



# **The Future of Institutional Relationship Management**

Greenwich ACCESS™ For Asset Managers

Webinar

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# Today's Presenters



**Andrew McCollum, Managing Director, Investment Management, Greenwich Associates**

Andrew is responsible for managing relationships with a number of leading asset managers, investment consultants and other service providers in the United States and Canada.



**Christopher Dunn, Associate Consultant, Investment Management, Greenwich Associates**

Christopher consults with a number of the Firm's largest North American investment management and investment consultant clients.

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# Agenda



The Evolving Role of Relationship Managers



Best-In-Class Relationship Management Practices



Recommendations



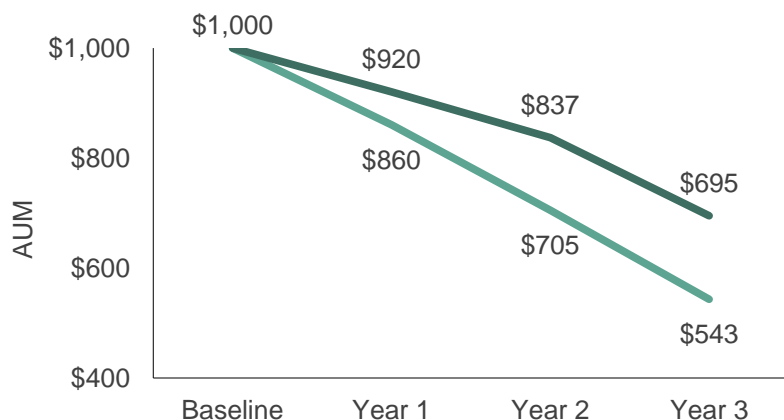
Questions

# Importance of High-Quality Relationship Management

Actively managing client perceptions and delivering top-quartile service improves retention and supports cross sales

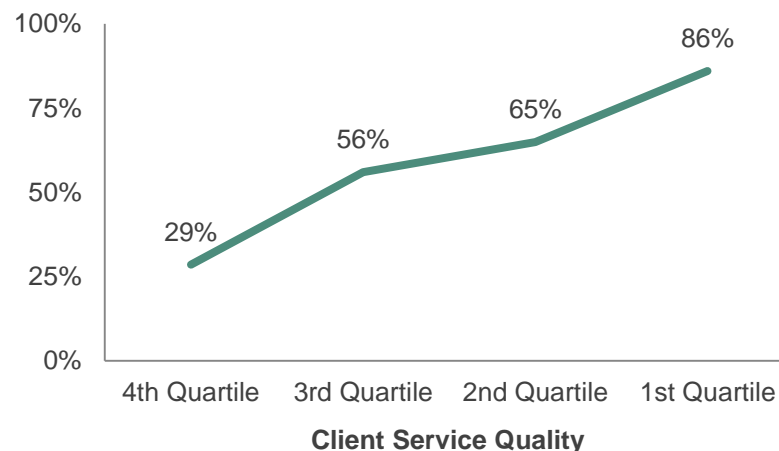
## Client Retention

**AUM Loss of Managers with Sub-par performance by Client Service Quality**



## Cross Sales

**Cross Sales Win Rates**



For a manager with \$100B in AUM, the benefit of maintaining good service can translate into **\$17m** additional fee income over 3 years\*

Note: Good service is defined as the top 1/3rd of managers in terms of the Greenwich Quality Index (GQI) for Client Service. Poor Service is defined as the bottom 1/3rd of managers in terms of Client Service GQI. Managers had below benchmark performance for five straight years. \*Assuming average fee rate is 50 basis points.

Source: Greenwich Associates

# Moving Beyond Alpha

The mismatch between needs and offerings drives new demands from clients

- **Investor needs are typically holistic**, but the industry has focused on delivering relative performance across a limited set of traditional products.
- **In recent years, investors have struggled to meet their needs**
  - Over-reliance upon equity risk premium
  - Focused on relative performance
  - Low growth/low yield environment
  - Over-reliance upon traditional single-strategy building-blocks leading to ineffective diversification



