DATA IS YOUR PRODUCT

The Case for Professional Marketing Data Management and Distribution

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The 21st century is all about data, and data has big implications for how investment managers can achieve critical mass and grow their businesses to sustainable levels.

In today's digital world, your firm’s marketing information and data—your performance record, your attribution and analysis information, even your assets under management (AUM)—is your product. Your marketing data is the evidence that proves you are able to do what you say you can do—and that you have been able to do it consistently, on an absolute and/or relative basis, over time. Prospective and existing clients—and the consultants that vet and monitor managers for them—rely on your marketing information 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, no matter how compelling your investment story, if investors cannot find your marketing information and data, your firm may as well be a tree falling in the forest—no one sees it, no one hears it, no one even knows it’s 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. We discuss the types of marketing information that asset managers need to focus on and the best ways to use that information to grow AUM to sustainable and profitable levels. Finally, we share our experience regarding how cost-effective third-party solutions can help investment firms manage their marketing data.

Consultant/Online Databases Connect Prospects and Managers
Marketing information and data have become the driving force behind manager assess-and-search processes. More than 40 consultant and online research databases serve tens of thousands of retail and institutional investors and decision-influencers worldwide. Pulling information together and getting it in front of as many buyers as possible is a marketing job. Leveraging the qualified leads produced through marketing and building the trust necessary to convert those leads into clients is the job of sales professionals. Firms that confuse, or try to combine, the two roles and/or expect the sales staff to manage the database are living on borrowed time.

All Data Is Important, but Not All Data Investment Is Equal
Marketing information and data are important in every facet of the investment business. Data drives the research that analysts produce. Analysts’ judgments drive portfolio managers’ decisions to buy, hold, and sell. Data is important for regulatory compliance, sound operations, and efficient trading. And 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 information is not only the manager’s product—it is the manager’s resume.

Spending Too Much on the Front End
Many money managers spend too much on the front end of data management, at the expense of the information that potential asset owners really care about: performance information. Over the years, we have asked many managers where they get the biggest return on their investment in data. The nearly unanimous response is “security research and analysis.” Consultant Joel Bruckenstein recently quantified this, reporting that 50–90 percent 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 fuel the portfolio decisions that generate alpha. And if managers consistently generate alpha, consultants and prospective clients will find them, right?

Wrong. Unless a firm collects, verifies, and packages that alpha—and all the supporting analytics and portfolio characteristics that go with it—then distributes it in all the places a prospective client might be looking for it, alpha is like a tree falling in the forest.

Spending Too Much on the Back Office
According to results from the 2015 InvestmentNews Adviser Technology Study, firms are shifting their information technology (IT) spending to focus primarily on client-facing technology and productivity enhancements.² Improving the client experience and keeping up with competitive pressure to engage clients through multiple online platforms are important goals. But protecting the AUM flank is not going to do a firm much good until it has grown

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AUM and revenues to sustainable and profitable levels by getting clients in the door.

Devoting significant portions of IT spending to back-office operations may be a great move for mature, profitable firms with a critical mass of AUM under their belts, but it’s not helpful for smaller firms still growing their businesses to sustainable levels.

It’s an old-school myth that investment management is a relationship sell that will take care of itself as long as the performance numbers are good. In the 21st century, the best way to grow AUM is to manage and distribute marketing information and data as widely as possible, so sales professionals can focus on converting a meaningful percentage of prequalified leads into revenue-generating clients.

**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 information and 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 marketing information through client reviews, marketing collateral, pitch books, and due-diligence questionnaires, requests for information, and requests for proposal (DDQs/RFIs/RFPs)—let alone distributing it to more than 40 databases—in a timely way that assures the data integrity regulators demand is daunting and labor-intensive. Quarterly reporting challenges every team and consumes the attention of the entire staff of any asset management firm. It is no surprise that putting together fact sheets and client reports remains the number-one marketing pain-point for investment managers.3

The raw data often comes in unorganized formats that make reporting and distribution a major challenge. The various datasets required to populate reports and marketing databases often are produced and gathered by multiple people 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**

The human element of data management cannot be eliminated. Once marketing data is produced, its 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.

External databases typically request more than 50 metrics; together, these metrics paint a picture of a portfolio’s characteristics. Every metric must be checked for rationality, consistency across timeframes and benchmarks, and accuracy. Then a fresh, data-informed narrative needs to be written to communicate results in a way that still meets compliance approval standards. That takes experienced eyes and skilled people, because it’s a process that often strains the human-resource capacities of many investment firms.

**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. Being reliable is the way managers establish the credibility that consultants and investors need to see before they will take their database monitoring to the next level and contact the firm for a due-diligence review. “Reliable” means data must be accurate, consistent, thorough, and timely. If a manager is slow to update marketing databases, if there are holes in reporting periods, if past data has been restated due to errors, the firm may be passed over in favor of one of the hundreds of other firms that manages to maintain the integrity of their online footprints.

All database managers agree: If an asset manager does not provide consistent data entries into its target-market databases, that asset manager isn’t 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 data they need for client and marketing materials. These systems often do not talk to one another, and even the best software system is unable 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.

