



# **A Persona-Based Client Segmentation Model for Investment Managers**

Greenwich ACCESS™ for Asset Managers

Webinar

November 18, 2015

# Today's Presenters



**Marc Haynes, Managing Director, Investment Management, Greenwich Associates**

Marc is the leader of Greenwich Associates' global investment management practice. He is also responsible for managing relationships with a number of leading asset managers, investment consultants and other service providers globally.



**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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A community of Asset Managers and events. Subscriber driver research agenda with quarterly webinars and events.

# Agenda



Introduction



Greenwich Institutional Investor Segments



Retooling Distribution



Recommended Playbook



Questions

# How Well Do You Understand Investors' Needs?

The financial crisis has changed the way in which managers and investors interact

- More than ever before, institutional investors' approaches to investment are fragmenting, driven by unique investment needs, objectives and preferences.
- With heightened investment challenges and limited resources, investors today are looking for their asset manager "partners" to adopt a more holistic approach to relationships:
  - One way is by offering outcome oriented solutions, not just products;
  - Another is by providing broader advice on items such as asset allocation, strategic issues and liability management.
- This new relationship paradigm is testing traditional approaches to relationship management.

# Critical Questions

## Managers face three key questions

1. How to develop a deeper understanding of institutional investors and better predict their needs, behaviors and preferences to support the sales process and service model?
2. How to adapt to increasingly heterogeneous investor behavior and to the growing complexity of their needs?
3. How to respond to increasing client fragmentation without introducing excessive complexity into their business models?

- **Developing a deeper understanding of investors and their needs should be a critical priority for asset managers looking to optimally deploy their assets and capabilities.**
- **Managers can improve their profitability by offering services and solutions directed at specific needs, avoiding the under/over servicing dilemma.**

# Segmenting the Institutional Market

## A better way forward

- Outside of asset management, organizations have long used statistical techniques to better understand client behaviors and tailor their marketing efforts.
- Persona-based segmentation analysis can help organizations better understand their clients and prospects and make rational, data-supported business decisions that drive better results and higher levels of client satisfaction.




### ***Client persona* are fictitious client profiles built from the real world:**

- They are multi-dimensional, defined by need, preference and behavior-based variables and serve as an extremely powerful tool to enable companies to deepen their understanding of the market.
- The advantages of this approach are substantial – enabling resource allocation, marketing initiatives and product development to be based on the full picture of a clients needs and behaviors.

# Client Segmentation at Work

## Example from the aviation industry

- Airlines have long used customer travel variables to define distinct customer segments and develop and refine their products and services.

	Sample Variables	Customer Segments
  	<ul style="list-style-type: none"><li>Miles flown on airline</li><li>Int'l or domestic traveler</li><li>Destinations travelled</li><li>Work or pleasure travel</li><li>Class of travel</li><li>Booking practices</li><li>Frequency of lounge access</li></ul>	<ul style="list-style-type: none"><li>Business travelers</li><li>Budget conscious</li><li>Urgent travelers</li><li>Loyal to loyalty programs</li><li>Experienced leisurists</li><li>Special occasion travelers</li></ul>

- Reliance upon simple metrics such as \$ spend, location, age of traveler would provide much more limited insight into customer types than a multi-dimensional approach.



