals from 5,000 institutions worldwide. It can effectively conduct risk assessment and management. The company has a wide distribution worldwide, with offices in 36 countries, providing services to customers in 60 countries/regions, and maintaining its main business in North America, Europe, the Asia-Pacific region and the Middle East.

With the rise of passive investment in the United States, index funds and ETFs have entered a golden period of development. BlackRock has taken advantage of the passive investment trend to intensively lay out passive investments. From 2009 to 2019, the scale of its iShares ETF rose from 0.50 to 2.2 trillion US dollars, with an average annual growth rate of 16.3%, driving the overall AUM from 3.3 trillion to 7.4 trillion US dollars, with an average annual growth rate of 8.3%. The proportion of index funds in the long-term assets under management increased from 62% to 72%. At the end of 2019, 368 iShares ETF products were listed in the US, covering all asset classes, with a market share of nearly 40%, firmly holding the top position [6].

2.2 Disadvantages

As a major global financial institution, it is significantly subject to the regulatory constraints of numerous laws at both the US and international levels, and is confronted with regulatory investigations and potential litigation risks. In addition, the company's revenue model is highly dependent on market conditions and investment performance. Investment management expenses accounted for 67.3% of total revenue (as of the fourth quarter of 2023). When the market fluctuates or investment performance is poor, it may face the risk of asset outflow and revenue decline.

There may be potential conflicts of interest between investment management and consulting services. Facing strict regulatory scrutiny of investment advice, complex organizational structures may also affect decision-making efficiency and internal coordination. Approximately 80% of the asset management scale comes from institutional clients. If these large clients change their investment strategies or switch to competitors, it will have a significant impact on the company's business.

2.3 Opportunities

With the growth of emerging market economies and

the continuous accumulation of wealth, there is a huge demand for investment, especially in emerging markets in Europe, the Middle East, and Africa. Blackrock can leverage its global layout advantages to intensify business expansion in emerging markets and explore new growth Spaces. The trend of sustainable and ESG investment is on the rise. As of 2023, BlackRock manages \$1.2 trillion in sustainable investment products, accounting for 13% of its total asset management scale. It can continue to follow this trend, develop more related products, and attract more ESG-focused investors. Through mergers and acquisitions of relevant fintech companies or other asset management institutions, business areas can be expanded, technological capabilities can be enhanced, or specific market shares can be obtained, such as the acquisition of Kreos Capital.

2.4 Threats

The asset management industry is highly competitive, and the gap between its asset management scale and that of BlackRock is getting smaller and smaller. Meanwhile, traditional asset management companies, emerging fintech companies, and others are also striving to compete for market share. Furthermore, the global economic uncertainty has increased. Factors such as geopolitical conflicts and trade frictions have intensified the volatility of financial markets, affecting investment decisions and asset values, and increasing investment risks and management difficulties. With the rapid development of fintech, if BlackRock fails to keep up with the pace of technological changes on time, it may fall behind its competitors in investment strategies, customer service, and other aspects, and face the risk of being eliminated from the market.

3 Vanguard Group

The Vanguard Group was founded by John Bogle in 1974. In a short period of time, the company has occupied a prominent position in the fund industry and is the second-largest fund management company in the world. Meanwhile, Vanguard is the world's largest fee-free fund family, managing over 370 billion US dollars in assets worldwide and serving more than 10 million investors.

3.1 Advantages

The Vanguard Group has a huge global asset management scale, approximately reaching 8 to 9 trillion US dollars. The powerful capital scale enables it to have a high influence and say in the market. As the pioneer of index funds, it has profound technical accumulation and rich management experience. Vanguard Group established the world's first index fund, the First Index Investment Trust, in 1975 and renamed it the Vanguard 500 Index Fund in 1981. Today, the asset scale of index funds accounts for three-quarters of Vanguard's total asset management scale.

This includes overseas equity index funds, growth and value index funds, balanced index funds, Windsor funds, bond funds, etc. It is precisely these successful cases that have established Vanguard Group's leading position in the industry [7].

Vanguard Group is a fund company jointly owned by investors. This equity structure highly aligns the interests of the company and investors, enabling the company to better focus on serving investors, reducing the pursuit of profits by third-party shareholders, and helping to lower the operating costs of the fund, providing investors with more cost-effective investment products.

The company adheres to the principle of low fees. The average operating fee rate of its stock funds is approximately 0.27%, which is much lower than that of similar companies. The weighted average fee rate of its indices and ETFs is only 0.06%, providing investors with more cost-effective investment options and attracting those who are sensitive to fees [7].

