



## RIA Wholesaling Best Practices: A Qualitative Approach to Effective Distribution

GDC Research

The RIA market is a growing opportunity but can be a challenging marketplace to access and requires a distinct and differentiated effort. The report “***RIA Wholesaling Best Practices: A Qualitative Approach to Effective Distribution***” provides prescriptive insights on how Asset Managers and Product Providers can enhance their RIA distribution strategy.

The 70-page study employs an in-depth and qualitative approach to understanding the various methods and success factors used by Asset Managers and Product Providers in delivering RIA wholesaling and distribution support. The research is based on 35 in-depth interviews with Wholesalers and Key Executives from a wide-range of large brand name and boutique Asset Managers, Mutual Fund Companies, Product Providers, RIA Custodians and related industry vendors and experts. The research also includes an online survey and in-depth interviews with a variety of RIA practices to understand their perspectives on wholesaling and distribution support. The research provides buyers with the following insights:

- Identifies best practices employed by firms distributing through the RIA marketplace
- Distribution and support efforts that require improvement
- Examines how firms can leverage various touchpoints for connecting and accessing RIAs
- Approaches used to gather RIA information and insights to help maximize CRM efforts.
- Identifying and rating RIA opportunities based on information and understanding touchpoint drivers and patterns
- Assist with developing an effective sales process and distribution strategy
- Effective and realistic expectation management

***Report purchases include a complimentary one-hour consulting session with study authors on the research and potential implications for your organization.***

To learn more about the research and pricing, please contact:

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## I. Introduction

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Since the early 1990's, the Retail Registered Investment Advisor (RIA) channel has made a significant impact on the marketplace and served as a bellwether for trends including advisory services, wealth management, and the shift to a fiduciary standard. The RIA market manages an estimated \$2.5 trillion in assets and represents anywhere from 13,000 to 16,000 RIAs, depending on how the market is segmented and has garnered the attention Asset Managers, Product Providers, Custodians, and most recently FinTech providers. Asset Managers and Product Providers have been working with this channel for decades yet many still find distribution through the RIA market challenging.

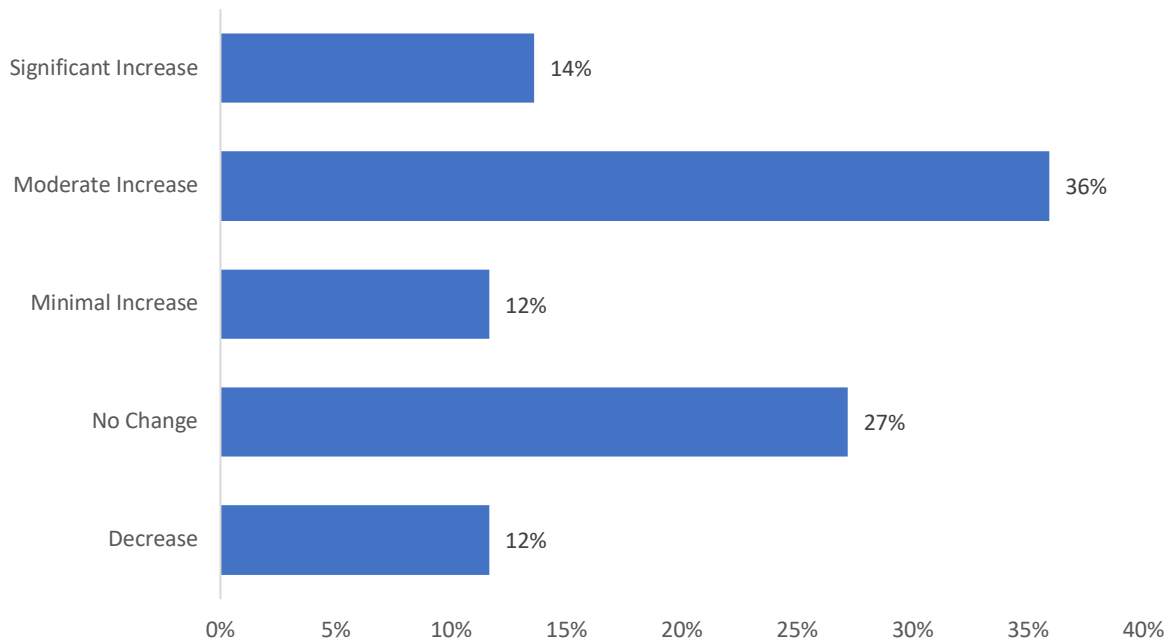
It's well known that the RIA market is unique and different compared to traditional broker-dealer channels – wirehouses, regionals, and independent broker-dealers. The market is fragmented and decentralized with no comparable access point like with broker-dealers, and RIA practices seem to vary from firm-to-firm.

