



Your People, Your Brand, Your Growth

“Investing in Marketing Efforts That Get Results”

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*“Our aspiration is not just to grow,
but to be a brand
like Rolls-Royce or Neiman Marcus.”*

CEO – Investment Management Firm

Executive Summary

188 asset management leaders were recently asked the following question:

Have your branding efforts paid off in growing assets faster than your competitors?

There were 4 suggested answers:

1. Yes, we have gained substantial market share as a result of our branding efforts
2. Somewhat helping
3. Mixed results overall – hard to tell
4. No – branding efforts aren't obviously working

The most popular response was; mixed results overall – hard to tell.

We all believe that branding should help to grow an asset management business. And yet, we are unsure about whether or not there is a payoff from the resources that we spend on branding..

Maybe we need to rethink our branding efforts. This report suggests that there is a better way.

Here are the three points made in this report.

1. While definitions of brand may vary, there is a consensus in the industry about what contributes to a strong brand.
2. We must be able to measure the results of our efforts to build a stronger brand to ensure success and even survival of our firm.
3. Your employees are a powerful influence on brand and growth.

Russell

Introduction

I've led 5 different investment organizations in my career. Like you, I always want to win. So I look for ways to get an advantage over other asset management firms.

Having a brand seems like a good way to move ahead of the competition. Being recognized leads to winning business without even trying. Clients find you. You don't have to convince them to consider your firm.

I know the power that comes from having a brand. As a salesperson, I once won a \$400 million dollar equity mandate from a pension fund because of my company's brand.

I was invited to make a presentation to a client and their adviser to bid for their business. We were the only firm invited. And they didn't pay much attention to my presentation. They had already made up their minds. They chose us because of our reputation.

Wouldn't it be nice if we could always win business this easily?

Until recently, the majority of client assets were from large institutional investors. Our reputation has always been important to these kinds of clients. What people say about your firm matters.

But the business is becoming increasingly retail. Most of the net new flows of assets are coming from retail clients. And retail clients care about brand even more than institutional clients.

So asset managers are paying even more attention to brand.

But when you step back and look at the results of our branding efforts, it's hard to prove that having a brand makes any difference to overall growth. The results from our efforts are difficult to measure.

Now the good news. There are parts of your brand that are directly associated with the growth of your asset management firm. But what drives your brand has little to do with your formal communication strategy.

PART I – Observations on Brand

What is Brand and Who Has One?

No two definitions of brand are the same. But a recent survey of sales leaders suggested a practical definition of a brand.

What do potential clients, partners and employees think and say about their firm.

But what influences the perspectives of outsiders?

In January of 2016, I surveyed 49 asset management sales leaders. I asked them what they believe contributes to a great brand. The question was open – ended and so the answers were wide - ranging.

Their answers fell into three categories.

1. Characteristics
2. Choices
3. Communication

Let's look at what leaders suggested contributed to each of these.

1. Characteristics

Leaders said that Characteristics of a firm include:

- *Investment and marketing talent*
- *Age of firm*
- *History of firm*
- *Investment performance*
- *General management quality*
- *Stability in team and business*
- *Size*

Characteristics change very slowly. Some of these may be objective. Some may be subjective however. Asset management firms may be able to influence how others perceive these Characteristics. For example, investment performance may depend on the time period selected, or team stability may be measured in relation to competitors.

Brand and AUM Are Strongly Correlated

One Characteristic that is closely associated with a firm's brand is the amount of AUM. When 49 sales leaders were asked to pick the top brands in the industry, they overwhelmingly said that they admired Blackrock, JP Morgan and Wellington. These firms rank amongst the largest firms as well.

And this makes sense. If you manage a lot of assets, it means that that you have many clients, many intermediaries who know your name and your firm is well known and thought of generally favorably – which is one definition of brand. These firms can also afford to spend a lot on managing their brand as well.

Brand rank often closely corresponds with assets under management.