3.2 Disadvantages

Pioneer Leading Group mainly focuses on fund management business. Its income sources are relatively dependent on the scale of asset management and management fees. In terms of diversified financial services, it may not be as diversified as some comprehensive financial institutions. When facing market changes or industry competition, its risk resistance capacity may be somewhat limited.

Some of the company's business operations have performed poorly. For instance, in the Chinese market, the "Help You Invest" business in collaboration with Ant Financial has failed to fully leverage its advantages of low fees and index funds. The fees are almost the same as those of other investment advisors, and the product line has not highlighted the characteristics of index funds for various reasons. The company's international business expansion faces challenges. Although the business is spread all over the world, in some emerging markets, there may be problems such as insufficient understanding of the local market environment, policies and regulations, and investor preferences, which lead to difficulties in business expansion. For instance, in 2023, it announced its withdrawal from the Chinese market and closed its offices in China.

3.3 Opportunities

With the global economic development and the accumulation of residents' wealth, the market demand for wealth management is constantly expanding. The trend of passive investment is becoming increasingly obvious worldwide. Investors' recognition of passive investment products such as index funds and ETFs is constantly improving. As a leader in the passive investment field, Pioneer Leading Group is expected to benefit from this trend and continue

to expand related businesses.

The company can leverage financial technology to further enhance the efficiency of investment management, the quality of customer service, and operational levels. For instance, it can provide more personalized and convenient investment services to investors through technologies such as intelligent investment advice, attracting the younger generation of investors. The global attention to sustainable investment is constantly rising. Vanguard Group can increase its presence in the field of sustainable investment, launch related investment products and services, meet investors' demands for environmental, social, and governance (ESG) investment, and explore new business growth points.

3.4 Threats

The fund management industry is highly competitive, facing competition from major asset management companies, banks, securities firms, and other institutions around the world. BlackRock, ranked first, and State Street, ranked third, are both striving to compete for market share. The financial market fluctuates frequently. The significant fluctuations in the prices of assets such as stocks and bonds may affect the performance of the funds managed by Vanguard Group, thereby undermining investor confidence and capital inflows, and hurting the company's asset management scale and income. Global financial regulatory policies are constantly changing, such as fund regulatory requirements and tax policies, which may increase the compliance costs of companies or impose restrictions on their business models, product designs, etc. It is necessary to continuously adapt to new regulatory requirements to avoid compliance risks. The rapid development of fintech has brought new opportunities, but it also means that if companies fail to keep up with the pace of technological development promptly, they may fall behind their competitors in customer service, investment management, and other aspects, and face the risk of being eliminated from the market.

4 State Street Corporation

State Street Corporation, the parent company of State Street Corp in the United States, is currently headquartered in Boston, Massachusetts, USA. It is a globally leading financial asset service provider and bank holding company. The State Street Bank & Trust Company has a history that can be traced back to 1792 and is the second-oldest existing bank in the United States [8].

4.1 Advantages

As a leading global financial institution, State Street manages over 40 trillion US dollars in assets, with 11.5% of the world's financial assets flowing through it every day.

Its strong capital scale gives it a high level of influence and say in the market.

The company has a long history and rich experience. It is the second oldest bank in the United States, with over two centuries of industry experience. It has accumulated rich experience in investment services, markets, and financing, as well as investment management, and is capable of providing customers with professional and comprehensive financial services. The company has a wide global presence, with business covering 28 countries and 100 markets. Its extensive global network enables it to reach customers and markets in different regions, seize more business opportunities, and also helps to diversify risks.

State Street has been actively innovating in fintech. For instance, it has launched the State Street Alpha platform, revolutionizing the investment process from the front end to the back end to help clients make investment decisions more efficiently. It has also launched the world's first ETF and holds a leading position in the field of financial innovation. State Street Bank of the United States has successfully transformed from a retail bank to a global custodian banking giant by continuously increasing its investment in technology. In 2018, it surpassed BNY Mellon to become the world's top custodian bank [9]. Today, State Street Bank's annual investment in technology systems accounts for more than 10% of its total annual revenue, reaching 1.324 billion US dollars in 2018 [10].

4.2 Disadvantages

The company's reputation has been damaged, and it has experienced many negative incidents in the past. For instance, in 2015, it was disclosed that it had been issuing incorrect out-of-pocket expense invoices to customers for nearly two decades. In 2016, due to improper lobbying, executive fraud against clients, and other issues, the company paid over 1.2 billion US dollars in compensation and fines, which seriously damaged its brand reputation and affected customer trust.