The RIA market is also known for being resistant to traditional sales and wholesaling methods attributed to their positioning as money managers and fiduciaries. In fact, few in the industry like to use the word wholesaling, and thus Asset Managers and Product Providers often refer to their sales team as consultants, relationship managers, or investment specialists.

Whether or not a deliberate distribution strategy is employed, firms continue to struggle in gaining access to RIA practices and in differentiating themselves from the growing competition of Asset Managers and Product Providers.

The market is also becoming more crowded. Half of RIAs surveyed stated that the level of wholesaling and sales activity has been increasing over the past couple of years, with nearly 15% seeing a significant increase.

### Exhibit 1: Level of Wholesaling/Sales Activity Over the Past 2 Years



Source: RIA Wholesaling Best Practices: A Qualitative Approach to Effective Distribution – GDC Research

The RIA market is also growing. New RIA registrations with SEC grew 44% in 2015<sup>(1)</sup> and is likely to continue growing post-DOL, and Cerulli Associates<sup>(2)</sup> estimates RIAs will increase the asset share in the retail advisor market to 28% by 2018, up from 23% in 2015.

With more and more firms targeting RIAs, Asset Managers and Product Providers will need to refine and develop a more effective RIA distribution strategy to identify the opportunities on what RIAs to target and where and how best to obtain access, build rapport, and add-value.

This study will provide prescriptive insights on how Asset Managers and Product Providers, as well as other vendors, can enhance the effectiveness of their RIA distribution strategy.

- ✓ Address best practices employed
- ✓ Effective touchpoints for connecting and accessing RIAs
- ✓ Identify areas for improving distribution and support efforts
- ✓ Outlines an approach to gathering information and analyzing, rating, and identifying opportunities to improve sales and assets under management
- ✓ Help with managing the sales process and aid in establishing a realistic expectation for Senior Management

(1) Source – Cerulli Associates and BenefitsPro Magazine article 9.13.2016 “RIAs growing market share while wirehouses shrink: Cerulli

(2) Source – Securities and Exchange Commission ADV filings; AIT analysis and Charles Schwab Advisor Services.

## II. Methodology

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The research is based on GDC's propriety research using a combination of in-depth interviews with Asset Managers and Product Providers, as well as an online survey and interviews with RIAs. The qualitative approach enables the research to address issues from all sides and viewpoints regarding distribution and wholesaling to the RIA market.

- **In-depth Interviews** – Conducted 35 in-depth interviews with Wholesalers, National Sales Managers, Marketing Managers, Channel Managers, Key Account Executives, RIA Custodians, and related industry experts. Interviews were typically 60 minutes or more in length. Asset Managers and Product Providers interviewed ranged from large brand name mutual fund providers to boutique Asset Managers and included a mix of Active and Passive Managers. Most of the Asset Manager and Product Provider interviewees had a minimum of 5 years of experience distributing to RIAs. Many of the Wholesalers and Sales Managers interviewed have been working in the RIA market for 10 to 15 years and a few have over 25 years.
- **RIA Interviews** – In-depth interviews were conducted with RIAs including large team practices, one with over \$1 billion in AUM, as well as interviews with three hybrid advisors. The interviews addressed their general approach to managing assets, manager selection process, and perspectives and preferences on wholesaling, services used, and support needs.
- **RIA Survey** – A brief online survey of nearly 150 RIA practices to address perspectives and satisfaction with Asset Manager/Product Provider support and wholesaling efforts, as well as insight on product use, drivers for making portfolio changes, conferences they are likely to attend, and preferred means of connecting with a New Manager or Product Provider. RIAs survey characteristics:
  - **67% were traditional RIAs and 33% hybrids advisors**
  - **64% of firms are teams or ensemble practices**
  - **Over 60% surveyed manage over \$100 million in AUM**
  - **Nearly 20% surveyed manage \$1 billion or more in AUM**

Interview and survey topics addressed include:

- **Review of sales and distribution structures employed**
- **Role of External and Internal Wholesalers and their key attributes**
- **Use and attitudes towards Hybrid Wholesalers**
- **Use and deployment of investment expertise**
- **Conference and webinars efforts**
- **RIA client/prospecting database development**
- **RIA segmentation, CRM use, and data analysis**
- **Marketing and digital distribution efforts**
- **Value-added efforts**
- **RIA preferences for product use, connecting with a new manager, conferences, and portfolio/investment changes, etc.**

