From Products to Solutions: The Evolving Role of Asset Managers
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The shift from products to “solutions” is a central topic of conversation in the asset management industry. Despite the popularity of the term, there is a surprising lack of agreement about how to define “solutions,” and skepticism about whether “solutions-provision” represents a real strategy or simply marketing spin. Greenwich Associates believes that solutions, if properly defined, are indeed a real and important element of 21st century asset management.

Investor demand is changing, and asset managers must change with it. Faced with a daunting set of cyclical and structural challenges, institutional investors are re-evaluating the traditional strategies used to manage their portfolios. As they do so, they are more open than ever to new approaches and products. In fact, due to the increasing complexity of both investment markets and investment strategies, institutional investors are hungry for outside help. This appetite for new investment approaches and need for external support represents a critical opportunity for asset managers. Firms that adopt the right strategies will strengthen client relationships by providing institutional investors with more customized products and advice that help clients directly address their individual needs. In short, these firms will be providing “solutions.” If done correctly, this shift from transactional product sales to a more solutions-based approach will result in relationships that are closer, more durable and more likely to generate cross sales.

These changes will affect all levels of the industry. The world’s largest asset management companies are already fielding strategic advisory groups offering comprehensive, portfolio-wide solutions. Boutique managers are customizing products and providing specialized advice within their areas of expertise. Eventually, large asset management solutions providers will emerge as an important sales channel for smaller management firms working in a sub-advisory capacity.

Given the broad impact of these developments, Greenwich Associates believes that all asset managers should be reviewing their own strategies to determine if existing practices and products align with emerging demand. To help firms accomplish this goal, this paper provides an in-depth analysis of the “solutions paradigm.” We begin by explaining how investor demand is changing and pinpointing the drivers behind these shifts. Next we examine the different types of solution-based approaches that asset managers are and should be considering in response to these changes, and lay out a broad framework that managers can use in developing the right strategies for their firms. Finally, we look at some of the key challenges facing asset managers that attempt to pursue solution-based strategies—including the critical task of implementing changes to the investment function and distribution platform without disrupting the firm’s existing value proposition.
The terms “solutions” and “solutions-provider” have been adopted as shorthand by asset managers looking to communicate to clients that they are more than product-pushers. Although the terms have become nearly ubiquitous in the industry, there is little agreement as to what exactly they mean and no shortage of skepticism about their actual value to managers. What exactly is a solution, and why are solutions so important? Why would a management firm want to provide solutions and how would a manager go about doing so if one were so inclined? Greenwich Associates believes these are important questions that reflect changes in the industry that will have real impacts on manager strategy and performance.

Asset management firms possess a specific set of expertise and capabilities. Under the industry’s traditional business model, these skills were used to create investment products. Asset managers employed their skills and abilities to deliver attractive investment results within the confines of products that were sold to retail and institutional clients. This model was very attractive because it was highly scalable: Managers could focus on the single task of delivering returns, which could be packaged appropriately for selling to a wide range and significant number of clients.

At its simplest, the shift to a solutions-based approach means extending a manager’s expertise and capabilities beyond the bounds of a firm’s traditional product set in a way that meets some client need. The end result can be a more sophisticated vehicle for targeting and delivering returns—such as a customized multi-asset class or allocation product—that clients can employ to help solve a particular problem.

The extension of skills and abilities beyond traditional product sets need not always take the form of another discrete product, however. For asset management firms offering clients advisory services at the asset-class or at the portfolio level, the firm’s skills and abilities themselves are the “product.”

These advisory services can be sold for a fee, but more often they are provided for free as a means of building a deeper and broader relationship and generating opportunities for cross sales. Finally, firms can combine these two approaches (sophisticated products and advisory services) to help clients solve problems at the broadest possible portfolio and even organizational levels. The most common examples of this “holistic solutions” approach are liability-driven investment strategies and delegated investment solutions that can extend to full-service outsourcing such as outsourced chief investment officer (OCIO).