The company's business structure is relatively simple, with its main operations concentrated in areas such as investment services and asset management. Although this is its strength, it also makes the company highly dependent on these businesses. When the financial market environment changes or industry competition intensifies, the risks it faces are relatively large. Due to strict regulations in the financial industry and State Street's previous violations, it needs to invest more resources in compliance management to meet regulatory requirements, which has increased the company's operating costs.

4.3 Opportunities

The rapid development of fintech has brought new opportunities to financial institutions. State Street can further increase its investment in the fintech field, utilize techno-

logical means to enhance service efficiency and quality, develop more innovative financial products and services, and meet the increasingly diverse needs of customers.

With the development of the global economy and the increase in investors' wealth, the demand for global asset allocation from institutional and individual investors is constantly rising, and the trend of global sustainable investment is becoming increasingly evident. Investors' attention to environmental, social, and governance (ESG) related investment products is also continuously increasing. State Street can leverage its professional advantages to launch more ESG-related investment products and services, attracting more investors who are concerned about sustainable development. Some emerging market countries have witnessed rapid economic growth, continuous development of their financial markets, and an increasing demand for financial services. State Street can leverage its rich experience and global resources to further expand its business in emerging markets and tap into market potential.

4.4 Threats

The financial services industry is highly competitive, and State Street is facing competition from major asset management companies, banks, securities firms and other institutions around the world. Blackrock, ranked first, and Pioneer, ranked second, are both striving to compete for market share. The financial market is influenced by various factors such as the macroeconomic situation, policy changes, and geopolitics, and fluctuates frequently. Market fluctuations may lead to a decline in the value of assets managed by State Street, affecting its investment performance and client returns, and thereby impacting the company's reputation and capital inflows. Global financial regulatory policies are constantly tightening and changing, such as higher capital adequacy ratio requirements and stricter information disclosure requirements. State Street needs to constantly adapt to the new regulatory policies, which may increase the company's compliance difficulty and operating costs, and may also impose certain restrictions on its business development. State Street has made certain innovations in fintech, but technology is advancing rapidly. If it fails to keep up with the pace of technological development promptly, it may be surpassed by some emerging fintech companies or competitors, facing the risk of technological substitution.

5 Conclusion

This study found that there are differences among the three major asset management giants, BlackRock, Vanguard, and State Street. BlackRock has the largest asset management scale and is currently the top player in the asset management industry. Pioneer is renowned for its

low expense ratio and has a rather unique equity structure, with its asset management scale approaching that of BlackRock. Although State Street's asset management scale is not as large as the previous two companies, it is renowned for its long history and rich experience, and it has a very strong scale and financial strength. This study also identified similarities among these three companies. Their future development opportunities are roughly the same. They all benefit from the strengthening trend of passive investment to conduct business, all need to focus on the development of fintech in the future, attach importance to innovation, and all need to prioritize development in the field of sustainable investment to explore new business growth points. Finally, all three companies are industry leaders. From their commonalities, the entire asset management industry can be reflected. This study finds that the asset management industry will benefit from the strengthening trend of passive investment in its future development, focusing on the development of financial technology and innovation, and paying particular attention to the field of sustainable investment.

References

1. Bebhuk, L. A., & Hirst, S. The power of the Big Three and why it matters. *BUL Rev*, 2022. Last accessed October 25, 2023 (via lucianbebhuk.com)
2. Firms' socially responsible activities: the role of the Big Three. *Journal of Economic & Financial Ethics*, vol. 47, pp. 859–883 (2023).
3. Dey, D. Big Three institutional ownership and ethnic diversity in U.S. boards. Master's thesis, Erasmus University (October 18, 2023).
4. Index Fund Enforcement, 53 UC Davis L. Rev. 1453 (2019-2020).
5. BlackRock China. BlackRock China website. Last accessed October 25, 2023 https://www.blackrock.com/cn?utm_source=chatgpt.com
6. Clements, R. Exchange-traded confusion: How industry practices undermine product comparisons in exchange traded funds. *Va. L. & Bus. Rev.*, 15, 125 (2020)
7. Geisst, C. R. *Wall Street: a history*. Oxford University Press (2018)
8. Jin, Y. "REITs market structure and rational investment." Sina Finance website. Last accessed October 25, (2023)
9. Hithink RoyalFlush / iFinD (via Tonghuashun Finance). Tonghuashun Finance website. Last accessed October 25, 2023 https://zh.wikipedia.org/wiki/%E5%90%8C%E8%8A%B1%E9%A1%BA_%28%E8%BD%AF%E4%BB%B6%29?utm_source=chatgpt.com
10. State Street Corporation. 2018 Annual Report to Shareholders (2018)