

Data is Your Product

The Business Case for Professional Investment Marketing Data Management and Distribution
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The 21st Century is All About Data

And that has important implications for investment managers who need to achieve critical mass in order to be profitable and grow their businesses to sustainable levels.

In today's digital world, your firm's marketing data is your product:

- performance record
- attribution
- portfolio analysis data
- assets under management

That data is the evidence that proves you are able to do what you say you do—and that you have been able to do it consistently, on an absolute and/or relative basis, over time.

Both prospective and existing clients—as well as the consultants that vet and monitor managers for them—rely on that evidence to make hiring decisions, increase investment allocations, recommend a firm to others, and remain invested for the long term.

No matter how alpha-laden your track record is, no matter how compelling your investment story may be, if investors cannot find your data, your firm might as well be a tree falling in the forest—no one sees it, no one hears about it, and no one even knows it is there.

Here, we:

- Make the business case for why investment managers should be investing in marketing solutions that manage the growing amount of data they produce.
- Discuss what types of data on which data asset managers need to focus, and the best ways to use that data to grow AUM to sustainable and profitable levels.
- Share our experience regarding how cost-effective third-party solutions can help investment firms manage their marketing data.

Consultant/Online Databases Are Now the No. 1 Way Prospects Connect With Managers

Today, there are more than 50 consultant and online research databases serving tens of thousands of retail and institutional investors and decision-influencers worldwide.

The proliferation of data, and increasingly widespread access to it, has become the driving force behind the manager assessment and search processes.

The power of these databases now means that asset managers must incorporate data aggregation, warehousing, and distribution to their marketing strategy. Pulling all that data together and getting it in front of as many buyers as possible is a full-time marketing job.

This means, unquestionably, that the days of the portfolio manager doubling as the sales and marketing liaison must end.

Furthermore, leveraging the qualified leads produced through that process and building the trust necessary to convert those leads into clients is the job of highly qualified sales professionals.

Firms that confuse, or try to combine, the two roles and/or expect their sales staff to be database managers are living on borrowed time.

All Data is Important, But Not All Data Investment is Created Equal

Data is important in every facet of the investment business:

- Data drives the research that analysts produce.
- Data-driven judgments drive portfolio manager decisions to buy, hold, and sell.
- Data is used for proper regulatory compliance, sound operations, and efficient trading.
- Data—in the form of performance returns and portfolio analysis—drives marketing and sales, and ultimately, revenues.

In today's digital environment, this type of data is not only a manager's product; **it is their resume.**

Spending too much on the front end

That data is important to money managers is self-evident, but too many firms over-invest in front end portfolio management and analytics software at the expense of data marketing.

This is a critical error, as a firm's data is its most valuable marketing asset.

Over the years, we have asked managers where they get the biggest return on their investment. The nearly unanimous response is "security research and analysis."

Yet consultant Joel Bruckenstein recently quantified this, reporting that 50% to 90% of the average firm's tech budget is spent on investment management tasks, such as research and rebalancing.¹ After all, the logic goes, research and analysis fuels the portfolio decisions that generate alpha. And if a manager consistently generates alpha, consultants and prospective clients will find them.

Right? Wrong.

Unless a firm collects, verifies and packages that alpha, along with all the supporting analytics and portfolio characteristics that go with it, then distributes it in all the places a prospective client would be looking for it, it's lost, and we are back to the tree-falling-in-the-forest scenario.

Spending too much on the middle office

According to results from a recent Investment News Adviser Technology Study, firms are shifting their IT spend to focus primarily on client-facing technology and productivity enhancements.²

Intense industry competitive pressures now drive firms to improve client experience by engaging with them through multiple online platforms. While this is important, protecting their AUM from poachers is not going to do a firm much good until they have grown their AUM and revenues to sustainable and profitable levels by getting the clients in the door in the first place.

So while devoting significant portions of IT spend to the middle office may be a great move for mature, profitable firms with a critical mass of AUM under their belts, it is not going to help smaller firms still hoping to grow their business to sustainable levels.

And that takes us back to the old school myth that argues "So long as our performance is good, clients will find us." This is nonsense and always has been.

