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OPINION

Scale, Relevance, Access: How Distribution Is Changing

By Brian Moran November 5, 2021

Distribution of financial products and services in the asset management industry is changing quickly. The pandemic, technology, competition and innovation are driving this evolution. Gone are the days of minimal barriers to entry, formulaic approaches, hiring just a single salesperson, or relying on performance or product structure alone to carry the ball.

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Distribution today increasingly requires a comprehensive approach that draws upon many tactics and is strategically deployed in a firm-specific approach. Successful distribution is complex and expensive. Firms need to tap discretionary budgets so that all aspects of distribution are addressed, in a way that the firm can fiscally sustain.

Simply put, no one part of the distribution operation can carry the responsibility of growing assets and revenue.

Below are three critical areas that firms must consider as they make their distribution models resilient. Overall corporate strategy for every asset management firm must consider product, operations and distribution at each lifecycle stage.

Create Synthetic Scale

About 80% of the asset management industry's ETF and mutual fund assets were held by the 25 largest companies as of Dec. 31, 2020, according to the Investment Company Institute, and more than half of assets sat with just five companies.

Even if your firm is not one of these top five asset-gathering companies, you can still command significant scale — through the use of innovative technology — to provide the tools, resources and capabilities necessary to deliver a sophisticated distribution strategy.

If your firm does not do this, it may experience the same fate as that of the fast-fading independent local pharmacy or hardware store. Eventually, client service and relationships will lose out to business economics, ease of use and choice.

Become Perpetually Relevant

Tomorrow's winners will have found a formula to become regularly top of mind for investors.

These asset managers will be "perpetually relevant" by providing more than just a product. They will deliver an experience that is differentiated by the tools they use, the services they provide, and the stories they share. Perpetual relevance allows a seller to consultatively approach every potential client conversation, and ensure the seller is viewed as an option when any need arises. You can achieve perpetual relevance by "meeting" targeted buyers where they are via a variety of channels, such as media, content, sales professional, etc. In short, you stay relevant through every point of valued contact and every appropriate vertical.

Access Through 'Coopertition' vs. Domination

Access is the single most important ingredient to future success. All the data, all the salespeople, and all the products mean nothing without access to buyers on their preferred platforms of engagement.

With every hurdle to access, a seller's probability of success is drastically diminished. Most companies take a "protectionist" stance with respect to their products and services, due to a perceived risk of giving away the secret sauce. They believe their product or value proposition is so different that it must be protected by being opaque.

Ironically, their protectionism typically leads to negative results. Smart, strategic and supplemental alliances and cooperation can lead to enhanced access and a faster growing multiple.

The pandemic has changed how asset managers sell their products, and firms that believe they can return to the previous ways of doing business are unlikely to succeed. Many will be lured into thinking there will be a single, hard-stop "post-Covid" world.

But what is more likely is that we will be in a fluid and evolving environment for years to come. Just putting meetings on the calendar and getting back on the road is a recipe for lower return on investment, higher expenses, and frustrating results. Those who recognize this and think differently about distribution will be tomorrow's winners.