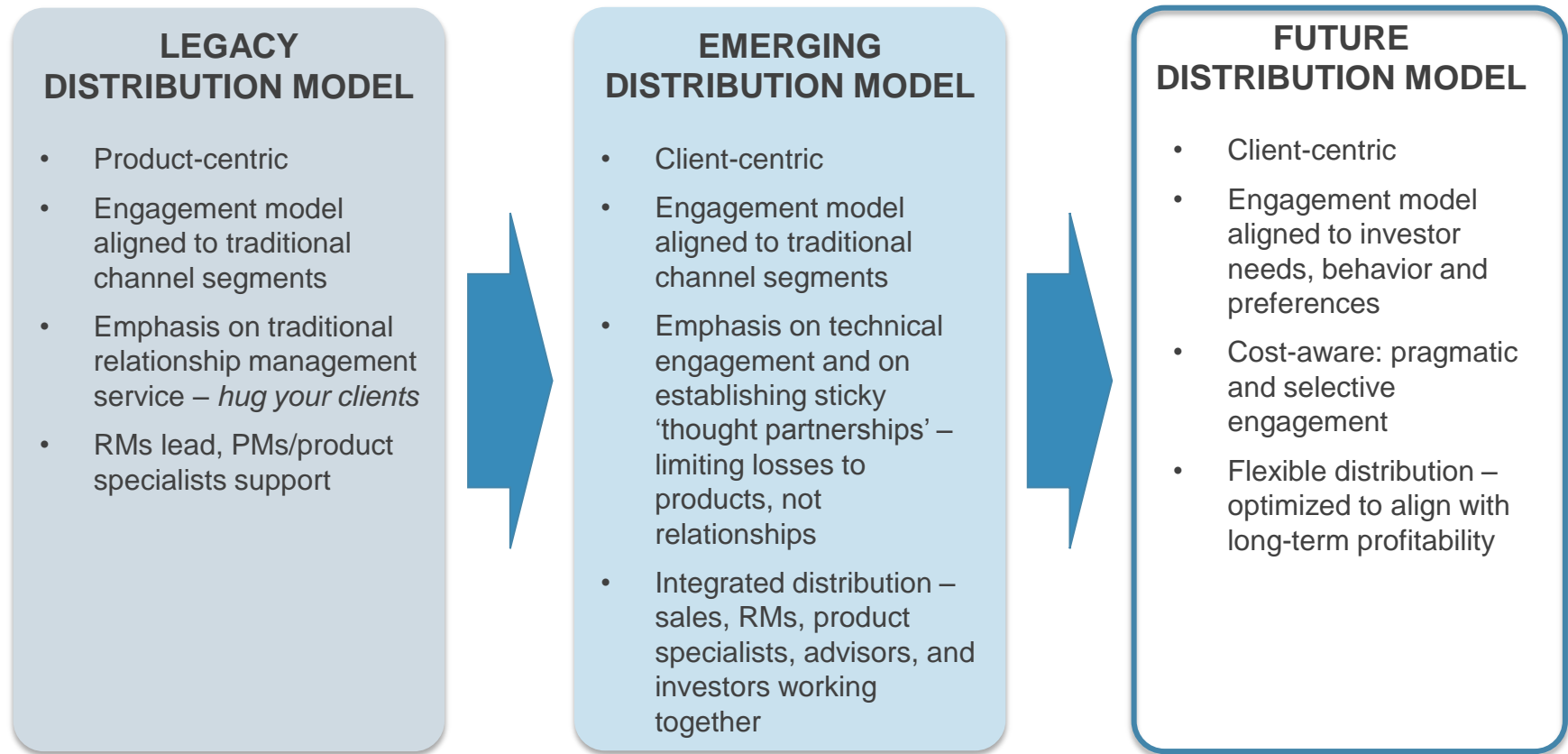
**Demand pressure on managers  
to extend their value proposition  
beyond alpha delivery**

**Product  
Innovation**

**Advice &  
Counseling**

# Expectations For RMs Are Shifting

Future distribution success will be driven by client-centric approaches provided by a “team of advisors”



# Evolving RM Skill Sets

The ability of RMs to advise clients on their holistic objectives grounded in a deep understanding of client goals is increasingly important to success

## Most Important Drivers of Client Service Satisfaction

- 1 Usefulness of Conversations Outside of Formal Presentations
- 2 Capabilities of Relationship Manager
- 3 Understanding Client Goals and Objectives

## Next Generation Relationship Management Success Criteria

- Focuses on long-term; builds trust and credibility
- Considers investors needs holistically
- Willing and able to serve as trusted advisor
- Analytical / technical skills
- Highly integrated with distribution and investment teams
- Substantive and thoughtful

Source: Greenwich Associates 2014.