In 2011, a survey asked financial advisors about their brand preferences. The first column shows the top 10 brands. The second column shows the ranking by assets under management in mutual funds for the same year, 2011. The final column shows the difference between the ranking based on brand and mutual fund assets under management. With a couple of exceptions (DFA, Russell), there is a correlation between the ranking by brand and assets under management.

Firm Name & U.S. Mutual Fund Brand Rank - 2011	U.S. Mutual Fund AUM Ranking - 2011	Difference Between Brand & AUM Ranks
1. DFA	11	-10
2. JP Morgan	7	-5
3. PIMCO	4	-1
4. Vanguard	1	+3
5. Franklin Templeton	5	0
6. Blackrock	9	-3
7. T Rowe Price	6	+1
8. American Funds	3	+3
9. Russell	41	-32
10. Fidelity	2	+8

But Objective Measures of Brand Don't Drive AUM Growth

While brand and AUM appear to be closely associated at a point in time, having a strong brand doesn't appear to drive growth in AUM.

Firm Name & U.S. Mutual Fund Brand Rank – 2011	Improvement in AUM Rank 2011- 2015
1. DFA	+3
2. JP Morgan	0
3. PIMCO	-2
4. Vanguard	0
5. Franklin Templeton	0
6. Blackrock	0
7. T Rowe Price	-2
8. American	0
9. Russell	-11
10. Fidelity	0

Only DFA improved its relative rank over the four year period. Six of the top 10 brand names did not see any change in their AUM rank, while three of the firms actually fell in the rankings.

Let's look at another example. A hedge fund's brand is also related to AUM. But again, a hedge fund firm's size doesn't consistently pay off in growth. Here is a list of the largest hedge funds in 2011, and then 2015.

Largest Hedge Funds – 2011	Largest Hedge Funds – 2015
Bridgewater	Bridgewater
Blackrock	JP Morgan
Brevan Howard	Och – Ziff
Angelo, Gordon	Man Group
Bluecrest Capital	AQR
Och – Ziff Capital	Brevan Howard
AQR	Blackrock
Golden Tree	Baupost
Beach Point	Adage
D.E. Shaw	Winton Capital

1/2 of the names on the list of the top 10 hedge funds have changed in just a 4 year period!

2. Choices

Choices are what firms, and their people, decide to focus on. Here are some examples of the Choices that leaders believe contributes to a firm's brand:

- *A firm's purpose*
- *Investment focus*
- *Business strategy/focus/breadth of offers*
- *Differentiation*
- *Alignment*
- *Client focus*
- *Consistency*
- *Ethical*
- *Integrity, trustworthy*
- *Innovation*

All of these Choices by firms and their leaders help to drive an outsider's perception of a brand.

3. Communication

Communication is how you tell people about what you do. Here are some specific examples of what leaders believe contributes to brand via communication:

- *Your firm's value proposition*
- *Expressing confidence*
- *Keeping promises*
- *Not screwing up*
- *Being an influencer/thought leader*

Characteristics and Choices made by a firm are communicated in a variety of ways. How they are communicated to outsiders also help to establish a brand.

In summary, Characteristics, Choices and Communication are the main ways that firms influence the perception of their firm by others.

Sales leaders believe that brand is important, they can characterize what brand means to them and can even identify firms that embody strong brands.

Why is Brand Important for Success

Branding is important for a variety of reasons.

1. Net flows to asset managers are increasingly from retail investors who are strongly influenced by brand. This means that asset managers have a big challenge. There are tens of thousands of mutual funds and UCITS. Establishing and sustaining a retail brand is a struggle.
2. Surveys of mid to large – sized alternatives managers suggest that many are, or soon expect to be, offering multiple products. Most traditional managers are well along the same path towards product diversification. Having a brand helps to broaden a product line – up.
3. The competition amongst alternatives managers is intense. The alternatives space is less concentrated than seen between firms focused on traditional asset classes who also feel the heat of competition.
4. Top talent cares about culture. The brand of a firm influences where talent chooses to work.
5. Clients can be influenced by subjective views as they are objective facts – perceived performance, risk management, headline risk all help to support a firm's brand.