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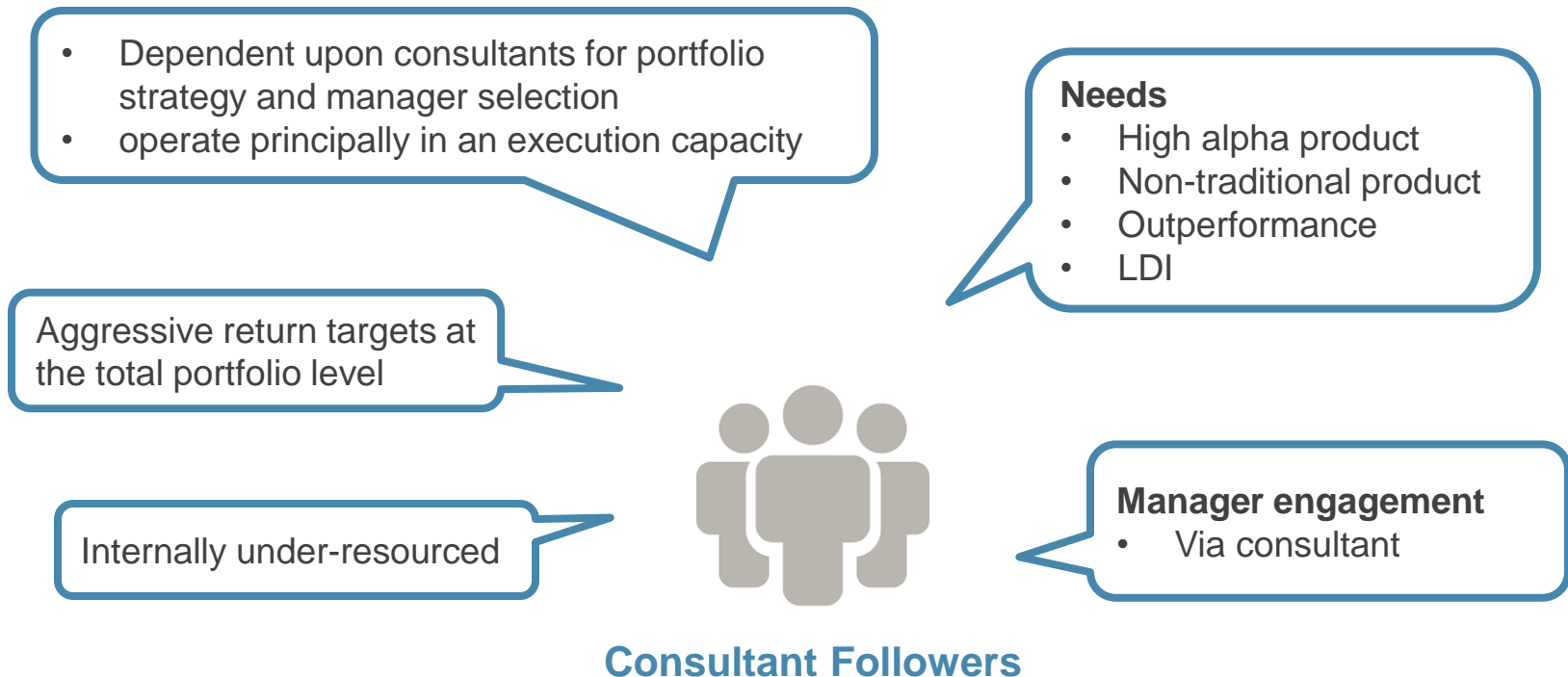
# Applying Segmentation to Asset Management

Leveraging unique proprietary data and cutting edge statistical techniques, Greenwich Associates has created a new institutional investor segmentation model.



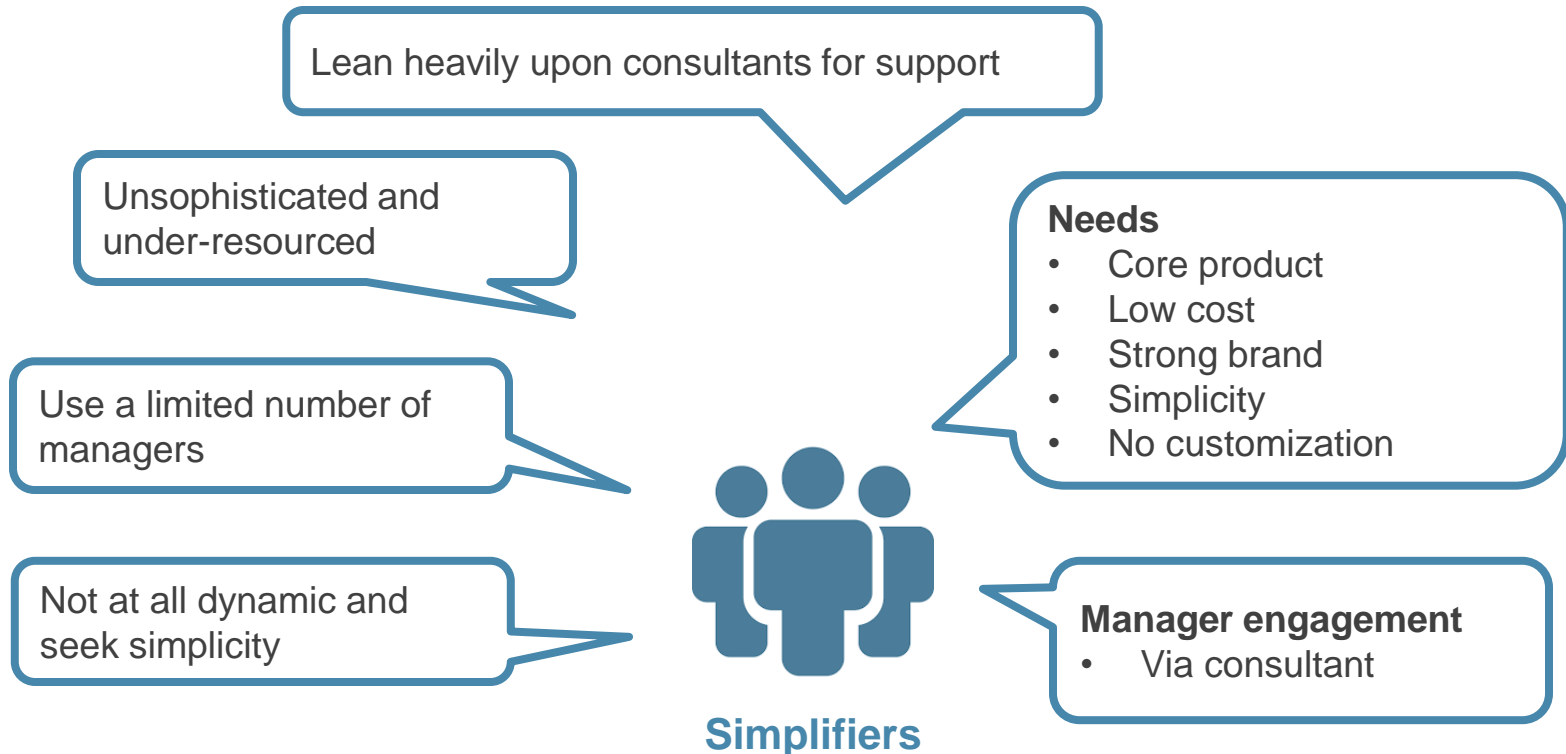
# Greenwich Institutional Investor Segments