Greenwich Associates



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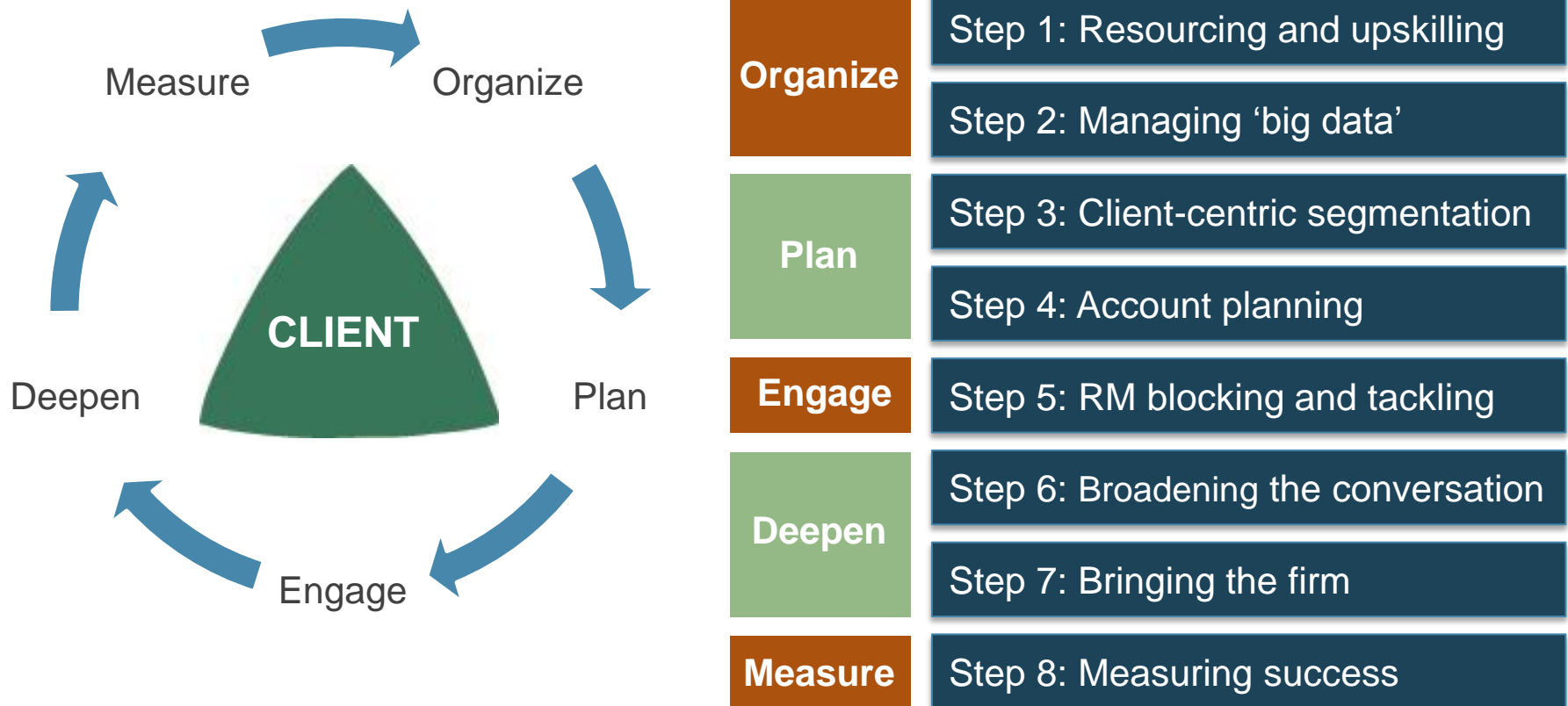


Questions

# Steps Towards Establishing Strategic Partnerships

Building strategic partnerships requires a client-centric approach, delivered by a highly-skilled 'team of advisors'