Given the attractiveness and scalability of the traditional product model, the obvious question is why firms would want to undertake the task of switching to a solutions-based approach? The answer: A series of secular and cyclical shifts in investor needs and perspectives are changing client demand. Pressures caused by low-yield markets and a slow-growth economy have exacerbated funding challenges for many institutional investors. These conditions, combined with an evolving regulatory framework that supports increased risk adversity...
for numerous client channels, are driving investors to seek new ways to improve their risk/return characteristic.

This pressure has caused strategies to diverge among different types of institutions, with many corporate pensions moving to de-risk and public pensions seeking out new sources of investment alpha. Across the spectrum, institutions are focusing less on relative investment performance and more on their own problems and outcomes. As they do so, they are experimenting with increasingly sophisticated investment products and portfolio strategies, and they are leaning on external partners for advice and support.

These changes have created an opportunity for investment managers to transform their interactions with clients from the traditional buy/sell dynamic to something deeper, more complex and multifaceted. Many of the strategies managers are pursuing to seize these opportunities have been lumped together under the broad and amorphous label of “solutions.” In this paper we will attempt to present these approaches in an organized framework that asset management firms can use to better understand various “solutions” strategies now being pursued by peers and rivals, to assess how the proliferation of these strategies will affect the marketplace, and to determine the best strategy for their own firms.
Traditionally, asset managers have played the role of “brick-makers.” Institutional investors have been builders. They drew up blueprints, laying out the design of their portfolios in intricate detail that clearly identified the type of “bricks” they required for each part of the edifice. They then worked with investment consultants—who also provided some input on the overall architecture—to find the best bricks for every part of the portfolio.

Under this process, the most effective strategy for asset managers was to focus on being the best brick-makers they could be. Prospective clients were not looking for asset managers to deliver their thoughts on how best to construct and manage their investment portfolios, they were looking for the best managers to fill a clearly defined and delineated allocation in, say, domestic equities, government bonds or high yield. The asset managers that won assets in that environment were those that demonstrated the capability to deliver consistently strong levels of performance within their asset class sleeve within prescribed risk parameters. In the end, for active managers it was all about delivering alpha, and alpha as defined as an excess return over a given benchmark. This assumes that a manager’s success, i.e., beating the benchmark, is aligned to an investor’s perception of success. Given that benchmarks are often derived from unrelated factors—the availability of underlying investments for example—the connection to delivering on an investor’s end goal could be somewhat tenuous, at best.

While the bulk of asset management revenues continue to be generated through the sale of traditionally structured investment-product “bricks,” there is growing demand among some institutions for help on architecture and design, or rather, in putting together the right overall strategy for portfolio management, to solve for their long-term need or produce a required outcome. Institutions are also experimenting with innovative investment approaches—replacing bricks with sophisticated new composite building materials.

### Investor Behavior Drives Industry Change

<table>
<thead>
<tr>
<th>More sophisticated</th>
<th>About costs, returns, benchmarks, alpha/beta and risk</th>
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<tbody>
<tr>
<td>Less trusting</td>
<td>Managers must work harder to explain and prove alpha (no closet beta)</td>
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<tr>
<td>Greater expectations</td>
<td>Investors need to achieve better outcomes (relative outperformance doesn’t equate to success)</td>
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Demand pressure on managers to extend their value proposition beyond alpha delivery

- Product innovation
- Advice and counseling
- Tailored solutions
There are several reasons:

1. The trauma of the financial crisis drove home the risks associated with funding status and volatility, leading to more focus on risk and underlying needs.

2. Insufficient returns and low interest rates have caused large funding gaps. Low economic growth has led institutional investors to reduce anticipated returns, making funding challenges even more transparent.

