



## Connecting the pieces: Insight-led distribution meets the challenges of asset management

### Aligning the past and present

For decades, executives have tirelessly crutched their messaging of earnings on the adage “our industry is going through a time of incredible change.” At this point, the phrase has lost nearly all of its impact. However, it is unquestionable that periods of change follow stretches of stability, and the retail asset management industry is in the midst of just such a period.

After years of bull markets, stable and successful investors, comfortable advisor relationships, and relatively quiescent regulators, retail asset managers find their products, profits, and distribution models seriously challenged.

Here are the basic facts of today’s markets:

- More than 8,000 active and passive funds are available to retail investors in the US
- Net-new inflows in the US accounted for less than 1% of AUM in 2015<sup>1</sup>
- Inflows have almost entirely gravitated to low-fee products, leading to fee compression
- The US Department of Labor and the digital revolution are upending established sales practices
- Highest-value investors are set to begin liquidating assets to pay for retirement
- Markets continue to face significant volatility and interest-rate risk

In this environment, what can asset managers proactively do? Think creatively and act decisively. What benefits will this have? Preservation of growth and market share. While strategic responses have ranged from product innovation to acquisition, improving distribution excellence is key for asset managers.

Distribution excellence is the core focus of this paper. This can take shape in many ways, including:

- Prospect segmentation and prioritization
- Product strategy, development, and pricing
- Channel strategy

<sup>1</sup> Pensions & Investments, 2015

### Case study – defining common goals for a common cause:

An asset manager faced an age-old problem: lack of clear return on distribution investment fed by limited coordination between marketing and sales teams. The firm processes data from clients and third-party sources to gain insights about financial advisors and branch books of business, but rather than leaving those insights on the desks of their wholesalers, this firm is making them central to conversations across distribution, investment, and leadership functions to calibrate common goals to diverse contexts.

What changed? Finance and the field management used client flow data to understand sales, leveraged customer relationship data to understand and model out the pipeline, and produced corresponding reports and forecasts in a timely and accurate manner.

In parallel, marketing used the same insight to understand which clients are the most likely to be profitable targets for product campaigns. They also monitored campaign responses and helped wholesalers drive measurable success with their targeting efforts.

The results? Decisions about strategic direction, product promotional strategy, and resourcing are made through impactful and credible insights that can foster a common sense of accountability. A shared vision across functions began with a shared understanding of market opportunities, leading to true client insight. **Constructing that shared vision and understanding requires a shared set of foundational data and insights.**

- Client experience visioning (e.g., digital engagement design)
- Client engagement execution (e.g., CRM)

A foundational component to excelling in each of these arenas is adherence to an **Insight-Led Distribution** approach. There is a tremendous volume of data available while competing for share of mind and wallet with advisors, and those who turn data to insight and insight to action will be rewarded.

Put simply, insight-led distribution is the practice of defining and executing distribution strategies according to deep, data-driven knowledge of clients' potential value and behavior. It brings together disparate data sources, sorts signal from noise, defines target segments and value propositions, and embeds that value in sales practices and enabling tools.

If this sounds familiar, that's because it is. As we will see in the next section, most asset managers invest in data. Few succeed in turning data into insight, and fewer in turning insight into value. Formulating a

complete picture of a client and then acting on it effectively remains challenging for most asset managers, but it is a challenge well-worth the investment.

### Transforming information to insight

Asset managers have long been stewards of client information and have recently started to turn that information into insight, using a number of customer record-keeping tools and digital engagement platforms.

The "insight arms race" is already well under way, with asset managers spending hundreds of thousands of dollars on annual third-party and wirehouse financial advisor (FA) data subscriptions. Firms are also working to centralize and standardize data sources to support rich analytics across internal trade and asset data, broader market intelligence, and activity on digital properties. Asset managers hope these investments will overcome old obstacles: countless sources that drown distribution teams in a sea of meaningless data.

Despite all this investment, the potential for this data to improve the efficiency of sales is still largely untapped, even by industry leaders. Retail asset management is a long way from the sophistication of online retailers that present relevant items to each individual shopper. Insight is an indispensable strategic anchor and drives meaningful innovation; asset managers need to capitalize on it to make their investments in data worthwhile.

To realize return on data investments, asset managers should focus on three key themes of distribution excellence:

**Supercharging processes** to drive near-term productivity for their sales and marketing teams.

**Enhancing collaboration** to overcome long-standing barriers between sales, marketing, and investments teams.

**Enabling innovation** to tap into new markets, sell through new channels, and define new offerings.

### Build your foundation – taking action with key insights

Client insight plays a foundational role in achieving success in all three of these themes. Below we will explore the shape each theme can take and provide an example of how we are seeing asset managers use insight-led distribution to strategize, innovate, and compete.

