

Advanced Strategies for the RIA Channel

The ways in which the RIA channel is different and how asset managers' sales organizations can more effectively tap the RIA opportunity.

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Executive Summary

The Registered Investment Advisor market continues to grow impressively, attracting ever more attention from retail asset managers. It can be a difficult distribution channel to master, though. Even managers long-established in the RIA market have something to learn.

For one thing, the RIA channel is indeed different from broker-dealer channels. We found, for instance, that RIAs are less receptive to fund wholesalers: only 10% of elite RIAs and 20% of midsize RIAs say they're "receptive" to wholesalers, versus 30% of top broker-dealer advisors.

This means it can be even more difficult to address the RIA channel. While fund firms use a variety of organizational structures to pursue RIAs, the majority of those selling to RIAs have some sort of dedicated team for the channel. And half of the firms covering RIAs plan to boost their RIA sales staff in the next 12 months. While some firms may hesitate to commit more personnel to this channel, doing so can be a way to ensure the distribution organization has the proper focus on these advisors' unique needs.

Even with the effort required, the RIA channel is attractive. It's growing faster than other advisor channels. And compared with the broker-dealer channel, RIAs have higher allocations to mutual funds and ETFs, and they tend to have stickier assets. So this report aims to explain ways in which the RIA channel works and how asset managers can pursue the opportunity.

Ignites Distribution Research found some key differences between the expectations of asset managers regarding RIAs and what RIAs really find valuable. For example, there are some value-add topics that RIAs consider important but asset managers underestimate in value. And RIAs prize different skills for external wholesalers than for internal wholesalers. Nuances can make a big difference when dealing with such a picky and idiosyncratic audience.

Fortunately, asset managers can adjust their strategies to improve how they target RIAs. This can include identifying the most effective ways to segment RIAs or correcting some common mistakes that firms make in marketing to RIAs. To help asset managers optimize their RIA channel strategy, this report addresses four main research questions:

1. How are RIAs different from advisors in other channels, and what are the practical consequences for asset managers?
2. What do RIAs really want from fund firms and from fund wholesalers?
3. Where can asset managers distinguish themselves in segmenting RIAs?
4. Which changes can managers make to adjust their marketing and sales outreach for RIAs?

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

Methodology

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

1. We surveyed executives heading dedicated RIA sales channel teams at 14 asset management firms in August and September 2015. They represented firms managing a total of \$4.7 trillion in long-term mutual fund and ETF assets as of Sept. 30, 2015.
2. We surveyed distribution and data analytics personnel at fund firms who work with CRM systems in August and September, and we surveyed 30 asset managers representing \$5 trillion in mutual fund and ETF assets. The survey was conducted in partnership with the **CRM Forum**, an asset management industry group related to CRM and data.
3. We surveyed 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 “age” of an FT 300 firm was 24 years. This report mostly used data from our November-December 2015 survey of 143 of the FT 300 RIAs and also used our April-May 2015 survey of all FT 300 members.
4. We surveyed 60 midsize RIAs (AUM of \$100 million to \$500 million each) in November and December 2015; respondents averaged \$207 million in AUM.
5. For contrast, we surveyed 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 \$1.7 billion in client assets and has 25 years of experience.

Both the FT 300 and the FT 400 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 exclusively surveyed these advisors.

Ignites Distribution Research is dedicated to helping asset managers build and strengthen their relationships with financial advisors.

Using proprietary surveys, interviews, and analysis of third-party data, our specialized reports provide a 360-degree view of a key topic in the industry, yielding valuable insight and actionable recommendations.

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