In the 21st century, **the best way to grow AUM is to manage and distribute your marketing data as widely as possible**, so sales professionals can focus on converting a meaningful percentage of prequalified leads into revenue-generating clients.

¹ "8 biggest adviser tech mistakes — and how to avoid them." Liz Skinner. Investment News/techconnect. October 2, 2016. InvestmentNews.com

² "2015 Adviser Technology Study." Investment News. February 8, 2015. investmentnews.com

Why Managers Have a Hard Time Managing Data

With so much at stake, why do most managers struggle to manage and effectively distribute their marketing data?

Firms are overwhelmed by the volumes of performance, portfolio and analytical data produced over a 90-day period—especially if they manage multiple investment strategies. Reporting that data through client reviews, marketing collateral, pitch books and DDQs/RFPs/RFIs—let alone distributing it to over 40 consultant databases—in a timely way that assures the data integrity regulators demand is a daunting and labor-intensive task.

Quarterly reporting challenges every team and consumes the attention of the entire staff of the asset management firm. It is no surprise that putting together things like fact sheets and client reports remain the No. 1 marketing pain point for investment managers.³

The raw data output often comes in unorganized formats that make reporting and distribution a major challenge. To make matters worse, the various data sets required to populate reports and marketing databases are frequently produced and gathered by multiple people in the firm, often in multiple locations. At best, it is a process open to human error. At worst, it is an operational nightmare that leaves the firm vulnerable to regulatory and compliance risks.

Experienced eyes are critical

There is one important element of the data management that cannot be eliminated: The human element.

Once data is produced, marketing data distribution is not simply a click away. It takes people—trained, experienced, knowledgeable, and (hopefully) accredited, professionals who still need to verify, organize and interpret the data.

The individual metrics in a database profile paint a picture of a portfolio's characteristics. Every single one must be reconciled for

- Rationality
- Consistency across time frames and benchmarks, and
- Accuracy.

Then a fresh, data-substantiated narrative needs to be written in order to communicate results in a way that still meets compliance approval standards. That takes experienced eyes and skill; a process that often strains the human resource capacity of many investment firms during their busiest reporting cycles.

Marketing data must be accurate and distributed on time, every time

A firm's marketing data must be reliable, quarter after quarter, and every month in between.

³ "Digital Marketing Practices at Asset Management Firms." Luke Hinchliffe. Kurtosys. October 22, 2015. blog.kurtosys.com

That is the only way consultants and investors build up the trust necessary to take their database monitoring to the next level and contact the management firm for a formal due-diligence review. **“Reliable” means data has to be accurate, consistent, thorough, and timely.**

If a manager

- is slow to update marketing databases,
- has holes in reporting periods, and/or
- has repeated instances of past data errors being restated,

the firm may be passed over in favor of the hundreds of other firms who managed to maintain the integrity of their online footprint over time.

If there is one thing all database managers agree on, it is this: If an asset manager does not provide consistent data entries into their target market databases, they are not likely to come up in searches.

Software solutions often fall short

Many firms turn to software as the solution, but our experience has shown that relying on software alone does not get the job done.

Most firms use a variety of legacy systems to calculate portfolio performance, analytics, trading information, AUM and other bits of data they need for client and marketing materials. However, these systems often do not “talk” to one another, and even the best software system is not able to consolidate and reconcile all that data into one set of normalized outputs.

Data might be produced, but it is far from managed in a way that prevents inaccuracies and inconsistencies from creeping into the end result.

Why Professional Marketing Data Management, Warehousing and Distribution Is A Good Investment

Given the enormous task at hand, it is no wonder investment management firms struggle to harness the full power of the performance marketing data they produce.

The cost of building a secure, controlled in-house SQL database for data warehousing and management is more than most managers can afford. Many small firms take the do-it-yourself route, or even worse, use a public consultant database as the firm's private vault.

Neither are preferable long-term solutions.

Understand that consultant databases are designed to serve the needs of consultants, not managers. Thus, managers should not rely on databases designed for public use to store their proprietary information.

Free up sales for high-payoff activities

In our experience, a third-party data warehousing and management solution is the best investment a firm can make if it wants to leverage their data, ensure its accuracy and consistency, and get it distributed to as many search platforms as possible.