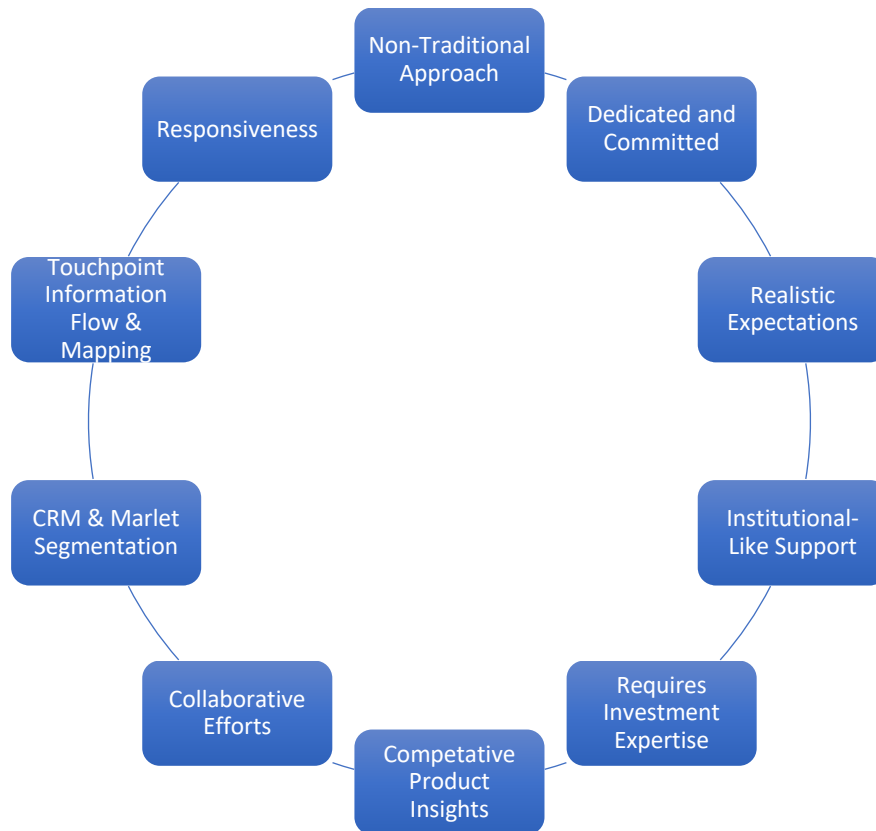
The report also leverages expertise from Robert Steele, an industry leader and innovative expert with over 30 years of experience in the financial services marketplace. As a pioneer in the RIA and asset management market, Rob has developed unique investment products, marketing and sales support programs for Wealth Managers, Asset Managers, and Institutional Clients. Rob is a founding executive of Rydex Investments where he developed an extensive and successfully RIA distribution strategy. Rob continues to consult and assist Asset Managers with product and RIA distribution support. GDC has leveraged Mr. Steele's expertise to provide prescriptive action steps to enhance wholesaling structures, gather insight on RIA practices, and identify and rate RIA sales opportunities.

## Excerpts from Chapter IV - Section A and C

### A. Top Wholesaling Practices

While distribution efforts by Asset Managers and Product Providers vary in size and focus, they all contain some common elements and best practices. RIA distribution and wholesaling best practices are derived from in-depth interviews with asset managers, product providers, and industry experts, however, few if any firms incorporate all of the following best practices and many falls short in their execution.

**Exhibit 11: Top Wholesaling Best Practices**



Source: RIA Wholesaling Best Practices: A Qualitative Approach to Effective Distribution – GDC Research

#### **Non-Traditional Approach**

The RIA market is different and unique compared to traditional broker-dealer channels. The marketplace is fragmented and geographically dispersed, and with no centralized access point, it can be a challenge for Asset Managers and Product Providers to support. Over the past decade, the lines between channels have begun to blur as the adoption of advisory and managed account offerings such as Rep

*“Management thinks they know this market, but they don’t” – Wholesaler*



as Portfolio Manager offered through traditional broker-dealers continues to expand, as well as the growth of the hybrid RIA marketplace. However, the blurring of lines may also create a false sense of understanding on the RIA market by some Asset Managers and Product Providers attempting to employ select traditional broker-dealer approaches.