**Supercharging processes** – building insight into existing practices and helping distribution teams to improve targeting and enable relationship building through:

- Analysis-driven insights on current holdings, trade activity, and engagement history.
- Detailed information on client preferences and promotional responsiveness, with centralized access and contributions from marketing, sales, and product functions.
- Automated client marketing that dynamically acts on insights and orchestrates multi-channel client outreach.

**Enhancing collaboration** – use client insight to define strategies and metrics that support a well-choreographed, energetic team across sales, marketing, and investments, founded on:

- Common client insights to drive client-segment focus.
- Precise and consistent distribution choreography to facilitate market-responsive sales.
- Shared accountability for well-connected and measurable outcomes.

**Enabling innovation** – to tap into adjacent markets or drive share of current markets by:

- Evaluation of marketplace saturation, as well as market-driven changes in investor preferences.
- Increased market focus to include underserved or underpenetrated customer segments.
- Delivery of products through new channels that better align to the evolving customer needs and preferences.

### Merging strategy with behavior

Commitment is the core of success. Refocusing wholesalers on their largest opportunities seems obvious, but has eluded asset managers for years. Getting teams to break old habits can be as challenging as defying gravity, and compelling figures presented on a mobile phone are not all that asset managers need for success. Want distribution success? Commit to change and take action on client insight.

In our experience, our clients succeed in driving results with their distribution teams when they adhere to four principles:

#### Begin with an inclusive vision –

Marketers, wholesalers, investment teams, and others must be engaged in articulating the vision for client engagement and its supporting values and behaviors.

#### Build on in-depth understanding –

Embedding change in sales and marketing processes and tools infuses insight into activities and shapes client engagement.

### Case study – moving from vision to reality on client targeting:

Like many firms, an asset manager used large sets of wirehouse advisor and RIA flow data to gain transparency into who the best targets would be for general engagement and upcoming product launches. The firm faced flat growth and limited ability to expand beyond its “core” fund categories into major investment styles. It recognized the need to bridge flow data to other data streams to generate real insight about its clients and respond quickly to client needs.

What changed? The firm started to track marketing campaign response data and website interaction data, allowing the sales and marketing teams to be responsive to clients’ interests captured through digital channels. This information was paired with historical data on clients’ responsiveness to sales outreach to guide wholesalers to focus their efforts where they would yield the greatest incremental flow.

By using new data sets, married to already-established customer relationship data and market-trend analysis, the firm helped wholesalers understand which advisors to target based on flows and holdings, as well as relationships and rapport. Additionally, wholesalers could drill deeply into advisor holdings, flows, and web interactions to understand likely targets for the upcoming product launch.

What were the results? By using insight to supercharge established processes, the firm recalibrated its targeting and engagement practices: they were able to turn mass-marketed email and guesswork advisor prioritization into insight-driven engagement that pairs the right advisor with the right product at the right time. **The client experienced a double-digit increase in net flows for its retail business and was far better-equipped to build its presence and share in advisors’ books going forward.**

# Executing these principles requires significant investment of time, energy, and resources.

## Continually engage with insight-

Managers must use the insight at their disposal to reinforce the desired strategy and continually drive accountability within their teams.

## Align incentives to behaviors and culture-

Link accountability with key performance indicators (KPIs) that demonstrate desired behaviors and desired outcomes.

Executing these principles requires significant investment of time, energy, and resources. However, these investments pale in comparison to the costs of client insight, distribution enablement, distribution talent, and promotional spend. In a time of intense challenges and opportunities, make these investments in distribution excellence count. This is critical to asset managers and their shareholders who intend to grow. Existing insights provide a terrific starting point for asset managers, turning data into actionable strategies to build true insight-led distribution.

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## Case study – capturing value from a regulatory sea change:

Recognizing the challenges posed by the US Department of Labor Fiduciary Rule, an asset manager transformed its partner engagement strategy to hinge on two principles. The first, insight into partner needs and the second, its own strength and reputation as a manager that embraces fiduciary duties.

What changed? The firm came together across its functions spanning distribution, investments, legal, and executive leadership to understand how each one could help its wealth management partners articulate and act on their clients' best interest. This took diverse forms, ranging from home office executive engagement to in-branch coaching with advisors.

Insight into client needs and client financials is at the heart of the definition and execution of this strategy – the client relied on a nuanced view of partners, ranging from enterprise-level commission models to the holdings by platform at the advisor level.

The result? This diverse analysis is supporting a robust innovation conversation. The firm is exploring alternatives ranging from scaling the distribution team to packaging and automating brand-new investment enablement capabilities.

**Making intelligent decisions across such a large range of potential investments requires solid facts, committed collaboration, and a deep understanding of client needs that can serve as the bedrock of innovation.**

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