GULLAND PADFIELD REPORT 2015

INSTITUTIONAL ASSET MANAGEMENT

THE LEAST CLIENT-CENTRIC BRANDS IN FINANCIAL SERVICES?

A study from strategy consultants Gulland Padfield looks at the poor state of branding and messaging in the Institutional Asset Management industry and the opportunity leading brands now have to align their proposition to the needs of their clients and customers.

"For years, many Asset Management firms have wrestled unsuccessfully with the issue of brand definition", says James Phillips, partner at Gulland Padfield and co-author of the report. *"There are two main reasons for this. Firstly, many large Asset Management firms are in fact three businesses: a retail franchise, a wholesale business and an asset manager to institutions. From the start these businesses struggle to describe and align what they do to three related but different markets with often conflicting needs. It's a huge challenge. Secondly, others firms are almost completely un-branded with no message. They tend to rely instead on promoting a series of facts and statistics, usually about their organization or its investment performance. There's a huge opportunity for institutions to address both these challenges and strengthen customer loyalty and client acquisition as a result. In our study, we see a growing divide between firms which are getting 'brand' right and those which clearly are not."*

What's the challenge?

Gulland Padfield's report focuses on a number of the leading asset management firms. Many have weakly-defined and even un-client centric brands and market messaging. Why is this? The Report identifies six possible reasons:

1. The wrong message focus. There is a very strongly held view inside the Asset Management sector that 'it's all about investment performance' and that 'the numbers speak for themselves'. As a result, brand and messaging has been an area largely underappreciated by many AM firms. While it's true to say that no asset management firm lasts long if it consistently underperforms, building a brand around 'beating the market' in a world where doing so is increasingly difficult and where promises to do so are treated with increasing scepticism by clients, means that you are building your brand on weak foundations if you focus your brand message mainly on investment performance.

2. They emphasise capabilities over the benefits and impact. Our study shows that many firms continue to focus their positioning around their capabilities, products, solutions or size. Others place a particular emphasis on the depth of their investment talent and collaborative approach to managing portfolios. Great. But the majority failed to answer the clearest question in every client's mind, namely, 'What is the positive impact that delivers for me?' A better brand strategy will help to articulate the benefits not just the features of the AM firm or its performance.

3. An under-appreciation of what brand and market messaging can do in the bad times. By creating a stronger attachment to the institutional brand, AM firms can help protect the value of their own business during periods of under-performance and uncertainty.

4. Lack of client data and insights on which to build a brand message. Any brand is only as strong as the understanding it has of the needs of its clients. Many Asset Management firms

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usually have a very poor understanding of Institutional or high net worth relationships, and do an imperfect job of asking client the right questions which can help them shape a brand and market message strategy supportive of the franchise.

5. Complex route-to-market channels. Unlike those financial services brands which are exclusively focused on retail customers, Asset Management firms have to interface in a much more complex environment. Sometimes their relationships are direct with the end investor. At other times, they are indirect through investment consultants on behalf of an institutional investor or through wholesale channels to financial advisors. This diverse focus makes brand strategy very challenging.

6. AM brands have been too dependent on individual star managers. Recent departures of high profile individuals from leading firms, only continue to illustrate the challenges firms face in balancing an individual's importance to the franchise, with the value of the institutional brand. Getting that balance right is a chronically unresolved challenge for the industry. A stronger institutional brand helps smooth the impact of star managers arriving or leaving the firm.

How are the best performing brands building their market profile and recognition?

Here are some of the strategies which the Report identifies:

1. They choose a single clear message to communicate a firm's proposition. Surprisingly, we found that very few AM firms have designed core messages which are truly differentiated, powerful or succinct. For the majority, their core messages are poorly articulated, hidden completely or were very diffuse and unfocused. This results in weak cut-through to the clients and prospects they want to reach.

2. They focus on the impact of what they do for clients and less on their capabilities. It isn't just about investment performance, it's about the client experience. The most effective brands in our report made clear attempts to articulate the benefit and the positive difference their capabilities have on clients.

3. They use Thought Leadership and content to illustrate their value as a brand. Firms with the strongest brands in our research are leveraging their perspectives and analysis to create Thought Leadership and to substantiate and demonstrate the power of what they do. We found that the most successful asset managers provide audiences with a wide range of perspectives, opinions (beyond the traditional research notes) and offer ideas to address clients' broader financial challenges.

4. They align brand messaging to their distribution strategy. Good brand strategy links a message directly with a firm's sales and marketing initiatives. The messaging should be directed explicitly at target client segments, whether you distribute to them directly or indirectly. Your sales force should be equipped to articulate and promote the brand's message from the initial pitch and right throughout the on-going client relationship.

5. Successful brands measure their performance. The strongest brands are built on reliable research among clients and prospects. And such brands stay strong in the same way; by tracking clients' engagement with the message and its appeal. A client insight programme generates vital insights to help you assess the strengths and weaknesses of the brand and identify the steps required to enhance its potential.

6. They don't get the creative agency involved too early. Every brand positioning benefits from the right kind of creative input – but only once you have defined and analysed where you want it to be positioned. The right visual identity (including logo and colour palate) should work hand in hand with your overall strategic messaging. Everything from your on-line presence to meeting materials (e.g. marketing presentations, brochures) should illustrate your firm's differentiators.

7. They educate the entire organisation to talk about the brand. Whether it's your senior executives, client facing teams or back office staff, each stakeholder has a role to play in communicating the brand's internally and externally. Make sure you have a client-focused culture and ensure staff feel enthused and engaged about the firm's proposition and the positive impact on client relationships.

8. They seize the opportunity to promote a new brand if and when you consolidate. Business transformations are pivotal moments for a brand – and are usually missed in the complexity of bringing two businesses together. But you'll never get a better opportunity to promote your brand and why it's doing what it is for clients. In an M&A transaction, you'll need to ask a number of important questions. Which brand should we keep? Do we need to create a brand new brand? Would the new brand appeal to a combined client base?

About the Report

Gulland Padfield's report reviews the brand and marketing positioning of 20 leading global asset managers. It assesses the publicly-available information on company web sites and in other marketing and communications materials and in the public pronouncements of management teams on this topic. The Report also benchmarks Asset Management brands against Gulland Padfield's model for advisory and financial brands, which identifies 5 routes that most advisory brands take and the degree of client focus of each. The Report maps where leading brands sit relative to each other. It provides a useful starting point for any AM firm to assess how it should strengthen its reputation, communication and differentiation in a highly competitive and complex market. For further details on the report, contact its authors **James Edsberg** on jedsberg@gullandpadfield.com or **James Phillips** on jphillips@gullandpadfield.com.

About Gulland Padfield

Gulland Padfield is the award-winning management consultancy firm whose teams work with Institutional Asset Management firms to help them become profoundly client focused and improve their growth, operations, margin and the loyalty of their clients, as a consequence.

To find out more, visit Gulland Padfield at www.gullandpadfield.com