*“The home office wants to keep pushing and pushing a proactive sales effort sending out more emails and it’s just counterproductive” – Wholesaler*

Most Asset Managers and Product Providers interviewed had mixed results trying to leverage their broker-dealer strategy, and others warned that the RIA is still a very distinct marketplace and employing a traditional wholesaling approach would be counterproductive.

**Especially when attempting to manage two very different sales cycles.**

### **Dedicated and Committed**

Nearly all firms interviewed recognize this is a distinct market and most have developed a dedicated effort over the years, especially as sales and assets derived from the RIA market continue to grow. However, every firm approaches the RIA a bit differently based on their background, resources available, other markets they distribute through currently, product offering, etc.

*“Our wholesaling team originated in the retail market and some want to be on the road all the time, but that’s doesn’t work in the RIA marketplace” – Sales/Marketing Management*

RIA distribution efforts are often combined with the bank trust and the family office market because of similarities in distribution, support needs, investment expertise, and sales cycle. Firms should also have a dedicated Key Accounts effort given the importance of working with RIA custodians and platform providers. While having a dedicated channel and marketing manager is preferred, many firms interviewed had managers and marketing reps covering multiple channels. In a few

*“The key is to have some persistence in the marketplace and certainly having a strong brand helps open doors” – Sales/Marketing Management*

of these instances, the channel managers were well versed and experienced in the RIA market, but most often this is not the case.

It’s also important to demonstrate commitment to the RIA market. RIAs are often wary of firms, especially new entrants, who have not committed or dedicated resources for support or don't sponsor or participate in RIA conferences/events. Firms demonstrating commitment will often serve as a tiebreaker over competing investment solutions with all other things being equal. In addition, firms that have too many fits and starts in this market risk undermining trust with the RIAs and will likely be reluctant to use that firm’s solutions.

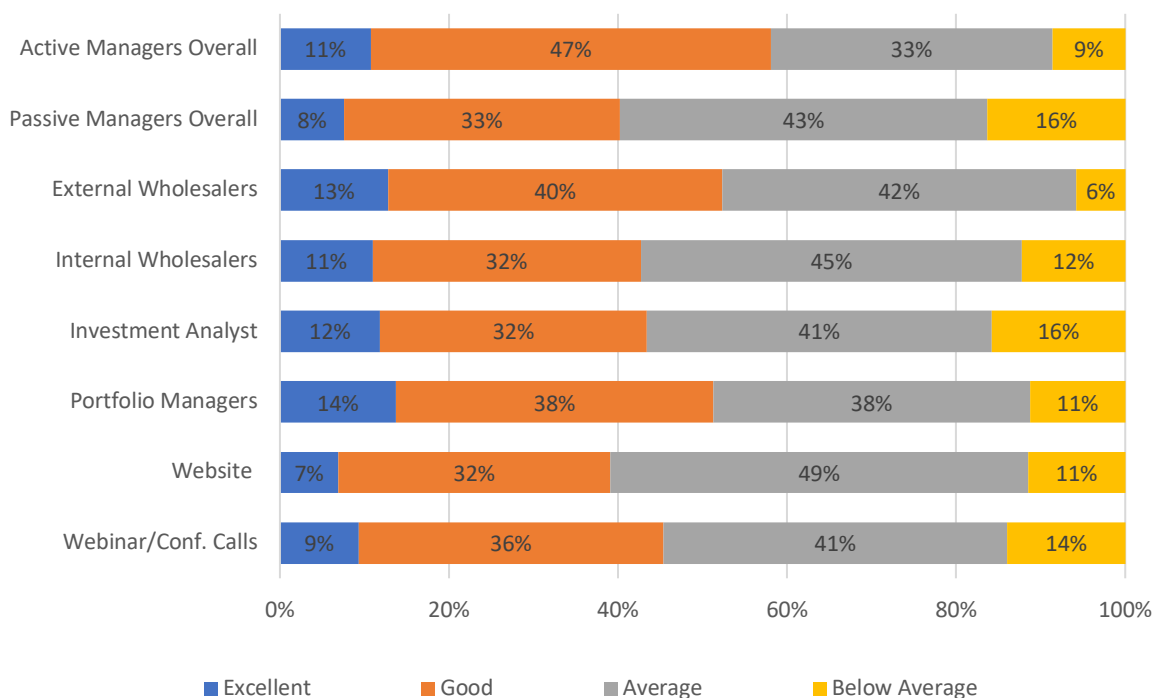
## B. RIA Perspectives on Wholesaling

All of the Asset Managers and Product Providers incorporated many of the best practices outlined in this section, nearly all are striving to make improvements. While most RIAs are satisfied with various aspects of wholesaling and believe Wholesalers, for the most part, understand their practice, few RIAs gave them top grades.