Managing data through a professionally developed SQL-based data warehouse, customized for the needs of each firm

- Frees up internal marketing and sales staff to focus on high-level, high-payoff tasks
- Relieves internal IT resources from another system to manage and maintain, and
- Adds an additional level of oversight and verification that keeps regulators satisfied.

Keep regulators happy

That last point is especially important—and often overlooked.

Regulatory agencies like FINRA and the SEC are becoming more assertive about monitoring the data managers use in marketing presentations and collateral such as fact sheets. They also focus on soft data like firm and product narratives that help make the firm's case about their capabilities and results.

Data inconsistencies across time periods and different distribution platforms, including print, websites and digital formats, raise red flags, and in the worst case, can lead to regulatory sanctions and reputational risk.

A third-party warehousing and management provider helps firms avoid costly mistakes by

1. reconciling data,
2. highlighting errors, and
3. maintaining long-term data and document management records.

Some even monitor a client-firm's digital footprint, including all published narratives, and report back to the client on a quarterly basis to make sure published content is consistent and reflects current, accurate data.

The Must-Have Data

We have talked quite a bit about why marketing data is important and why it is so difficult for investment firms to manage and distribute that data in-house. But firms produce a lot of investment and firm-level information.

What data is absolutely necessary for potential investors to initiate and maintain a relationship with a firm? At a minimum, investment management firms must provide the following:

- **Performance Track Record and Characteristics.** Investors require timely and complete performance reporting. There are over 50 performance characteristics that communicate how a manager has done in up and down markets, from both relative and absolute perspectives.

This information is the foundational evidence that the firm's investment philosophy and process is valid and successful over time. We recommend that managers update this information on a monthly basis.

- **Portfolio Holdings.** Both investors and their consultants use holdings to determine whether a manager adheres to their stated mandate, style/capitalization convictions and portfolio construction discipline. Over time, holdings data reveals whether a manager does what they promise or drifts from their stated philosophy and process.
- **AUM.** Assets under management is one way investors determine whether an investment firm will be a good fit for them. Some use it as a critical-mass validator. Others look for newer firms where they can be bigger fish in a small pond or an early adopter of a firm that is poised to take off.

All look at AUM breakdowns by size, type of clients served and various investment strategies offered to assess whether the firm will understand their needs.

- **Business Profile.** Prospective and current investors want to see that the firm and its team are qualified, accredited and solvent. Ownership structure, succession plans and a statement about business plans and growth are also important.
- **Firm and Product Narratives.** Not all data takes the forms of numbers! Firm and product narratives are very important. They articulate the investment philosophy and processes of the firm. These narratives must be well-written, consistent and adequately express the core beliefs, skills and intentions of the firm.

Since there are so many places where the narrative of the firm appears - and so many opportunities for individuals in the firm to tweak it for a particular situation - management of the firm's story can be difficult to control, but it is critical for success. Prospective investors and consultants expect to see a consistent, up-to-date message across all databases, client reporting, and marketing collateral and sales presentations.

Data Distribution: Getting Marketing Data Into The Hands Of Potential Clients

So what are the best means and methods of data distribution? The two most powerful data distribution platforms available to managers are: **establishing the broadest footprint possible in key databases serving their target markets** and **maintaining an effective firm/fund fact sheet**. Using a professional database management and distribution team assures investment managers that the data used to populate these platforms is accurate, timely, thorough and consistent.

Here is a list of the most effective data distribution platforms investment management firms should be using:

- **Consultant and Online Databases.** There are over 40 major consultant databases, including subscription services by online vendors like Morningstar, Lipper and PSN, available to managers worldwide. But the days when the data they aggregated could only be accessed by a few huge institutional consultant firms are long gone. These databases are now being subscribed to and accessed by
 - other consulting firms,
 - in-house asset managers,
 - pension funds,
 - retail investors,
 - family offices,
 - independent RIAs,
 - wire houses,
 - regional brokerage firms,
 - fund of funds,
 - subadvisors,
 - HNW individuals
 - Foundations and endowments, and
 - investment management firms.

Take Mercer's Global Investment Management Database, for instance. It now includes real-time data about 5,700 managers worldwide, made available to over 1,200 members of Mercer's consultant and investments teams, as well as over 150 "high---value clients." It also enables participating managers respond directly to RFIs from these investors.⁴ And that is just one database!