## Segment 1: “Consultant Followers”



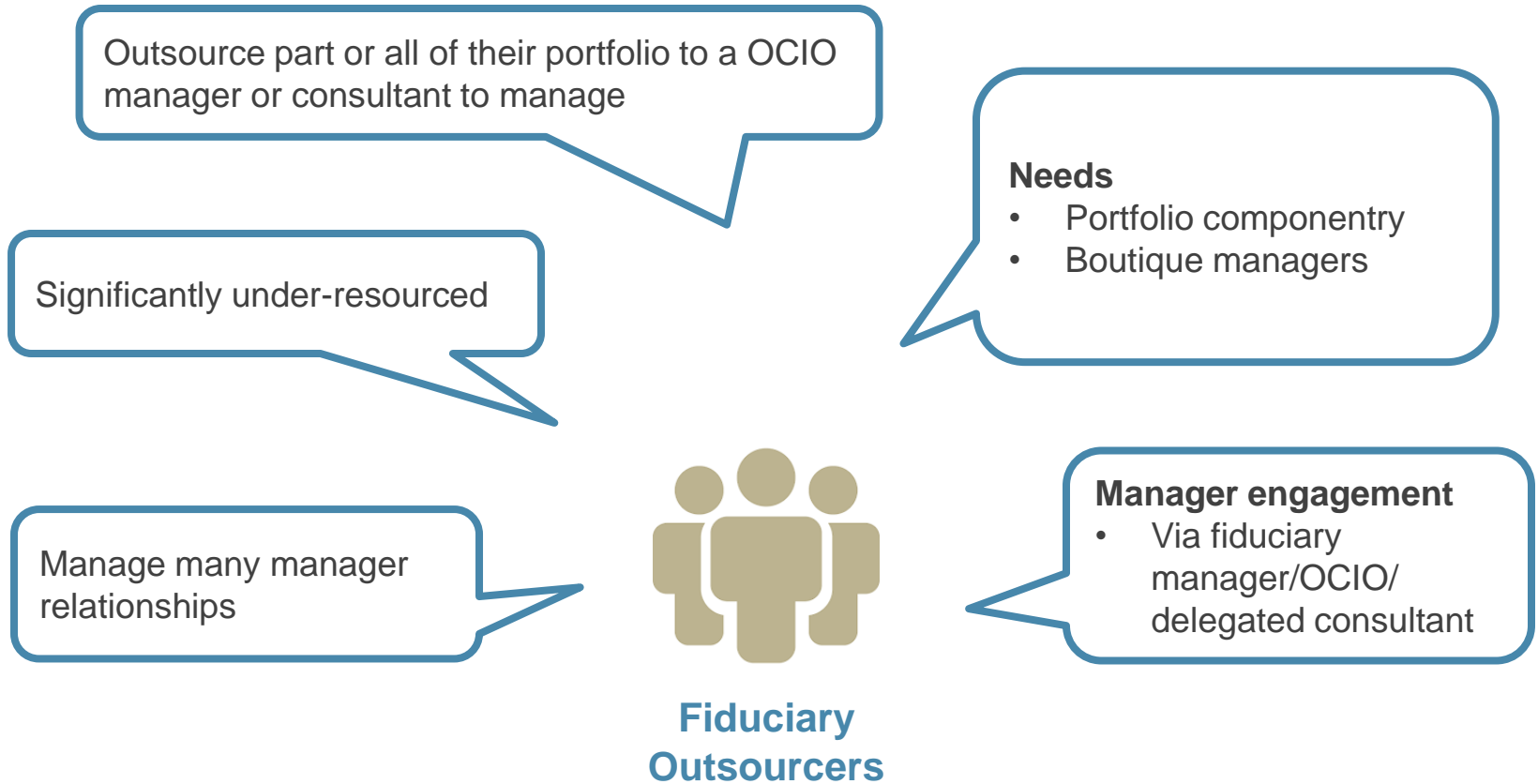
# Greenwich Institutional Investor Segments