### Sales Support Satisfaction

Overall, RIAs are moderately satisfied with investment and product support. Active Managers have a higher level of satisfaction over Passive Managers, although Passive Managers typically rely less on a wholesaling and employ more of an Investment Analyst approach. Portfolio Managers have a slightly higher level of satisfaction with 14% of RIAs rating them as excellent. External Wholesalers followed closely at 13%, but is a little higher overall. Most support was considered average with few RIAs rating their satisfaction as excellent indicating that most Asset Managers and Product Providers have room for improvement.

**Exhibit 16: RIA Satisfaction with Components Investment Product Sales Support**



Source: RIA Wholesaling Best Practices: A Qualitative Approach to Effective Distribution – GDC Research

### III. RIA Information/Database Development

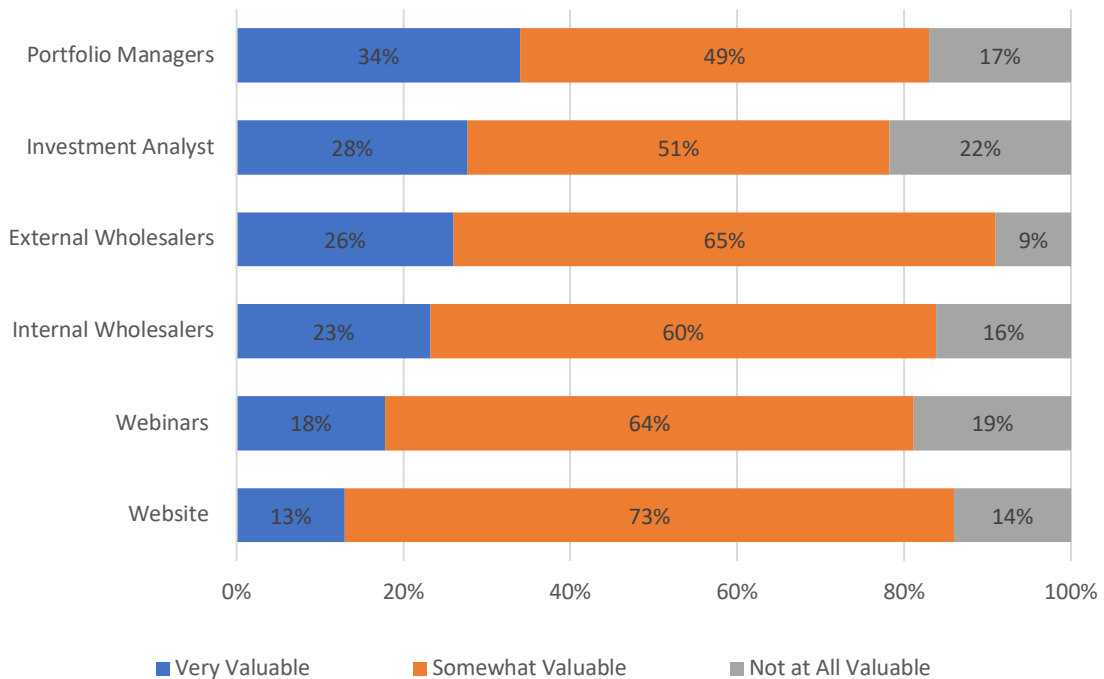
Asset Managers and Product Providers have been building credible RIA wholesaling efforts for almost two decades. But are the firms maximizing their efforts, properly identifying and rating opportunities while tracking and attributing efforts back to sales and asset growth. RIAs

*“Our Internals are doing way more intelligence gathering compared to our other channels”*  
 – Sales/Marketing Management

surveyed were asked what mainstream touchpoints are the most valuable. Not surprising, Portfolio Managers were the most valued with 34% ranking as the most valuable, followed by Investment Analysts at 28% and External

Wholesalers at 26%. Internal Wholesalers ranked 4th, however, the value of the Internal is likely to rise because of their growing qualifications and accessibility. Internals are more often the first point of contact with RIAs for the sales team following a website inquiry, and are primarily responsible for setting up conference calls with a Portfolio Manager, Investment Analyst, or External to address an RIA’s specific need.

**Exhibit 26: Level of Value Associated with Key Components of Sales Support**



Source: RIA Wholesaling Best Practices: A Qualitative Approach to Effective Distribution – GDC Research