As a general rule, we recommend that managers push their data out through all of them to achieve the broadest distribution possible. Managers who have a very specific target market may want to narrow the list to those that focus on their particular niche.

⁴ mercer.com. Accessed 9.13.16

- **Fact Sheets.** This old-school, tangible collateral piece is the single most valuable “piece of paper” in which a firm can invest. Whether it is distributed as a handout or a downloadable pdf via a website, it is a must-have for firm credibility.

Regardless of a firm’s size or marketing budget, the fact sheet is indispensable for telling their story to existing and potential clients. As we noted earlier, **producing fact sheets is still the No. 1 pain point for managers, but much of that pain goes away when they can be populated with data and narratives stored in a professionally managed data vault.**

It also pays to invest in a professionally designed fact sheet that illustrates the narrative with graphic evidence—including charts, graphs and tables—of the results.

- **Competitive Analyses.** The successful firm is a competitive firm. How a manager positions their product against their benchmark and key competitors can make the difference between a successful presentation and a failed attempt to acquire a new client.

These head-to-head competitive reports leverage the firm’s data in a way that speaks directly to potential clients. It also helps management firms stay focused on how their competitors are doing and how they stack up against a very saturated field. We have known clients who run 30-40 unique competitive analyses

on a monthly basis and find it an invaluable tool in new business growth, client retention and internal due-diligence.

- **Pitch Books.** Pitch books, PowerPoint decks and sales presentations have been marketing collateral staples for decades. Pitch books are required once the due diligence process is underway and are a mandatory part of the closing meeting every large potential investor. They should always address all the “Ps” of the firm: **People, Philosophy, Product, Process and Performance.** As the primary sales presentation used by investment managers, pitch books must be compliance---approved, and getting them updated and personalized for each strategy and every prospect meeting can be a daunting task.

We recommend managers update their pitch books every quarter and populate them with data that has been carefully vetted for accuracy, consistency and regulatory compliance.

- **Due Diligence Documents: RFPs/RFIs/DDQs.** There is no single more exciting moment for a firm than the day they are engaged in a live, qualified search and have been asked to fill out a very detailed due-diligence document.

Institutional consultants and clients expect to do business with a firm that understands—and is prepared for—the level of knowledge and data required to answer pointed questions about every aspect of their business, their investment approach and their performance results.

We are always concerned when we see sales resources spending days, even weeks, filling out DDQs/RFPs/RFIs when the firm has done very little in the area of data warehousing and data management. We compel our clients to produce branded, customized due-diligence documents and provide them with the accurate, consistent, ready-to--input data they need so they can focus on tailored responses. We also recommend they pre-qualify these time-consuming requests before making the decision to respond.

- **Websites.** The website has become a firm's 24/7 globally available brochure. It is no longer just a validator of the firm's existence. It is now one of the first two places where investors and intermediaries make when they want to learn about a firm, its people and its products (The database profile is the other)

Websites are also an important way interested parties access a firm's fact sheets, marketing materials, investment commentary and firm-level profile. As such, an investment manager's website is now the most accessible distribution method for their data and brand messaging.

A compelling, professionally designed website is just the first step. The data it contains must be updated on a monthly/quarterly basis to reflect current market conditions and portfolio characteristics. Here is another place where a professionally managed database can make the updating process easier and less time-consuming for internal staff and compliance.

Summing Up

The firm that understands that their data is their product and uses every available means of data distribution is a firm likely to grow AUM regardless of market conditions.

Knowing that, successful firms invest in professional best practices that put the management and distribution of their data at the top of their marketing priority list. Professional data management warehousing has become an essential need for asset managers—especially since regulators have become hyper-focused on the accuracy and integrity of the data firms make available through their marketing communications and collateral.

A secure, web-based portal that captures, verifies and stores all the marketing data sets a firm generates makes every element of distribution reliable.

Tracking logs of data vault activity has become a necessary component of marketing data management, both to document the source of every data point and to track how these data points are accessed and updated over time. Investing in a professional data management service can solve the challenge of managing and distributing investment marketing data, keep compliance happy and help firms grow their AUM to profitable and sustainable levels.