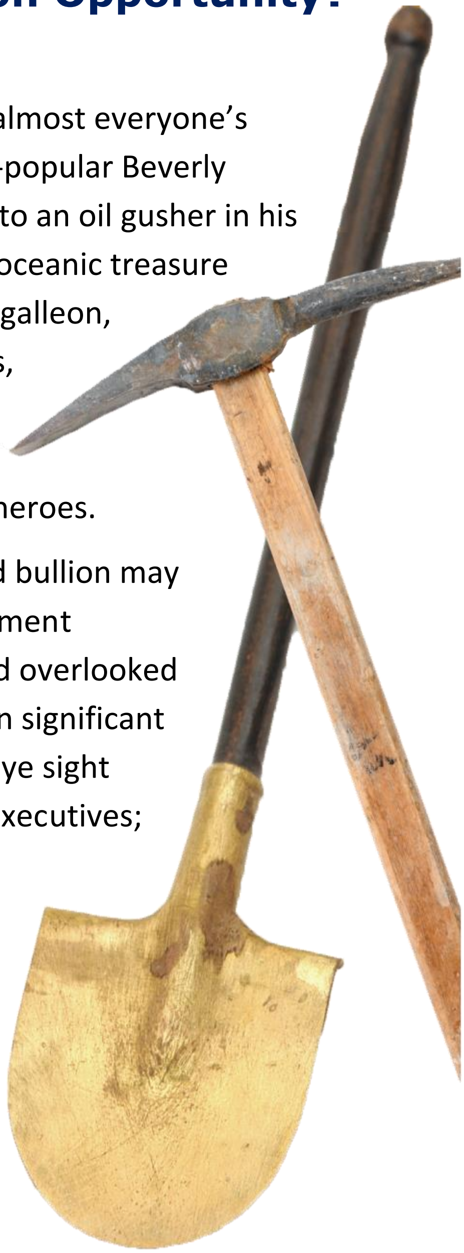
COULD THERE BE A GOLD MINE RIGHT IN YOUR OWN BACKYARD?

… Rich Veins of Untapped or Overlooked Distribution Opportunity?



Striking it rich. The motherload. Hitting paydirt.

Tales of extraordinary good fortune seem to capture almost everyone's imagination. Jed Clampett, the patriarch of the wildly-popular Beverly Hillbillies sitcom of the 60's, who accidently tapped into an oil gusher in his Appalachian back forty. Mel Fisher, the indefatigable oceanic treasure hunter who recovered the 1622 wreck of the Spanish galleon, Nuestra Senora, and with it, $450 million of gold coins, emeralds and 1,000 silver nuggets. Ordinary folks; transformed by either a stroke of incredible luck, or by their own tenacity, into fabulously rich folklore heroes.

Gushing geysers of crude oil and caches of buried gold bullion may be unlikely jackpots in the lives of most asset management distribution executives, but rich veins of untapped and overlooked distribution opportunities, many which offer their own significant financial rewards, are frequently lurking right within eye sight and arms' reach of mutual fund sales and marketing executives; just waiting to be unearthed and exploited.

Could there be rich veins of untapped or overlooked distribution opportunities lurking right in your own backyard?

March 31, 2013

8 Rich "Nuggets" That Could/Should Inform and Enrich Your Sales and Marketing Strategies

1. **Business Concentration & Business Dispersion: Working for You or Against You?**

   A well-established mutual fund company, with $10 billion+ under management, was startled to learn that its burgeoning fixed income business, represented in the main by two small, but top performing corporate bond portfolios, was extremely concentrated among fewer than two dozen Registered Investment Advisor firms. Obscured by the firm's unbridled enthusiasm during the prior three quarters of significant flows into its new fixed income portfolios, the heavy concentration of almost 25% of one of the fund's total assets and 31% of the second fund's total assets in so few intermediary hands was only unearthed during an ad hoc and high level analysis of intermediary daily transaction activity and summary asset data. This "knowledge nugget" immediately gained the attention of senior management at the firm. As well it should have.

   It wasn't long after the troubling concentration of bond fund holdings became apparent, that initial concern translated into crisis. As is so often the case, several "top advisors" of this firm reassessed their asset allocation models, and tens of millions of dollars of shares were redeemed, just as quickly as the positions had been established. In most cases, the portfolio manager of both funds was "blindsided" by the large redemption trades, and was forced to create liquidity at what she felt was a very inopportune time; to the detriment of both shareholders, and the firm's bottom line.

Nugget: Even fairly rudimentary data analysis, performed on a recurring basis, can go a long way toward identifying an otherwise hidden problem or trend, that, once unearthed, can enable an organization to take corrective/defensive action before a crisis occurs that can take everyone by surprise.