## Segment 2: “Simplifiers”



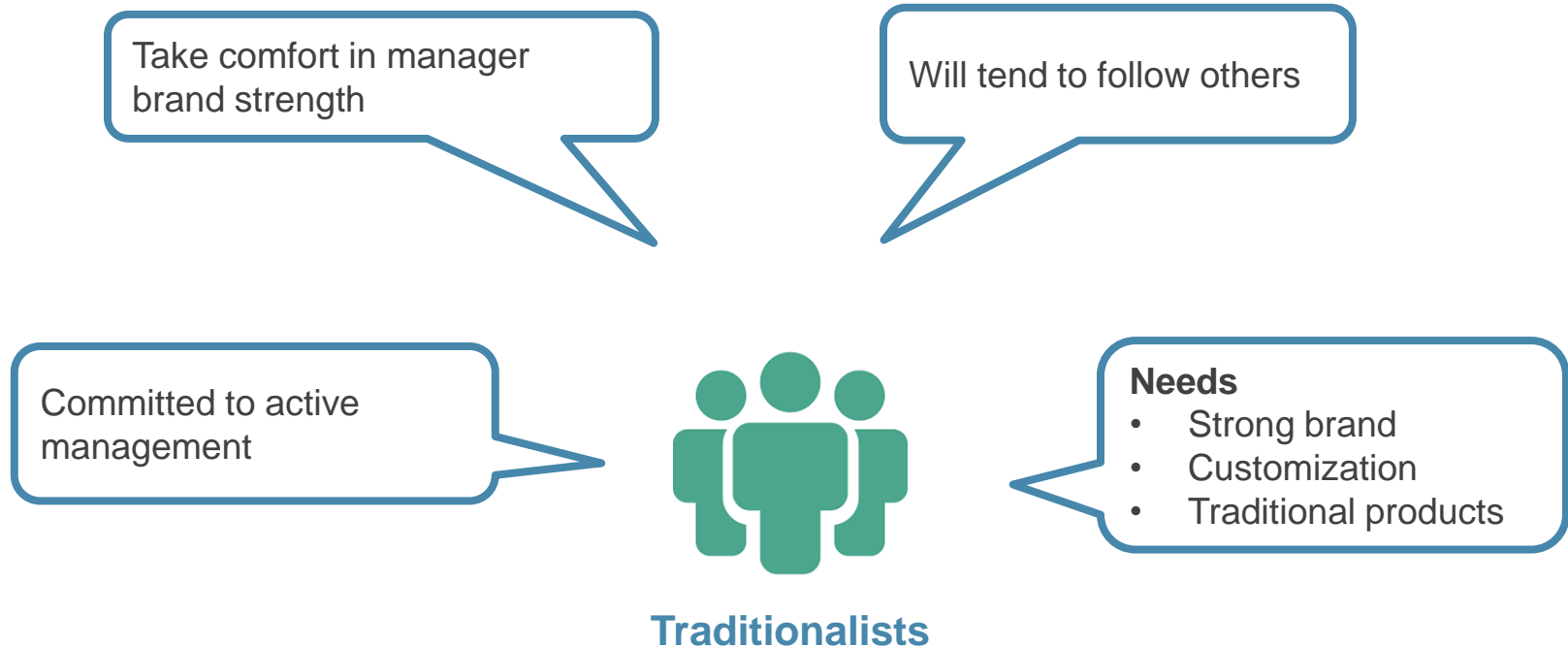
# Greenwich Institutional Investor Segments

