IGNITES Research

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Beyond the Cliché of 'Consultative' Wholesaling

Why top financial advisors aren't seeing wholesalers as 'consultative' as wholesalers think they're being. And what asset managers can do to stop falling short and instead help their wholesalers be advisor-centric.

September 2015

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Executive Summary

The asset management industry has talked for years about "consultative" wholesaling. The well-worn phrase has become something of a cliché even though it has no official definition. For better or worse, consultative selling — where the wholesaler becomes a strategic partner to the financial advisor — is what financial advisors really want.

Unfortunately, asset managers are not being as consultative as they think they are. While asset management sales executives contend that their wholesalers are consultative 100% of the time, top financial advisors say that on average, fewer than 20% of wholesaler interactions are consultative. This report goes beyond the cliché of being "consultative" to explore what consultative selling really involves and why it's important.

One of our key findings is that top financial advisors across the broker-dealer and RIA channels have some strong opinions on what sorts of skills they want to see in wholesalers and these include understanding their business and being consultative (rather than just product-focused). It's difficult to consistently exhibit those skills; just over half of the wholesalers we surveyed estimated that they demonstrated those two skills at least 75% of the time. The good news is that wholesalers who demonstrate their effectiveness can become part of an advisor's trusted "inner circle." Even among top financial advisors managing $1 billion or more, nine out of 10 of them have a few trusted wholesalers with whom they work closely.

There's a genuine payoff, then, for wholesalers who are able to build advisor relationships by being genuinely consultative. Being consultative is part of the mix of traits that distinguish the wholesaling organizations that top advisors rank the highest — including BlackRock, JP Morgan, Pimco and more.

Even many wholesalers admit that they are not being as consultative as they'd like. Fortunately, many of the obstacles — proper training, time constraints, and others — can be addressed.

Asset managers have a number of actions they can take to help their wholesalers be more consultative and therefore more productive in the long run. These include assessing firms' priorities in "value add" and access to portfolio management staff, and rethinking how they support wholesaler training. This report addresses three main research questions:

1. Are asset management firms really being as consultative in their wholesaling as they need?

2. What do financial advisors really want from wholesalers?

3. How can asset managers help their wholesalers build stronger relationships with advisors by being genuinely more consultative?

— Loren Fox, Doug Dannemiller and Rita Raagas De Ramos, report co-authors

Methodology

This report is based on proprietary surveys of four main audiences conducted by Ignites Distribution Research:

1. For the perspective of asset management sales executives, we drew on several surveys over a period of time. These included two surveys in 2014: the first covered national sales managers at fund firms managing a total of $780 billion in long-term assets; the other main survey addressed distribution executives from 31 firms representing over $2.4 trillion in AUM in long-term fund and ETF assets. In addition to the surveys, many of these executives participated in follow-up conversations with us.

We solicited the opinions of elite financial advisors through multiple surveys of two groups of advisors:

2. The **Financial Times 400 Top Broker-Dealer Advisors**: a list of top broker-dealer advisors from across the U.S., mostly from wirehouses but also from independent and regional BDs. The "average" FT 400 advisor manages $1.3 billion in client assets and has 25 years of experience.

3. The **Financial Times 300 Top Registered Investment Advisors**: a list of elite, independent RIA firms from across the U.S. with "average" AUM of $2.8 billion per firm. At the time of the surveys, the average FT 300 firm was in existence for 24 years.

We also conducted follow-up interviews of roughly a dozen of these financial advisors.

Both groups' members applied for inclusion in the lists, which were published in the Financial Times. As a Financial Times service, Ignites Distribution Research conducted the rankings and was given exclusive access to survey these advisors. It is important to remember that these advisors are more experienced and have more AUM than the average advisor. The **FT 300** and **FT 400** are snapshots of the leading retail-oriented advisors and are not representative of all financial advisors.

4. To get the views of wholesalers in the field, we surveyed 125 external wholesalers of mutual funds and ETFs in March 2015. The respondent wholesalers represent 72 different asset managers, and they have an average of 13 years of experience as external wholesalers. We augmented that survey with additional conversations with individual wholesalers.

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Ignites Distribution Research: Actionable intelligence on selling through retail advisors

Our proprietary surveys are complemented by interviews with key executives, analysis of third-party data, and the knowledge of our own expert analysts to help think through strategic questions.

Proprietary surveys we've fielded include:

- National Sales Managers
- Elite RIA firms (FT 300)
- Elite Broker-Dealer FAs (FT 400)
- Heads of National/ Key Accounts
- Broker-Dealer Gatekeepers
- Heads of Marketing
- Heads of Distribution
- Fund/ETF Wholesalers
- Heads of Internal Sales Desks

Subscribing clients include:

- Ameriprise Financial
- BlackRock
- Broadridge Financial Solutions
- Delaware Investments
- Fidelity
- Invesco
- Morgan Stanley
- OppenheimerFunds
- Thornburg
- Vanguard
- Many more

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