**Professional Marketing Data Management, Warehousing, and Distribution Is a Good Investment**

It’s no wonder that investment management firms struggle to harness the full power of marketing data. The cost of building a secure controlled in-house SQL (structured query language) database for data warehousing and management is more than most managers can afford. Many small firms take the do-it-yourself route or use a public consultant database as the firm’s private vault. Neither is a cost-effective solution. Consultant databases are designed to serve the needs of consultants, not managers, and managers should not rely on databases designed for public use to store 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 to leverage its data, ensure data accuracy and consistency, and distribute the information to as many search platforms as possible. Managing data through a professionally developed SQL-based data warehouse that is customized for the needs of each firm frees internal marketing and sales staff to focus on high-level, high-payoff tasks; provides relief for internal IT resources; and adds an additional level of oversight and verification that keeps regulators satisfied.

The point about keeping regulators satisfied is especially important—and often overlooked. Regulatory agencies such as the Financial Industry Regulatory Authority...
and the U.S. Securities and Exchange Commission are becoming more assertive about monitoring the data that managers use in marketing presentations and collateral such as fact sheets. Regulatory agencies also focus on soft data such as firm and product narratives that help make the firm’s case about its 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 reconciling data, highlighting errors, and 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 ensure published content is consistent and reflects current, accurate data.

The Must-Have Data
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. More than 50 performance characteristics communicate how a manager has competed 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 monthly.

Portfolio holdings. Investors and their consultants use holdings to determine whether a manager adheres to its stated mandate, style/capitalization convictions, and portfolio construction discipline. Over time, holdings data reveals whether a manager does what it promises or drifts from its stated philosophy and process.

Assets under management. AUM is one way investors determine whether an investment firm will be a good fit. Some use it as a critical-mass validator. Others look for a newer firm where they can be a 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.

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The firm’s 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 important information. Narratives articulate the firm’s investment philosophy and processes. These narratives must be well-written and consistent, and they must adequately express the core beliefs, skills, and intentions of the firm. Because a firm’s narrative appears in so many places—and because individuals in the firm have so many opportunities to tweak it for particular situations—management of the firm’s story can be difficult, yet it is critical for success. Prospective investors and consultants expect to see a consistent, up-to-date message across all databases, client reporting, marketing collateral, and sales presentations.

Getting Marketing Data into the Hands of Potential Clients
The two most powerful data distribution platforms available to managers are (1) establishing the broadest footprint possible in key databases serving target markets and (2) 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 are the most-effective data distribution platforms that investment management firms should be using:

Consultant and Online Databases
More than 40 major consultant databases, including subscription services by online vendors such as Morningstar, Lipper, and PSN, are available to managers worldwide. But gone are the days when this aggregated data could be accessed by only a few huge institutional consultants. These databases now are subscribed to and accessed by other consulting firms, in-house asset managers, pension funds, retail investors, family offices, independent registered investment advisors, wirehouses, regional brokerage firms, funds of funds, subadvisors, high-net-worth individuals, foundations, endowments, and even other investment management firms.

For example, Mercer’s Global Investment Management Database now includes real-time data on 5,700 managers worldwide, made available to more than 1,200 members of Mercer’s consultant and investments teams, as well as more than 150 “high-value clients.” Participating managers may respond directly to RFIs from these high-value clients. And that is just one database.

As a general rule, we recommend that managers push their data out through all of the databases to achieve the broadest distribution possible. Only managers with very specific target markets may want to narrow the list to those that focus on their particular niche.

Fact Sheets
This piece of old-school, tangible collateral 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 the firm’s story to existing and potential clients.

As we noted earlier, producing fact sheets is still the number-one pain point for managers. But much of that pain goes away when the fact sheet 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—charts, graphs, and tables—of the results.

Competitive Analyses

The successful firm is a competitive firm. How a manager positions its product against the index 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 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 monthly and find this information to be 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 for every large potential investor. Pitch books 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 daunting. We recommend that 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: DDQs/RFIs/RFPs

There is no single more exciting moment for a firm than the day it is engaged in a live, qualified search and has 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 its business, its investment approach, and its performance results.

We are always concerned when we see sales resources spending days, even weeks, filling out DDQs/RFIs/RFPs 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 the first stop investors and intermediaries make when they want to learn about a firm, its people, and its products. It is also the way most interested parties access fact sheets, marketing materials, investment commentary, and firm-level profiles. As such, an investment manager’s website is now the most accessible distribution method for its marketing data and brand messaging.

A compelling, professionally designed website is just the first step. The data it contains must be updated monthly and quarterly 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.

Summary

The firm that understands that marketing information and data is its product and uses every available means of data distribution is a firm guaranteed to grow AUM regardless of market conditions. Successful firms invest in professional best-practices that put the management and distribution of their data at the top of the 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 that firms make available through marketing communications and collateral. A secure, web-based portal that captures, verifies, and stores all the marketing datasets that a firm generates makes every element of distribution reliable. Tracking the logs of data-vault activity has become a necessary component of marketing data management, 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, satisfy compliance requirements, and help firms grow AUM to profitable and sustainable levels.

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Endnotes