## Segment 3: Fiduciary Outsourcers



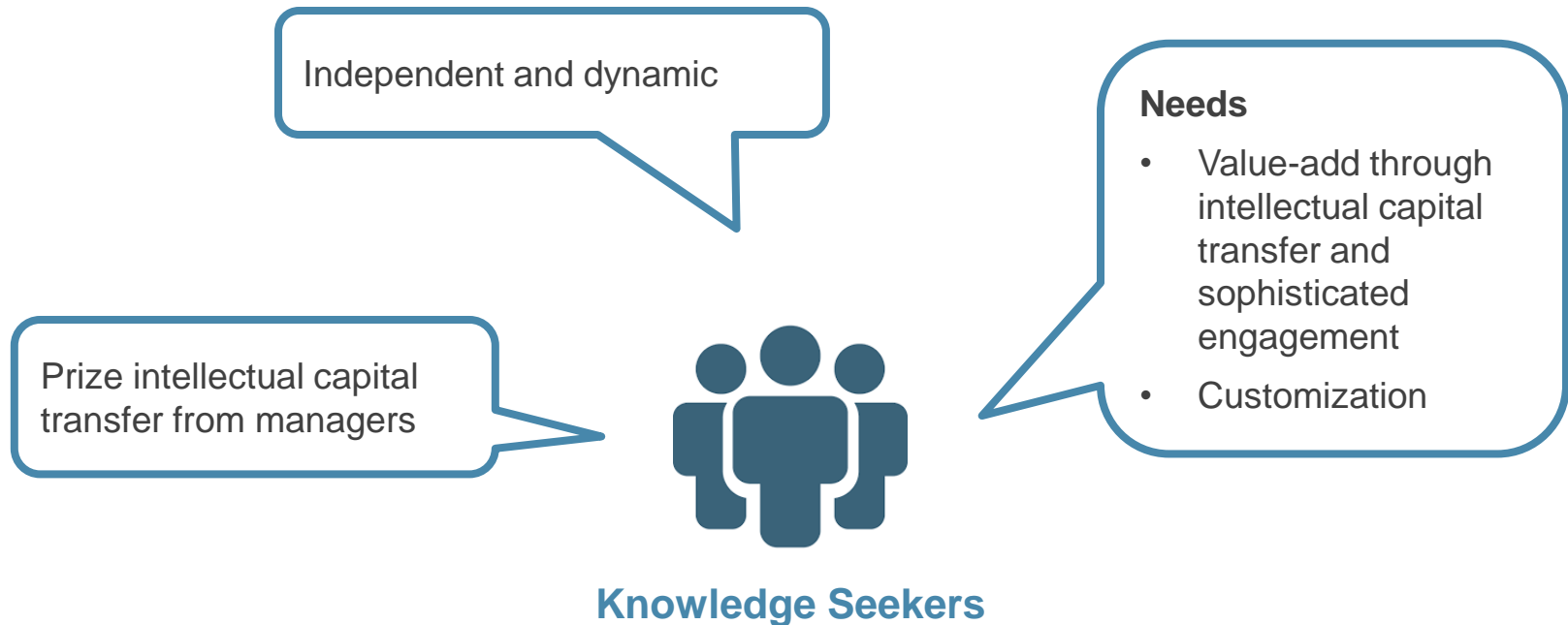
# Greenwich Institutional Investor Segments

## Segment 4: “Traditionalists”



# Greenwich Institutional Investor Segments

## Segment 5: “Knowledge Seekers”



# Greenwich Institutional Investor Segments

## Segment 6: “Alpha Hunters”





# Greenwich Institutional Investor Segments

## Segment 7: “Wizards”



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Greenwich Institutional Investor Segments



