

A person wearing a red blazer is holding a grey pen over a tablet. The tablet displays various data visualizations, including a bar chart, a line graph, and a circular radar chart. The background is blurred, showing office equipment.

Corner Office Views



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Corner Office Views

Timely Insights to Inform your Business Strategy

Lead with knowledge and perspective. Connect with secular trends impacting financial services, interpret what they mean for your business, and drive new opportunities. Cerulli's Corner Office Views provides market-leading insights and tangible takeaways for senior executives seeking to strengthen and scale their business models.

About the Author



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Associate Director,
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Ed is an associate director in Cerulli's Wealth Management practice and leads research for the U.S. Intermediary Distribution report. His research focuses on distribution strategies for retail asset management products sold through financial advisors, advisor product use, and portfolio construction trends.

Prior to joining Cerulli Associates, Ed worked as an internal wholesaler at Wells Fargo Asset Management. There, he spent nearly a decade working with financial advisors in the wirehouse, independent broker/dealer, and RIA channels.

Education

- Hampshire College, B.A.
Music Performance and Composition

Areas of Expertise

- Trends impacting retail asset management, including the opportunities and risks affecting distribution teams across channels
- Territory coverage models and resource allocation
- Staffing and compensation for wholesaling teams
- Key accounts' engagement with professional buyers
- Financial advisors' value-add preferences, portfolio construction behavior, and product use

Recent Project Work

- Devised market-entry strategy for institutional asset manager seeking to enter high-net-worth and traditional retail wealth management segments
- Custom research focused portfolio construction and ETF use by advisors in the independent channels.
- Data-driven white paper on the value of the Certified Investment Management Analyst® (CIMA®) and the Certified Private Wealth Advisor® (CPWA®) certifications, in partnership with the Investments & Wealth Institute (formerly IMCA)



How Can U.S. Distribution Teams Use Data Effectively?

Insufficient infrastructure and sourcing data remain major challenges

Key Points

- Identifying and deciding how to organize the location of internal data sources is a crucial early step for teams looking to use data.
- Distribution teams must be selective when purchasing data packs from B/Ds and other data providers as quality and usability can vary.
- Blending advisor digital engagement data with wholesaler-generated intelligence, sales information, and third-party data sources can help craft the client experience.

Maximizing Distribution Data

Shifting to a virtual format during the pandemic has forced asset managers to confront the fact that the industry's reluctance to embrace technology has come at a cost. Many firms lack the resources and processes needed to effectively use data to engage with advisors. The largest managers have benefited from having the capital on hand to hire more professionals dedicated to data efforts, acquire data inputs, and increase systems functionality, but firms of all sizes still face challenges making the most out of distribution data.

The ability to repeatably reduce the time it would normally take for wholesalers to uncover opportunities or guide them toward opportunities that might have otherwise been missed entirely requires more than simply purchasing lists. The challenges distribution executives report facing include insufficient technology infrastructure and sourcing data.

Insufficient Technology Infrastructure

More than half (55%) of distribution executives find insufficient technology infrastructure very challenging. This includes challenges with the CRM, sales reporting systems, marketing tools, and the general ability to share data between groups.

Complex exercises like measuring ROI become even harder if poor systems integration hinders the ability to draw a line from purchased data to lead generation to activity to sales. However, even simple tasks like getting wholesalers to add data to CRMs suffer when systems are lacking. One-fifth (20%) of distribution executives find getting wholesalers to input CRM data very challenging.

Identifying and deciding how to organize the location of internal data sources is a crucial early step for teams looking to use data. From there, teams can begin to prioritize investment needs and decide whether to focus on building a centralized system or whether pieces can be adapted over time while dedicated analytics tools draw on the existing infrastructure to begin generating insights in the short term.

One-fifth (20%) of distribution executives find getting wholesaler to input CRM data very challenging.

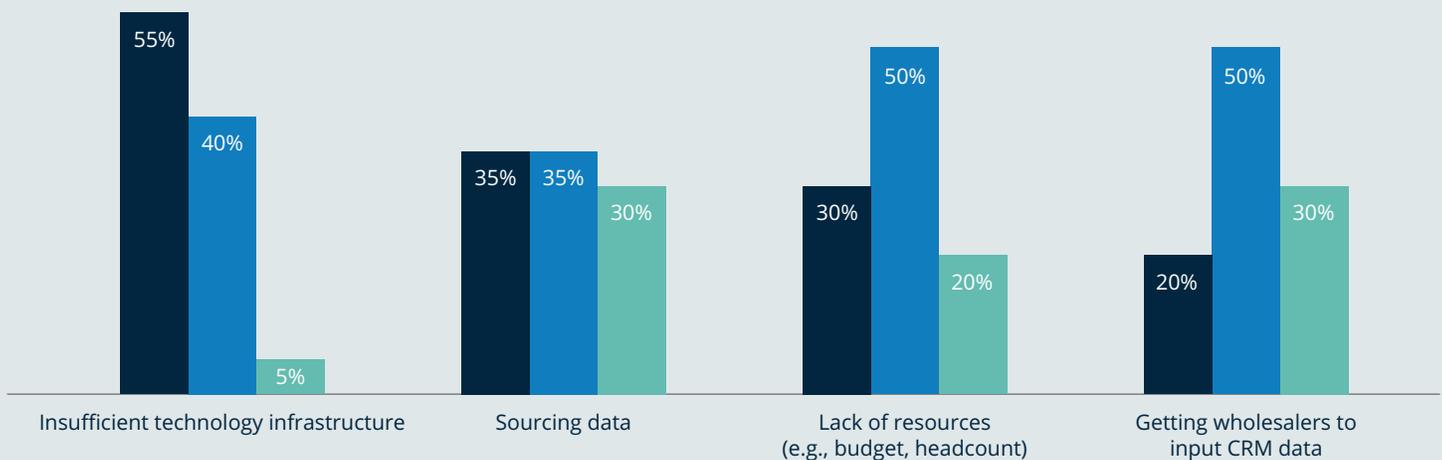
Sourcing Data

More than one-third (35%) of distribution executives find sourcing data very challenging. As teams build out their data capabilities, they must wade through an ever-expanding range of options from which to source information. Firms are still working to understand what data points are available and, more importantly, determine which ones are useful.

