BRANDTAXI | Insights

The Investment Management Brand Imperative

Insights from Kathy Kohler & John Grace

Build a great differentiated brand or drown in a sea of sameness. Today having a strong investment management brand is not a nice to have, it's an **imperative.**

For years building an investment management brand was left to the big mutual fund players and others vying for retail clients. Then, with the global financial crisis and the massive outflows across segments, firms of all shapes and sizes rushed into the market with what they thought was "branding". Today, just about every investment management firm has a name, logo, website and a trusty pitch book—likely all blue and peppered with navigational images and icons. Many thought, therefore, that they had built a brand and that this, combined with good, consistent performance was enough to get them noticed, win business and develop loyal clients. Once upon a time that may have worked, but not today.

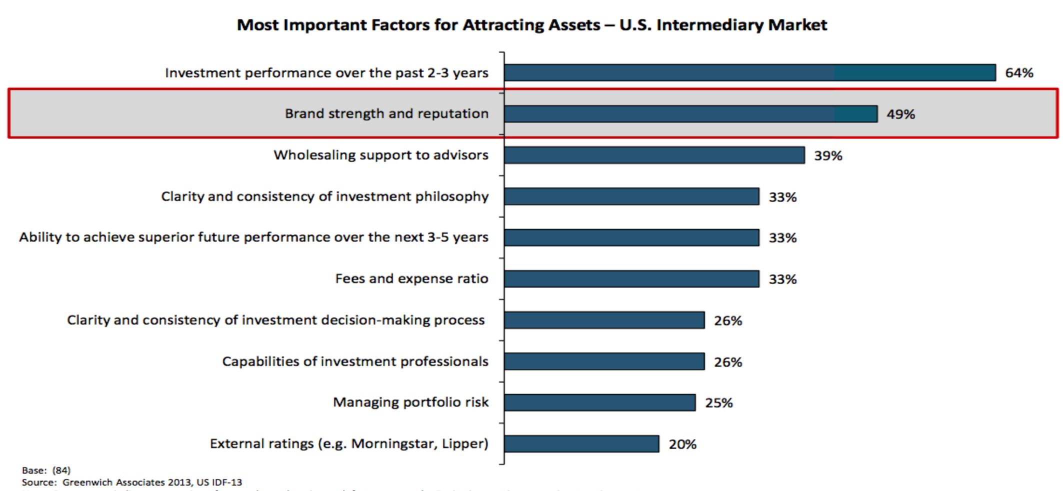
With the increased complexity of the financial markets, expansion globally where firms may be virtually unknown, commoditization and a growing preference for specialty managers—many are taking serious stock of their brands.

The Value of Truly Building an Investment Management Brand

Brand strength is the second most important attribute in selecting an investment management firm after performance. As the lines between retail, intermediary and institutional buyers blur, more stringent disclosure requirements are imposed and with the move to more global distribution, brand and reputation are increasingly more important drivers in clients' decision to invest. As the following chart shows, according to intermediaries, brand strength and reputation ranked as the second highest factor when considering a firm.

Key Drivers of Asset Growth

Intermediaries rank past performance (a perpetual top driver) and brand strength as the leading factors for attracting assets from their clients.



The field is crowded, noisy and confusing. Today hundreds of investment management firms with countless strategies and vehicles are battling it out for assets. Add to that the lack of distinction between firms, it's nearly impossible for potential investors to see through and understand what a firm does and does better than its competitors. Net, it takes a lot to win and retain loyal clients.

Key promises sound the same. Without doing the work to create meaningful differentiation, most firms push out promises that sound the identical, creating a virtual sea of sameness. Here are some commonly used messages that permeate the market and have no specific insight into the manager:

"What sets us apart are our three pillars—our people, our process and performance"

"We put our clients first"

"We have a stable team of experienced investment professionals operating in a collaborative environment"

"Our culture is built on trust and transparency"

So, to get noticed in an over-crowded marketplace a firm must build a brand that means something and ultimately matters to its clients. To do this, the story it tells must be clear, differentiated and memorable.

Investment Management Firms Face Unique and Formidable Challenges

Simply put, investment management brands are different—from their products and services to their diverse audiences—and operate by a different set of brand rules.