2. **Is Your Firm's Channel Strategy Explicit or Implicit? Whichever the Case, Is It Working?**

   One of the most critical strategic decisions that all companies, (regardless of whether they are asset managers or consumer goods manufacturers), have to make is how to "go to market;" how to distribute their products and services to their intended consumer. For some companies, *wholesale* distribution through unaffiliated retail outlets is determined to be the most efficient and profitable strategy. For other firms, a *company store* model is preferred. *Online, a direct-to-consumer sale is* yet another option, and has become the fastest growing distribution channel across many industries and product and service categories in less than a decade.

   Nugget: If your organization has a clearly-defined channel strategy that prioritizes one distribution channel over another, an analysis of both your sales and asset data will quite readily reinforce that your strategy to emphasize one channel over another is working; delivering the results you expected, or alternatively, will provide insights about whether your resources are being allocated ineffectively and coming up short. If, on the other hand, your company is still "feeling its way" when it comes to locking in on a long term channel strategy, mining your sales and asset data can go a long way to getting you pointed in the right direction; uncovering where your efforts appear to be gaining traction. Is most of your business coming from the independent broker dealer channel? Are RIA's finding their way to your door, and growing at a rate that demands greater attention and resources?

3. **Do You Have a Focus Firm Strategy? Is It Working? Should You Focus Distribution Resources on Certain Firms Over Others?**

   A common distribution strategy across industries is to fine-tune and refine an established channel strategy in order to focus heavily or exclusively on specific distribution partners. Companies with limited sales and marketing resources often determine that a focus firm strategy can provide more "bang for the buck" from a handful of distribution partners than a more dispersed effort can sustain. Alternatively, some of the largest and most highly resourced organizations determine that a focus firm strategy can provide benefits that cannot be derived from serving all customers in equal measure.

   In the asset management industry, for example, for organizations whose sales effort includes all categories of broker dealers, from wire houses to small regional independents, winnowing down a subset of firms from the over 4500+ registered FINRA broker dealers, to a more manageable number of distribution partners may be a smart move. This strategy is often referred to as a focus firm strategy.

Nugget: For asset managers who have not developed a focus firm strategy, mining sales and asset data from the recent past can provide valuable insights into which firms ought to be included in your short list of focus firms, and which firms may be eating up resources, without creating the commensurate returns on investment in terms of sales results.

For firms who have adopted a focus firm strategy, mining your sales and asset data can provide a very valuable and profitable reality check about whether your strategy is bearing fruit or not.

4. Do Your Territory Alignments Make Business Sense?

A well-regarded brand name mutual fund organization commissioned a distribution-related study to determine trends in the geographical concentration of its sales and assets over the prior 36 months. The central hypothesis that this company wanted to solve for was: "*Should we be deploying wholesalers in all fifty states or could our sales and marketing resources be better spent by carving out/eliminating certain states entirely from our wholesaling strategy.*"

The study leader accumulated blue sky information, historical intermediary trade data, internal sales reports and asset analysis and determined that the company could effectively "cover" 88% of the intermediaries with whom it had done business over the past three years, by eliminating 16 states entirely from its wholesaler territories. By realigning territories, wholesaler headcount was reduced, and two new virtual wholesaler territories picked up the slack to ensure coverage. Sales continued to grow during the successive three years, as did the number of intermediaries who did business with the firm.

Nugget: By analyzing readily-available sales and asset data, virtually every organization, from upstart to large and well established, can find nuggets of insightful information that can inform and influence territory alignments, territory assignments, and staffing levels.

5. Is Business Mix Consistent Across Your Territories? Does Business Mix on a Territory Basis Reflect Your Distribution Strategy?

A fast growing mid-west asset manager determined that its three standout international equity funds had the potential to propel the firm into the "big leagues" among mutual fund organizations. Wanting to take advantage of a perceived “window of opportunity” for international investing, the firm’s marketing department was given the green light to “make hay while the sun shines” and to significantly increase the resources devoted to advertising and promoting these stand out funds. Accordingly, the head of distribution directed his team of wholesalers to get onboard and elevate the international funds to front & center in all meetings and presentations. Increased sales results in the international funds appeared promising after six months, kudos were being offered to the sales team by sales managers and senior executives alike, and a celebratory event was being planned.

After a more in depth analysis of sales data, an interesting nugget became apparent that tempered the head of sales’ enthusiasm for the job done by his wholesaler team. While the business mix of 8 of the ten wholesalers reflected the priority that had been given to focus on the international funds, two wholesalers appeared not to have gotten the message. In each case, sales of the international funds were either flat, or down from prior reporting periods. These wholesalers appeared to either have ignored the instructions to prioritize the international funds, were not on board with the overall firm-wide effort, or their efforts to focus on these two funds had been considerably less effective than the efforts of their peers.

Nugget: Comparative analysis is an easy and straightforward method of determining how one area of an organization’s business stacks up against others. This sort of business intelligence is the straightest route to unearthing disparities in performance within a sales organization, or of uncovering problems that might otherwise be obfuscated.