Over the past decade, broker/dealers, and now RIA custodians, have turned to selling advisor data to distribution teams as tracking sales data and targeting advisors has become more difficult. The majority (60%) of distribution executives find data packs from broker/dealers very valuable. Meanwhile, third-party providers like Discovery Data and DST have long worked to provide distribution teams

Distribution Executives: Challenges Sourcing Infrastructure & Data Inputs, 2021

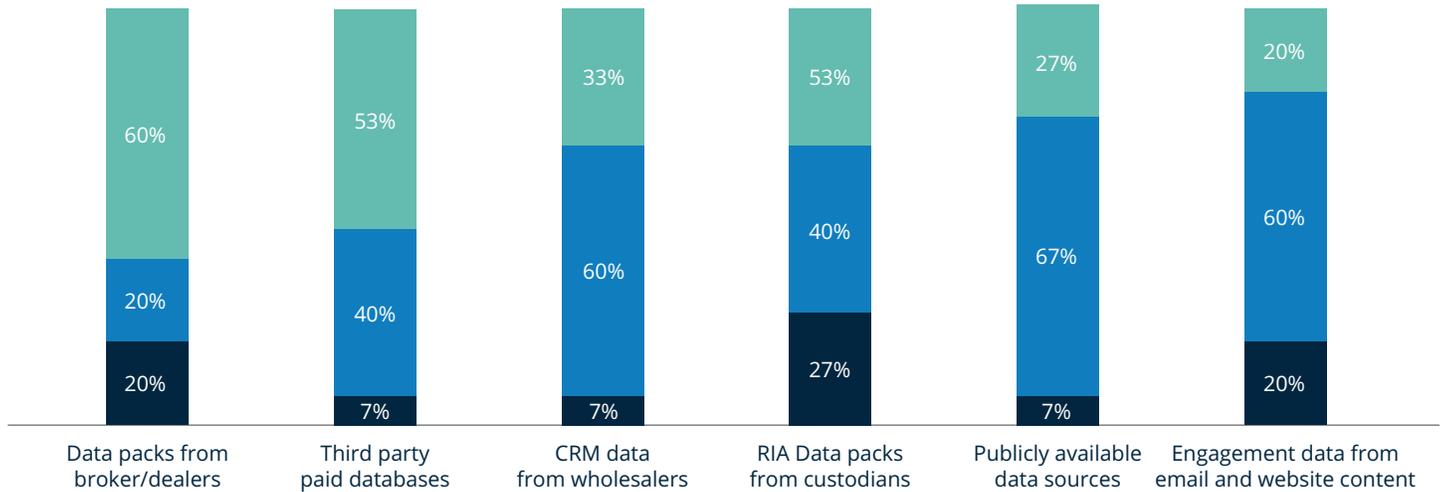
■ Very challenging ■ Somewhat challenging ■ Not challenging



Sources: Cerulli Associates, in partnership with the Investments & Wealth Institute, and the Financial Planning Association® (FPA®)

Distribution Executives: Value of Data Sources, 2021

■ Not Valuable ■ Valuable ■ Very Valuable



Sources: Cerulli Associates, in partnership with the Investments & Wealth Institute, and the Financial Planning Association® (FPA®)

with advisor information. Additionally, managers are attempting to incorporate the wealth of information they can source internally.

Operating in a digital environment has created an opportunity for distribution teams to capture real-time feedback from advisors on products, marketing materials, and value-add programs. Beyond creating openings for wholesaler conversations, this information can help firms understand which offerings resonate with key segments and allocate resources accordingly.

Blending advisor digital engagement data with other inputs like wholesaler-generated intelligence, sales information, and third-party data sources can help distribution teams craft the type of client experience that advisors have come to appreciate in every other area of their lives. However, acquiring information from data providers and home offices can be costly.

Information from data providers and home offices can be costly. As a result, distribution teams are becoming much more selective when buying data.

Selling data packs has proven to be a lucrative way for B/Ds to offset lost revenue as fee awareness and regulatory concerns have altered the economics of asset manager/distributor relationships. According to their most recent disclosures, Wells Fargo charged managers between \$450,000 to \$550,000 while LPL charged up to \$600,000 for their data analytics packages.

As a result, distribution teams are becoming much more selective when buying data. Firms earlier in the data journey often weigh not only the quality of data, but the level of pre-packaged insights that some providers offer. Firms with more sophisticated

in-house capabilities, however, are far more interested in buying in-depth raw data sets that can be manipulated as needed.

Sourcing data internally often requires the previously discussed investments in infrastructure. Unfortunately, even once systems have been updated to facilitate entering information, wholesalers can be resistant to changing their behavior and using the CRM. In these instances, distribution executives have shared that tying desired behavior to compensation can motivate even the most reluctant adopters. As one head of distribution frames simply, "You get what you measure."



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Cerulli's research product line includes the Cerulli Report series, the Cerulli Edge series, and Cerulli Lodestar.

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