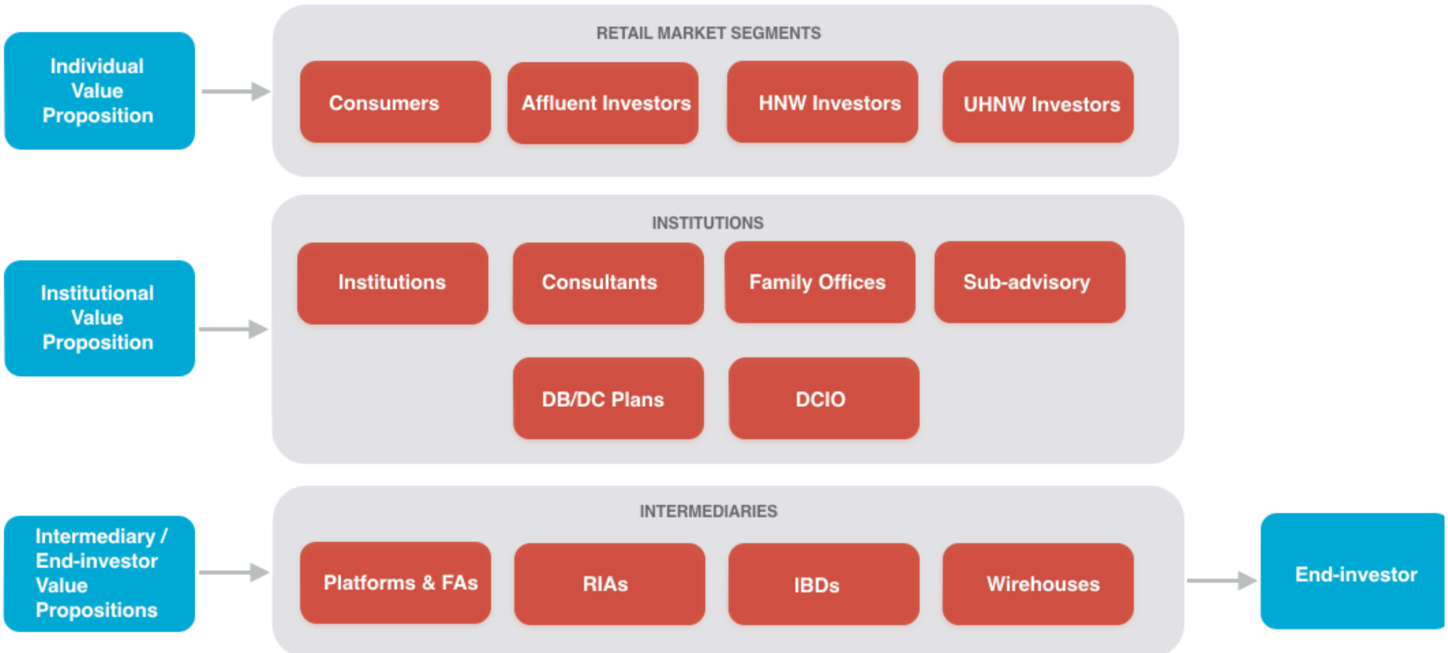
How do you brand thinking, advice and insight—all intangibles?

With consumer goods or manufacturing, customers can "experience" a product, they can taste it, wear it or drive it, and this offers more opportunities for differentiation. However, with an intangible based brand, creating an experience and ultimately building a brand is much more difficult. In investment management, the proposition rests largely on the thinking, insight and expertise of the managers and they are therefore chiefly responsible for conveying the brand to investors. It is important to identify and cultivate a brand idea that captures the essence of the "intangible", is at the core of what the firm stands for, and that all can rally around.

How do you build an authentic brand experience when your audience is layered—sometimes its B2C, sometimes its B2B, sometimes it's both and both at the same time?

Investment management brands are neither consumer brands or B2B brands, they're different. Their primary audiences are a mix of professional buyers—financial advisors, plan sponsors, institutional consultants—and consumers with very different needs and expectations. They must be perceived as offering the deep insight and information required by professionals and at the same time instill a sense of trust and confidence with end investors. Adding to the challenge, is that all of this needs to be conveyed through a complex distribution system. Deep knowledge of the markets and investment products—from traditional to non-traditional—and a solid understanding of the nuances of various distribution channels is key to mapping out relevant propositions and communications.

Investment Management Layered Distribution



How do you build an investment brand when what investors are buying is a promise that their assets will grow and outperform, when the future lacks certainty and that promise is based upon past performance?

Customers and intermediaries alike are ultimately expecting that their assets will grow and they are being asked to believe that they will based on past performance and information. The problem is that the future is uncertain, promises are just that, and history doesn't necessarily repeat itself. Therefore, clients need reasons other than history to believe that a firm will deliver. It ultimately comes down to trust. Crafting a brand of reliability, openness and confidence are keys to gaining that trust.

How do you build trust, because that's what it takes, in an industry that is largely considered not trustworthy?

With the financial crisis came significant investor skepticism and lack of trust in financial institutions. It was a logical outgrowth. Rebuilding trust starts with uncovering the firm's authentic identity and value and from there a compelling brand can be constructed.

The Keys to Building a Powerful Investment Management Brand

Developing an investment management brand takes not only an understanding of the complexities of the industry—intermingled audiences, complex distribution and nuanced products—but also the knowledge and expertise of brand-building.

Identify a core, unifying brand idea that embodies the purpose of the brand and the ultimate benefits to all that it engages. Brands are essentially about a firm's identity, driven by purpose and meaning, and the connection that people make to that purpose and meaning. So, getting to the essence of a firm, who it is, what it believes, how it's better or different than others and telling a credible, compelling story is how great brands are created.

Understand what each target audience needs to hear to engage. Because audiences are often layered and over-lapping, spend time developing a brand messaging strategy that communicates effectively to each important audience and at the same time builds common equity for the benefit of each product or service.

Tell a meaningful and differentiated story. For years, investment management firms stayed in a very narrow range of brand building—lackluster messages focused largely on performance, rock-star teams, and complex, at times mysterious, descriptions of who they are and what they provide. It became a maze of mirror images making it difficult to distinguish one firm from the next. So, the new rubric is about telling a true and meaningful “story” that is the surest route to clarity and differentiation.

Be consistent in all communications and behaviors. Again, investment management firms must appeal to a variety of different audiences. Add to this that each distribution channel has a distinct process and preferred system of communication. This condition offers ample opportunity for messaging to break down and ultimately dilute brand awareness and appreciation. To develop investor confidence and build brand equity, careful attention must be paid to consistency in communication and alignment with the brand messaging strategy.

Invest in building the brand. For a time, with good performance, generally content investors, reasonable compliance constraints and an intermediated sales process, many firms were reticent to develop a powerful brand. In fact, their strategy was to “stay under the radar”. Then the markets melted down in 2008 creating a fog of mistrust of the industry. This changed the game almost overnight with clients looking for reasons to believe beyond performance. This is where investing in a powerful, differentiated investment management brand is now an imperative.

Building a strong and enduring brand in the investment management business is both an art and a science. The pursuit involves *two essential pieces;* understanding the true and authentic identity of a firm to create powerful differentiation, and deep understanding of key audiences to unlock what they need to hear to engage. From this foundation, strong brand can grow.

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