Retooling Distribution



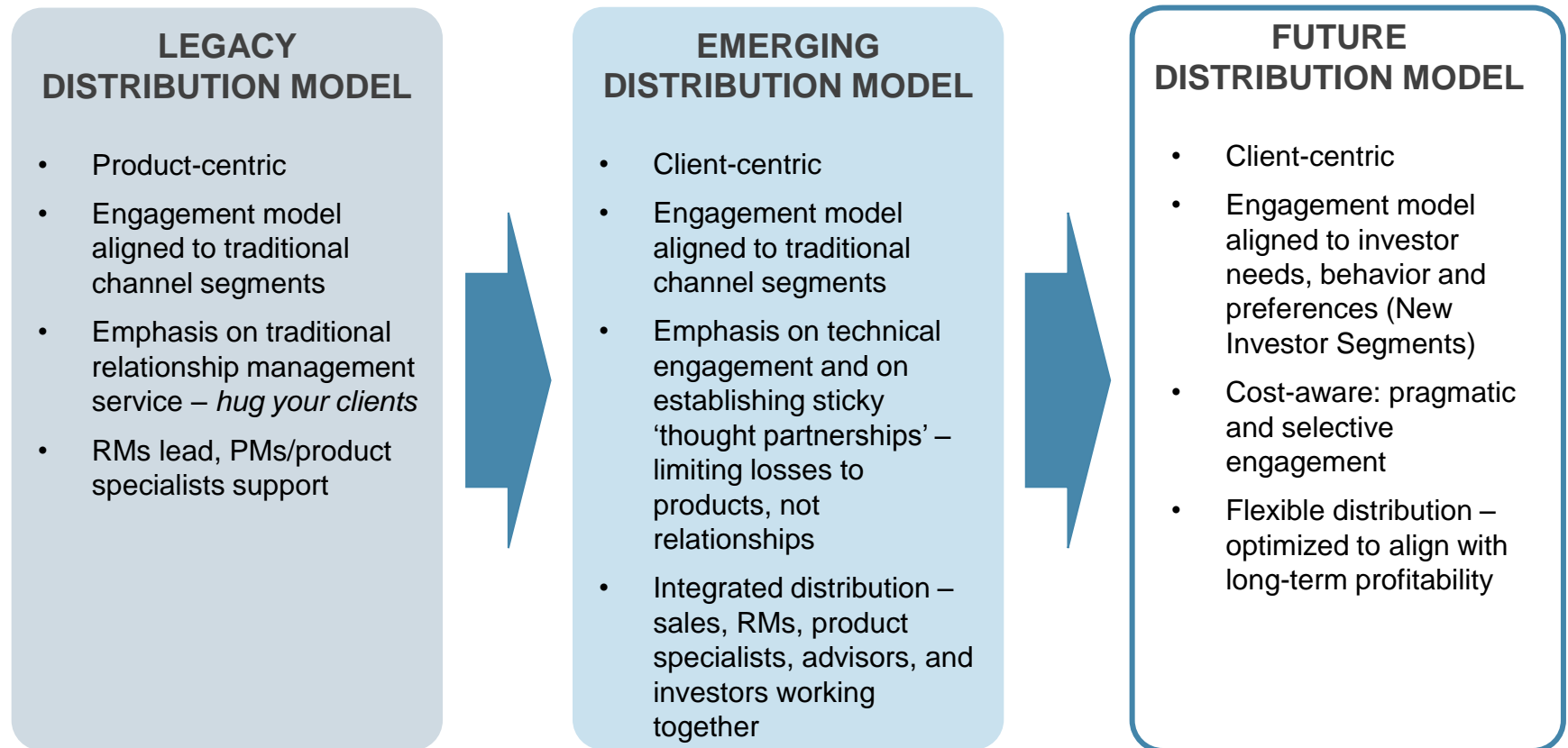
Recommended Playbook



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# Evolution of Distribution Models

## Repositioning for Success



# Retooling Distribution

## Aligning the distribution model to the Greenwich Institutional Investor Segments

- Almost all managers claim to be client-centric, but in reality very few have meaningfully evolved their distribution models over the last decade.
- To create a truly client-centric experience, the industry must break away from traditional channel frameworks, which are poor predictors of investor preferences, needs and behaviors.

Targeting Greenwich Institutional Investor Segments		
1. Consultant Followers	<ul style="list-style-type: none"> <li>■ Focus on consultant engagement, at both fund research and field consultant level</li> </ul>	<ul style="list-style-type: none"> <li>■ Offer high-alpha product</li> </ul>
2. Simplifiers	<ul style="list-style-type: none"> <li>■ Focus on consultant engagement, at both fund research and field consultant level</li> </ul>	<ul style="list-style-type: none"> <li>■ Offer core product and price competitively</li> <li>■ Invest in local brand building</li> </ul>
3. Fiduciary Outsources	<ul style="list-style-type: none"> <li>■ Build a highly effective fiduciary manager engagement model</li> </ul>	
4. Traditionalists	<ul style="list-style-type: none"> <li>■ Offer high-alpha product in traditional categories</li> </ul>	<ul style="list-style-type: none"> <li>■ Invest in local brand building</li> </ul>
5. Knowledge Seekers	<ul style="list-style-type: none"> <li>■ Build a technically proficient coverage model</li> </ul>	<ul style="list-style-type: none"> <li>■ Provide intellectual capital transfer and value-added advisory services</li> </ul>
6. Alpha Hunters	<ul style="list-style-type: none"> <li>■ Offer high-alpha and specialist product</li> </ul>	<ul style="list-style-type: none"> <li>■ Sell performance</li> <li>■ Price for premium quality</li> </ul>
7. Wizards	<ul style="list-style-type: none"> <li>■ Build technically proficient engagement model</li> </ul>	<ul style="list-style-type: none"> <li>■ Offer non-traditional product</li> <li>■ Price competitively</li> </ul>