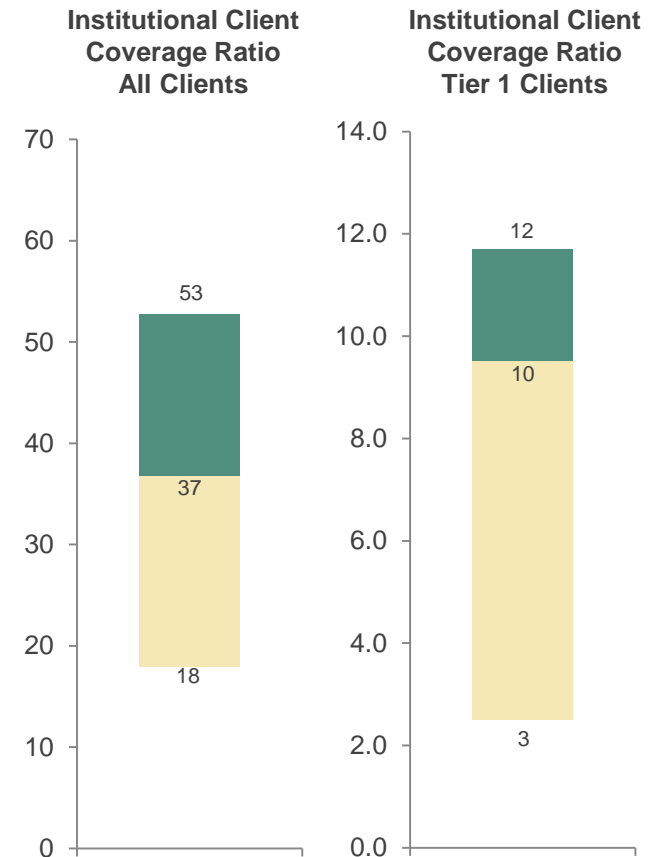
## Strategic Partnership Development Cycle



# Step 1: Resourcing and Upskilling

Fielding a well-resourced team of relationship managers, capable of engaging clients in dialogue about their holistic challenges is a fundamental first step

- Establish coverage ratios that match the firm's relationship objectives.
  - Solution-oriented relationships will require lower coverage ratios.
- Field a team with next generation RM capabilities (recruiting / upskilling).
  - Investment backgrounds (advanced credentials)
  - Analytical / technical skills
  - Listening skills
  - Deep (and broad) product expertise



# Step 2: Managing 'Big Data'

Assembling client-specific data – using both internal and external resources – ensure that RMs are well informed about client goals and plans

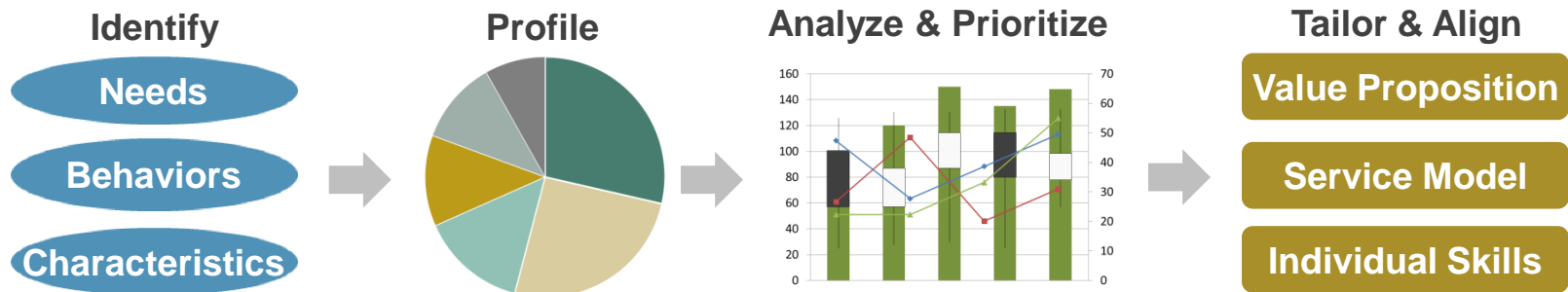
## Aggregating Data to Inform Client Conversations



## Step 3: Client-Centric Segmentation

Next generation segmentation approaches move beyond demographic characteristics, focusing instead on client needs and behaviors

- Demographic segmentation no longer sufficient.
  - Investor behavior and needs transcend core demographics
  - Allows systematic matching of products/solutions/advice to investor needs
- Segmentation is a win-win scenario for managers.
  - Improves overall relationship with clients by providing a product and service model that shows a deeper understanding of their needs
  - Helps improve manager profitability by offering services and solutions directed at specific needs – avoiding the under/over servicing dilemma



# Step 4: Account Planning

Account planning is critical to ensuring that the whole firm is aligned towards delivering solutions that meet client-specific needs

## Critical Account Planning Steps

### Phase I: Client Analysis

- What is their asset allocation? What products do they use?
- What other managers do they use and what do they think of them?
- What are their investment goals? What portfolio-wide issues are they confronting? How does our mandate support overall goals.
- Who are the key people on the client side? Who are the decision makers? Who are the influencers?

