COMMENTARY

The passive vs. active debate asset managers should be having

By Dan Sondhelm

The epic struggle between active versus passive investment strategies and all that it has wrought across the financial services industry has led asset managers to a critical juncture. Caught in the convergence of shrinking profit margins amidst asset growth propped up by asset price inflation, asset managers must now actively pursue market expansion strategies if they expect to achieve sustainable growth. For boutique asset managers especially, 2020 is shaping up to be a pivotal year in which the status quo of passive marketing and sales efforts will put their very survival at risk.

WHY YOU NEED AN ACTIVE MARKETING PLAN

One challenge facing emerging asset managers over the past several years is the growth of AUM and revenues. Much of the growth has come from asset-price inflation driven by a surging stock market.

When firms can sit passively by and watch their revenues grow from year to year, it's easy to be lulled into complacency when it comes to their sales and marketing efforts. But, when asset-price inflation is no longer enough to offset net outflows, it will leave firms with a shrinking revenue pool on top of downward fee pressure.

Given the current state of asset flows, asset management firms need to be asking themselves where their growth will come from when the market inevitably turns.

Even more challenging is the arm's-length approach institutions and advisors are taking in centralizing investment decisions among third-party gatekeepers, making them nearly impervious to traditional marketing and sales approaches. Less-established firms need to focus on ways to raise their profile and get their story out, or risk sliding into obscurity.

To grow, firms need to be as active in the marketing and sales side of their business as they are in the investment side.

If you have a good story to tell, and you are committed to growth, all you need are the right strategies to propel your firm to the next level.

BLAST EMAILS OR MARKETING AUTOMATION

A case in point for passive versus active marketing is email marketing, which is a staple in asset management. While it is still a valid marketing concept, it is passive on its face — sending a series of generic email blasts over time to build familiarity with the hope they will contact you when the time is right.

While most email marketing platforms do allow you to view the number of emails that get opened, there's really nothing you can do with that information except pat yourself on the back if the open rate is high, or adjust your message if the open rate is low.

What if your email marketing system allowed you to see who is opening your emails over time? Did they click through to your website? What content did they view or download?

What could you do with that information? Begin to tailor your messages to that prospect based on their engagement with your website. Narrow down their interests based on the content they view. Track their level and type of engagement with your sites to gauge his receptivity to a call. Track the same information with your clients to ensure they stay engaged with you. That is the difference between what email marketing does for you and what marketing automation can do for you.

DIGITAL BROCHURE OR LEAD CONVERTER

Most recognize the difference between a website that acts as a digital brochure and one that commands serious attention.

The former is there to simply provide proof of your firm's existence, while the latter offers visitors a memorable experience with intuitive navigation and dynamic content. One is passive while the other is active in its purpose of attracting visitors and converting them into qualified leads.

The real cost-benefit of a proactive website is the analytics it can provide that allow you to track the activities of visitors – who they are, where they came from, the pages they viewed, and how long they stayed — and then move them through the funnel. You can then target them through email campaigns and retargeting strategies with content tailored to their interests to re-engage from other websites. This is the type of intelligence that will turn your salespeople into closers, because they'll know when a prospect is ready to buy.

ESTABLISH YOUR AUTHORITY

A well-conceived PR strategy is the most cost-effective way to gain visibility and credibility in the market. While marketing and sales are essential for generating inflows, boutique firms need to build buzz to add credibility. While many firms have experience working with journalists, it tends to come in the form of answering incoming questions from reporters. It's reactive, and the answers are not always well-prepared. Firms have to be proactive in their PR efforts. Think about the story you want to tell.

To be really proactive, you can repurpose your media coverage throughout your sales and marketing efforts, giving your salespeople a legitimate "door opener" on their calls. Add reprints to your website, email marketing and social media.

SMILE AND DIAL OR INCREASE SUPPORT

Many asset managers are sales-driven — which is fine except when their salespeople aren't closing enough sales or generating enough production to justify their compensation and travel budgets.

That tends to happen when the salespeople don't have enough qualified investors to talk with, so they concentrate on low-hanging prospects. When salespeople do find themselves in a competitive sales situation, and they are equipped with nothing but a fact sheet and a generic pitchbook, they are being set up to fail. An active approach is about setting them up for success by leveraging your technology and data to enable them to do what they do best, which is having strong conversations.

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