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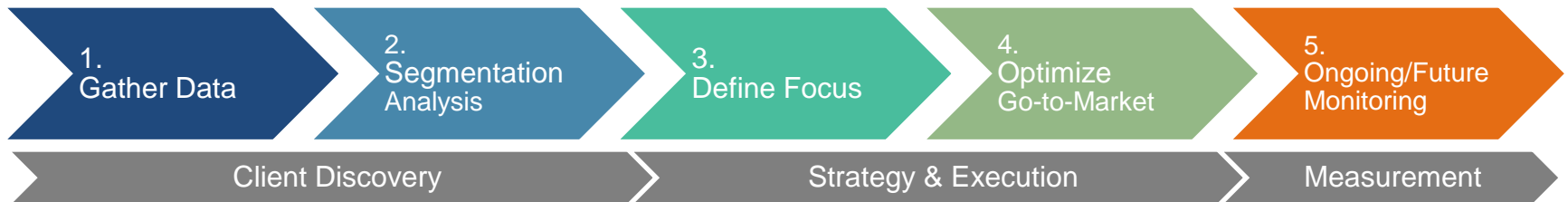
Questions

# Five-Step Playbook

## Helping managers to master the Future Distribution Model

- Asset managers will be able to realize a degree of success if they simply adopt a more flexible approach to distribution that responds to the *individuality* of different investors.
- But that won't result in transformational change – only those managers that think through the P&L consequences of managing a heterogeneous client base and reshape their businesses accordingly stand to achieve significant competitive advantage.
- To master the Future Distribution Model, we recommend that managers progress systematically through a set of five steps that takes them from client discovery, through strategy & execution to ongoing measurement. Taken together, they represent a powerful formula for driving profitable growth.

### Playbook to Master Future Distribution Model



# 1. Gather Data

At Greenwich Associates we believe that all decisions should be grounded on hard data and that better data provides a decision-making edge.

- Many asset managers are sitting on a trove of rich data on their clients and prospects – but struggle to extract it from internal client relationship management (CRM) and other systems.
- Most firms will need to conduct a purpose-designed field study to serve as a key enabler for client understanding. It should have 3 key objectives:
  1. **Capture key information on client and prospect needs, behaviors and preferences**
  2. **Benchmark client’s current satisfaction levels on key relationship success factors**
  3. **Provide insight into “table stakes” versus “best-in-class” standards**
- We recommend scoping this study to cover at a minimum all top tier clients and prospects, since capturing accurate information on these key accounts is mission critical.

## 2. Segmentation Analysis

### Organize data into useful segments

- Armed with the rich client and prospect data on needs, behaviors and preferences captured in Step 1, the next task is to **organize the clients and prospects** into the New Investor Segments – or indeed into an alternative taxonomy.
- This will enable investors to be categorized into clearly defined groups based on their intrinsic needs, behaviors and preferences, around which actionable engagement strategies can be developed.
- Key points:
  - An exploratory data analysis tool will be required to facilitate the segmentation.
  - An internal workshop will be required to review and confirm the segments and to articulate their defining characteristics.
  - A framework and methodology should also be developed by which other existing and future clients can be readily categorized.



## 2. Segmentation Analysis (cont.)

### Convert data into a competitive advantage

- The data can now be analyzed by segment to provide insights into the relative perceptions of the different client persona and reveal where the firm is currently winning, and where it is struggling.
- To the extent that product demand level data is captured, this can also be analyzed by segment to reveal the areas of greatest opportunity.
- This information will provide valuable insights into both challenges and opportunities.

#### EXAMPLE: TOP LINE RESULTS FOR A FIXED-INCOME MANAGER

Segment	Market Position (Rank)	Overall Relationship Quality (Greenwich Quality Index—Percentile)	Expect to Hire Fixed-Income Manager
Alpha Hunters	1st	39%	8%
Knowledge Seekers	1st	4%	11%
Wizards	1st	22%	23%
Fiduciary Outsourcers	4th	60%	20%
Consultant Followers	8th	60%	5%
Traditionalists	9th	37%	14%
Simplifiers	26th	78%	9%

Source: Greenwich Associates 2015

# 3. Define Focus

Complexity is the avoidable enemy of growth

- **Reducing complexity through rigorous prioritization and streamlining will deliver significant efficiency gains:**
  - Leveraging the data captured in Step 1, rigorously assess internal capabilities relative to the opportunity represented by the different investor segments and their desired means of engagement.
  - This analysis should identify the ‘sweet spots’ of overlap between internal capabilities and external demand.