Branding Efforts Can be Expensive, Worthless and Complex

As mentioned in the executive summary, asset management sales leaders are unclear about the benefits that they realize from their efforts to brand. Part of the problem is that there is so much to consider.

There is a wide range of possible branding activities. A branding advisory firm to one of the largest alternatives firms assists their client with:

- brand positioning
- corporate messaging
- brand refreshes
- brand guidelines
- photo library
- financial reports
- website redesigns
- corporate videos
- corporate presentations
- marketing collateral
- event materials
- crafting stories and messages
- naming and taglines

How to Not Get Noticed

Not all firms have such a sophisticated effort to build their brand. Many asset management firms lag far behind in branding.

A survey of institutional asset owners showed that more than one-third of them used social media to research asset managers. Linked In was most commonly cited as the preferred social media for manager research.

And yet many asset managers are not paying attention. In January 2016, a review of hedge fund and traditional managers found that more than 30% of these asset managers, either did not have a company page or lacked even a rudimentary description of their business on LinkedIn.

How Can You Restore Your Brand if Damaged

Sometimes, developing a sophisticated branding effort or even a rudimentary one, has to take a back seat to recovering from a damaging blow to a firm's brand. There are three steps to take to revitalize a brand when disaster strikes.

1. Look Inwards

- Act like a start – up
- Review the effectiveness of your sales team – replace people if necessary
- Obtain financial support to ensure survival and to signal that others believe in your firm

2. Reach Out

- Ask clients for positive word of mouth
- Step up customer service to clients and intermediaries
- Explore new opportunities in other geographies, products and vehicles

3. Pull Back

- Service, not sell to intermediaries who are not supportive. They may never be supportive again
- Ex – clients have long memories. Don't expect former clients to return



“Be more concerned with your character than your reputation, because
your character is what you really are,
while your reputation is merely what others think you are.”

John Wooden

Part II – Employee Satisfaction, Brand and AUM Growth

We analyzed the rankings of 77 investment firms that have employee satisfaction rankings available on the Glassdoor website. We focused on the top 10%, or 7 firms.

Most of these firms have moved higher in the rankings of global AUM over the last 7 years. Only Fidelity, which already ranked high based on AUM, was unchanged.

Top Ranked by Employees	Change in AUM Rank 2007 - 2014
American Century	+33
Cohen & Steers	+66
Fidelity	0
Franklin Templeton	+5
Standard Life	+17
Wellington	+14
William Blair	+18
	+22 Average Gain in Global AUM Ranking

Employee satisfaction is your character, and it is a valuable (and measurable) part of your brand.

Here are a few more examples of how employee satisfaction is associated with growth.

We found 22 hedge fund firms with Glassdoor ratings of 4+ (scale is 1-5) and 9 firms with a rating of less than 3. From 2011 – 2015, firms with scores of 4 or more, increased AUM by an average of \$13.6 billion. Firms with a Glassdoor rating of 3 or less increased AUM by \$7.1 billion, or about 1/2 of the growth seen in firms more highly favored by their employees.

Here's another example. Pensions & Investments magazine started ranking the best places to work in 2012. Six firms were identified in 2012. These firms all moved up the ranking based on AUM over the next several years.

P&I “Best Place to Work” 2012	Change in Global AUM Rank 2011 - 2014
Bridgewater	+14
Hamilton Lane	+22
Invesco	+1
Principal	+12
SEI	+17
William Blair	+26
	+15 Average Gain in Global AUM Ranking

Enhancing Employee Satisfaction

As firms grow, employees becomes less certain about how to get ahead in their organization. As firms grow from 3 to 300 to 3000 people, leaders may feel that little has changed. But of course a lot has changed. Leaders need to talk to employees about career development, and engage with employees frequently.

Even Firms With High Employee Satisfaction Need to Maintain Their Efforts

Here is a list of alternatives firms that were recently named “Best Places to Work” by P&I. They generally have good scores from anonymous employee reviews on Glassdoor as well. However, in each case, the Glassdoor ratings for the sub – categories of Career Opportunities and Senior Management, are lower than the overall score. *These two sub – categories are the Achilles heel of asset management firms and jeopardize future success.*

Here is another example of overall strength, with signs of potential weakness.