6. Do You Know Who’s Taking You to the Dance?

Sales professionals instinctively recognize that among all the clients who do business with them, a subset of their total roster of customers almost always represents a disproportionate amount of total business. In wholesaling circles, Pareto’s Principle is often interpreted and applied by directing wholesalers to concentrate their efforts, to the exclusion of all others, on their “top 100.” The 80%/20% rule sometimes proves out when data is analyzed, but more often than not, “who’s taking you to the dance” is more complicated than intuition or Pareto would suggest.

In a recent analysis, a fast-growing mutual fund distributor learned that the bottom 40% of advisors who had placed a trade in the past 12 months (in descending rank order of production) represented just 11% of total inflows for the year.

Nugget: Particularly in the asset management business, when, for some mutual fund companies intermediary customers can be counted in the thousands (hundreds, on a territory by territory basis), analyzing data and considering sales trends is the only fact-based approach to matching up and aligning sales and marketing resources to effectively exploit the highest potential sources of business going forward.

7. **Are Wholesalers Meeting With the Highest Potential Advisors?**

It's counterintuitive to think that successful wholesalers might not be focusing their time and attention on the highest potential advisors in their territories. It may be counterintuitive, but it's not accurate.

Repeated studies reflect negative correlations between which advisors wholesalers actually meet with, and which advisors analyses would suggest their highest potential for new or additional business probably lays.

Nugget: Technology today enables sales managers to mine their CRM systems for appointment histories and their sales and asset reports for rating and ranking indications of high potential advisors, in order to determine whether or not wholesalers are spending their time and attention with the highest potential advisors.

8. **What Insights Can Be Gained from Year-Over-Year Trend Analysis?**

Today's millennial are as conversant with "trending," as they are with the frequently overlook rich veins of distribution opportunity when they do not mine their sales and asset data, and their prospect and producer databases to identify trends.

Nugget: There are scores of trending data that can inform a sales and marketing strategy. One of the most straightforward is simply a year over year analysis of which advisors have stopped doing business with your firm, and which have demonstrated a notable uptick in adding to their positions. Whether for advisor retention purposes, or for sales management purposes, trend analysis can unearth nuggets of overlooked or unexpected opportunity.

It All Starts, of Course, with Data

Big Data has certainly become a buzzword in the asset management industry in the past 18 months; the topic of countless articles, commentaries and conference presentations. And deservedly so. The convergence of data aggregation and data warehouse technologies, with the increasing sophistication of business intelligence practices, has enabled the kind of data mining that is enough to cause privacy mavens to break out in hives.

Database management has, of course, been big business for years. Leading banks, brokerage firms, insurance companies and retirement plan administrators spend millions of dollars year in and year out to profile and segment their clients and prospects, retail and intermediary alike, so that they can cross-sell and upsell their products and services, and communicate effectively with relevant information to their various client segments. That's because they "get it;" they know that once a client relationship has been established, it represents the best opportunity for additional selling opportunities.

Your sales and asset data, combined with your prospect and producer databases are a literal treasure trove of information riches that, if tapped for relevant and actionable business intelligence, can help you leverage the effectiveness of your sales and marketing resources and propel your distribution efforts toward greater impact.

Valuable nuggets of information and insight almost universally lie buried in a firm's sales and asset data and its prospect and producer databases. The problem is that few if any small distribution organizations are adequately staffed, or have the in house know how or capability to mine their data or to interpret the habits and preferences of the intermediaries with whom they want or have historically done business. Profitable and impactful database marketing is about *targeted sales and* marketing in place of *mass* marketing, specifically how to apply profitably- targeted strategies to those high potential intermediaries that have at least the ability and the propensity to put business on the books within a reasonable period of time.

Look to Celera for Distribution Support

Over the course of the next several months, in response to recurring requests from our clients, Celera will be rolling out a substantially expanded suite of distribution-specific consulting and support services. We are especially well equipped to support the business intelligence needs of our client companies, who may not have the internal resources to undertake the business intelligence analytics and data mining which is so central to a well-informed, data-driven distribution or asset retention strategy.

In connection with our anticipated rollout of a more robust and formalized consulting service for our clients in 2014, we are currently in the process of designing a distribution-specific business intelligence package, intended to provide periodic (monthly, quarterly) analytics that our clients can utilize/leverage to inform and guide their sales, marketing and communications programs.

With Celera Systems, you'll be positioned to replace yesterday's hit or miss "shotgun" approach of mass marketing, directed to anonymous advisors and brokers, with a targeted, more cost effective, more personal model.

Without it, distributors don't stand a chance.

For more information about how to navigate the complex landscape of asset management industry data and how to tap into the distribution opportunities available from the gold mine in your own backyard, call us.

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