## EXAMPLE: SCORECARD

Segment	Number of Clients	Average Client Assets	Projected Growth	Product Demand Alignment	Service & Engagement Alignment	Brand Alignment	Service Model Scalability	Fee Insensitivity	Overall Attractiveness
Wizards	🕒	🟢	🟢	🕒	🕒	🟡	🕒	🕒	🕒
Alpha Hunters	🕒	🕒	🟡	🕒	🟡	🕒	🕒	🟢	🕒
Knowledge Seekers	🕒	🟡	🟡	🟡	🕒	🕒	🕒	🟡	🕒
Traditionalists	🟢	🕒	🕒	🟢	🟢	🟢	🟡	🕒	🟢
Fiduciary Outsourcers	🕒	🕒	🟡	🟡	🟢	🟡	🟢	🕒	🕒
Simplifiers	🕒	🕒	🕒	🟡	🟢	🟢	🟡	🕒	🕒
Consultant Followers	🟢	🕒	🕒	🟡	🟢	🟡	🟢	🕒	🟡

Weak/Low



Strong/High

# 3. Define Focus (cont.)

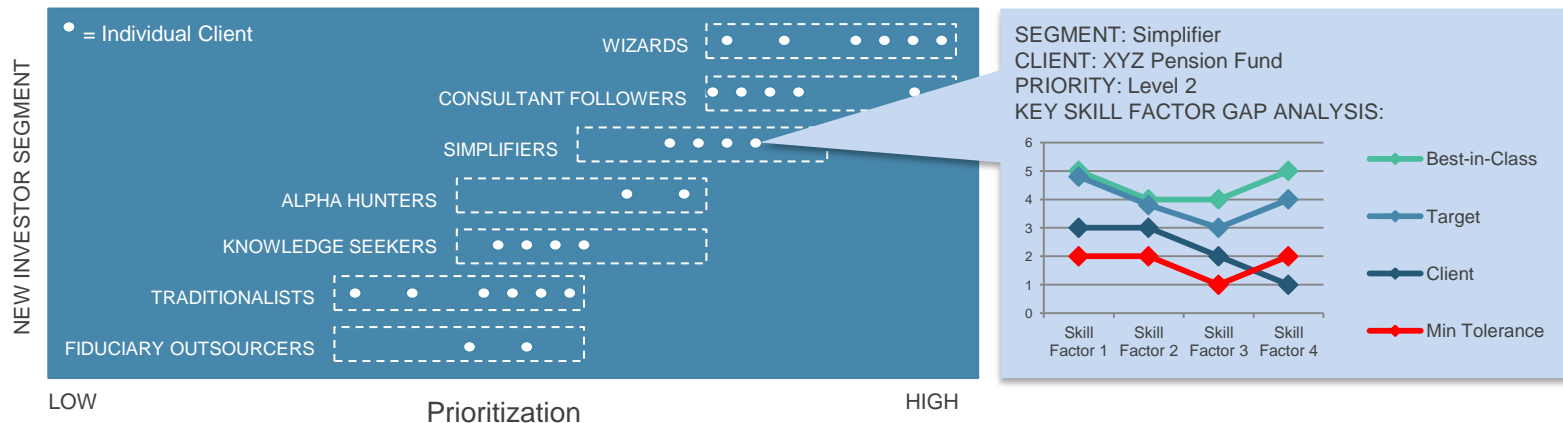
## Prioritization Within Segments

- **Having determined the priority segments, managers should then prioritize their clients and prospects within each segment:**
  - Each account should be individually assessed based on available information, leveraging relevant individual account level data captured in Step 1.
  - The **relative importance** of each account should be determined, based on a combination of its current and strategic (future) value, taking into account the contribution to margin and revenue, together with softer value drivers such as reputation benefits.
  - A scorecard assessment framework can again prove valuable.
  - **Internal dialogue** is encouraged to access the ‘soft’ knowledge that resides in client-facing teams.

# 4. Optimize Go-to-Market

Activate the client book for near-term success

- **Client specific relationship plans can now be developed, leveraging the individual account level satisfaction benchmarking data obtained in Step 1:**
  - Conduct a gap analysis for each account to understand where you are today relative to both minimum acceptable standards and best-in-class standards.
  - Client relationship plans for **priority** clients in priority segments should focus on matching or bettering best-in-class standards.
  - Plans for **lower priority** clients will be less ambitious and focus on matching or exceeding minimum standards without over extending resources or detracting from the attention given to priority clients.



# 5. Ongoing/Future Monitoring

## What gets measured gets done

- **As the execution gets underway, management should develop and implement a feedback mechanism for systematically monitoring its progress:**
  - We recommend regular independent benchmarking of client perceptions to ensure continued alignment and ensure the maintenance of a steady course over an extended time horizon.
  - Incentive systems should also be brought into line with the overall goal of distribution management to promote desired behaviors and outcomes.

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# Additional Information or Questions?



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