Best Places to Work - 2015	Glassdoor Overall Score	Career Opps	Sr. Mgmt
Aksia	5.0	4.5	4.5
Blackstone	4.1	3.7	3.9
Campbell & Co.	4.3	4.1	4.2
Hamilton Lane	2.6	2.4	2.3
Mesirow	3.2	2.9	2.9

We identified 7 traditional firms with high Glassdoor scores earlier. These firms also have lower scores in two critical areas than their overall score.

Top Ranked by Employees	Overall Score	Career Opps	Sr. Mgmt
American Century	3.9	3.2	3.2
Cohen & Steers	3.4	3.2	2.8
Fidelity	3.7	3.3	3.1
Franklin Templeton	3.7	3.3	3.5
Standard Life	3.8	3.3	3.5
Wellington	4.1	4.0	3.5
William Blair	3.7	3.1	3.6

How Employee Satisfaction Transfers to External Perceptions of Your Brand

In every firm, internal gossip – both positive and negative – is present. When internal gossip leaks to outsiders, it has a material influence on a firm's brand.

There are many firms and many products available. It is difficult for prospective clients and intermediaries to know all of the available firms and products. So they look for short cuts. They have a one – liner that encapsulates their view of a firm. (e.g. “They are very innovative”).

What one – liner do outsiders say about your firm? And is the one –liner influenced by what your own employees have said to outsiders about your firm?

What your employees say about your firm to others highly influences your brand. Your people need to believe strongly in their minds, their heart, and their gut in your firm's brand.

Takeaways

Brand matters, but the payoff is often difficult to measure. Employee satisfaction, however is a critical part of every firm's brand and there is a strong association between employee satisfaction, brand and growth. In summary,

1. Your peers agree that Characteristics, Choices and Communication characterize a strong brand
2. But branding efforts can be complex, expensive and even wasteful. Focus on what is proven to drive growth.
3. Brand matters. It helps to win institutional and retail clients, beat the competition, attract talent, and broaden your product line – up.
4. Your employees are both a strong signal of your brand and their positive views are closely associated with growth.
5. Keeping employees positively engaged with your firm is never finished. And neither is the pursuit of growth.

Russell Campbell is the CEO of Your Second Opinion, LLC, a management consulting firm focused on investment firm growth.

Russell has led 5 investment groups in his career. Prior to establishing his own firm, Russell was the CEO of The Marco Consulting Group, one of the largest institutional investment consulting firms, with a significant CIO outsourcing business. Previously, he was the EVP of AMCORE Bank, and led the Wealth Management Group which was one of the 60 largest bank wealth managers in the U.S. Earlier, Russell was the President and CEO of ABN AMRO Asset Management Holdings, Inc., which managed \$75 billion in assets, and was the U.S. investment management affiliate of ABN AMRO Bank. Russell was promoted to this position after having been the CEO of ABN AMRO Asset Management Canada, Inc. He was previously a Vice – President and Partner of Beutel Goodman, Inc., one of Canada’s largest investment counseling firms. His first leadership position was as Vice – President, Bank of Nova Scotia, where he led the investment management of the Bank’s own pension fund, and a family office portfolio.

Earlier in his career, he held positions as an institutional investment consultant, an institutional equity sales and a precious metals portfolio manager.

Russell has an MBA in Investment Finance and Marketing from York University, and he has a BA in Industrial Relations from McGill University. He also attended the Advanced Management Program at INSEAD in France.

He has earned the Chartered Financial Analyst designation, and has attended both the Financial Analyst’s Seminar and the Investment Management Workshop. Russell has also acquired the Certified Financial Planner™ certification. He previously held Series 7 and 24.

Russell has been a director of several for-profit and not for profit boards, and he is a member of numerous non-profit, civic and industry organizations.

He is quoted frequently in the media, and has been a speaker at many industry conferences.



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