### Phase II: Internal Coordination

- What do I need to do to prepare for the client meetings?
- Does the client have specific concerns?
- Will I need PM or Product Specialist support?
- Are there cross-sell opportunities?
- What do their consultants think of us?
- What thought leadership will support the conversation?



Detailed account plans serve as strategic and tactical roadmaps that relationship management professionals – and the firm as a whole – can follow over time. Account plans can also provide metrics against which progress can be measured.

# Step 5: RM Blocking and Tackling

Though table stakes, re-affirming client goals and product fundamentals remain a critical step towards developing closer relationships

## Keys to Solidifying the Relationship

ILLUSTRATIVE

### Today's Agenda – Quarterly Review

- Review client's objectives and issues.
- Recap mandate and how it fits with clients' objectives.
- Reaffirm trust / relevance of product
  - Investment philosophy
  - Investment process
  - Investment professionals
  - Risk management
  - Performance, attribution,...
- Next steps

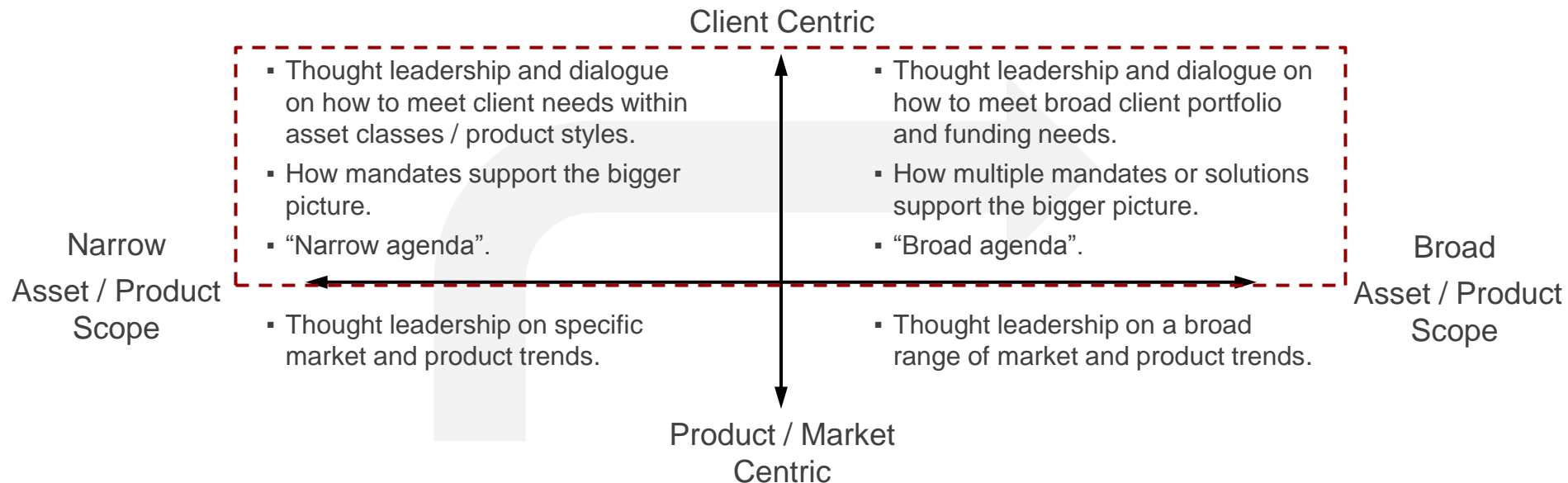
### Objectives

- **Improve clients' perceptions** of the firm on key success criteria.
- **Distinguish the firm** from other investment managers.
- **Enhance client confidence** that they were wise to choose the firm.

## Step 6: Broadening The Conversation

Best-in-class firms leverage thought leadership to broaden the conversation with clients, establish thought partnerships, and ultimately deepen client relationships

### The Role of Intellectual Capital



- *“The vision is to create an institutional client group that is really good at understanding client issues, and translating our capabilities to address these issues”.*
- *“Our goal is to be a trusted advisor to our clients, the first manager they call, not just for product specific questions, but for questions on the markets, or even broader investment issues.”*



## Step 7: Bringing The Firm

Best-in-class RMs efficiently navigate within their own organization to bring the resources and people required to achieve client objectives

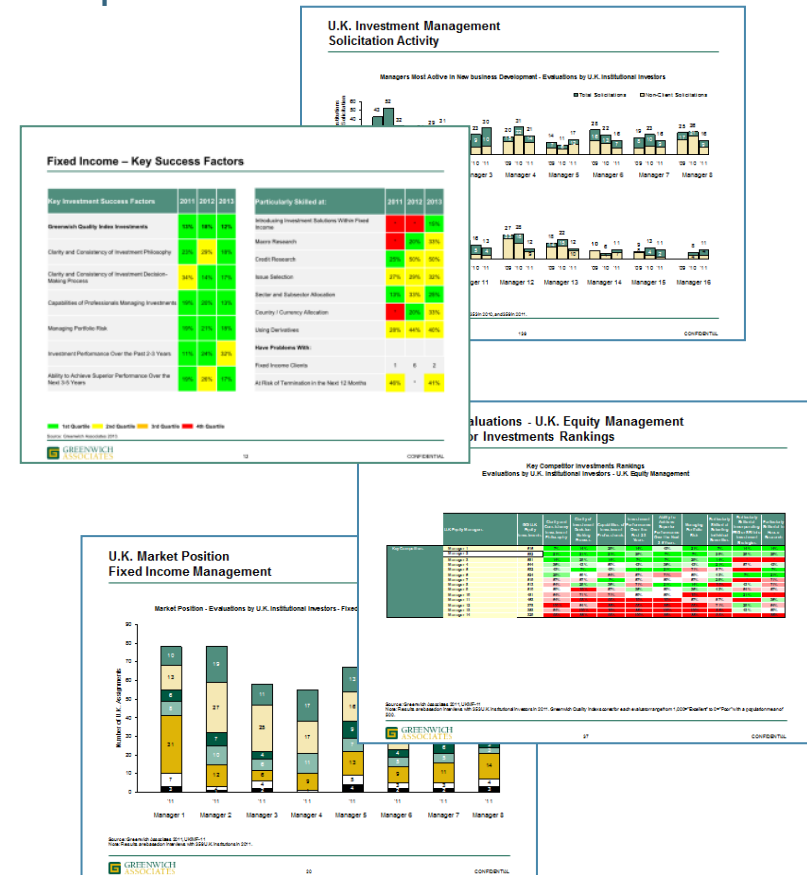
- RM as firm quarterback.
- Client journey to deliver a customer-centric and unified experience.
  - All touch points throughout client experience
  - Proactively address customer experience issues that could impede cross-sales and undermine the brand
- Offering a “Team of Advisors”.
  - Includes RMs, CPMs, PMs, solutions teams, senior managers and even external parties (consultants, other managers)
  - Objective to obtain a seat at the table with investment committees



# Step 8: Measuring Success

Continuous improvement requires ongoing measurement of activity and effectiveness levels, not to mention client perceptions

- Internal Metrics.
  - Cross-sale opportunities identified
  - Cross sale productivity
  - Multi-product relationships
- External metrics.
  - Capability of Relationship Manager
  - Credibility with investment committee
  - Value of client meetings
- Impact of measuring relationship quality
  - Satisfaction vs. market study
  - Consistency matters
  - Ad hoc approach yields weakest results



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Contact Information

# Key Takeaways

- **High-quality relationship management is central to asset retention levels and cross-sale success.** Strong relationships, therefore, are beneficial both during periods of lackluster and robust investment performance.
- **Shifting client expectations have placed a new premium on client centrality.** Execution against these new demands will require new practices, skills and even organizational structures.
- **Relationship Managers require a new set of skills.** They must have the ability to build long-term trust and credibility, consider investors needs holistically, and serve as a trusted advisor.
- **Establishing strategic partnerships is a process that takes time.** Fortunately, there is an approach that firms can pursue – *organize, plan, engage, deepen, and measure progress* – proven to deliver success.

# Questions



# Additional Information or Questions?



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