3. Regulatory frameworks and mark-to-market accounting have driven more risk-averse and risk-aware behavior.

Together these shifts have triggered a change in perspective among many institutions. Concerned that simply concentrating on generating investment alpha relative to a series of selected benchmarks may not meet their institutional needs, investors are focusing on achieving broad goals such as generating funding to match long-term liabilities, preserving real levels of assets while meeting annual distribution requirements or even de-risking pension plans operated by corporations. To do so, they are adjusting the way the problem is approached, utilizing new investment strategies, asset allocation models and products/strategies. In short, they are looking for solutions to their fundamental challenges—and they are seeking ideas and advice from any and all sources.

This change in perspective, coupled with cyclical market conditions, is having a real effect on investor demand. For example, institutions’ increasingly holistic perspective is placing greater emphasis on absolute returns and absolute-return products. At the same time, demographic pressures are fueling the need for investment income. Pension reform and companies’ desire to minimize pension-fund risk is driving demand for liability-driven investment approaches and other innovative or next-generation allocation models. The challenge of generating sufficient returns in a low-yield, low-growth environment is stoking interest in more complex strategies.

In terms of specific investment products, the change in institutional focus has increased demand—in some cases sharply—for the asset management offerings listed in the following box.

As the list above illustrates, the management industry and investment approaches are getting increasingly sophisticated. Implementing these new strategies requires significant technical expertise, broad product knowledge and sophisticated risk management. This growing complexity is testing and at times exceeding the expertise and capabilities of staff and investment committees that often serve on a volunteer basis within pension funds.

Institutional investors are attempting to navigate these new challenges with resources and structures put in place under a much more traditional investment framework. In many cases, financial pressures on plan sponsors have intensified resource constraints and held down or even reduced staffing levels.

The end result: Institutional investors have shifted their focus from generating investment alpha to creating effective solutions for portfolio-wide and even organizational challenges. Such holistic solutions are complicated and often involve sophisticated and unfamiliar investment strategies and products. This complexity is taxing and may surpass institutional investors’ internal expertise, resources and staffing. These changes have created an unprecedented opportunity for asset managers to move beyond the product-provider paradigm and partner more closely with institutions to provide them with a different type of support, or “solutions.”

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### Examples of Solutions and Outcome Products

- Multi-asset/allocation products
- Volatility products
- Absolute-return products
- Income products
- Inflation-linked products
- Target-date products
- Liability-driven investment (LDI) and risk-management solutions
- Longevity insurance
- Delegated investment solutions/fiduciary management

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Examples of Solutions and Outcome Products
Greenwich Associates has identified three main categories of solutions:

1. **Advisory:** The transfer of intellectual skill, capital and insight. Building an advisory capacity is a major shift for most asset managers who previously used their expertise and capabilities only within management products designed to deliver investment results. Under the advisory model, these “inputs” can become the product or results delivered to clients. Importantly, the advisory model can be applied at the product/asset-class, portfolio or organizational level.

2. **Structuring:** Design work that occurs not at the product level, but rather at the portfolio level. Examples include asset allocation and risk-management advisory, multi-asset or asset-allocation products, and some delegated investment solutions.

3. **Engineering:** Design work that goes beyond structuring solutions for the portfolio to incorporate and address broader client needs and issues. Fund engineering requires broad expertise that extends beyond traditional investment management skills. For example, providers of liability-driven investment strategies require expertise in actuarial analysis and other fields; providers of income-generating solutions may need capital markets or sourcing expertise to access particular underlying components to the solution.

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<th>From Legacy to “Next Gen”</th>
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<tr>
<td><strong>Legacy Product Characteristics</strong></td>
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<tr>
<td>Emphasis on market benchmark returns and “relative” performance</td>
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<tr>
<td>Focus on small number of traditional “core” categories</td>
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<tr>
<td>Narrow universe:</td>
</tr>
<tr>
<td>- Domestic</td>
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<tr>
<td>- Single-cap</td>
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<td>- Single sector</td>
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<tr>
<td>Narrow benchmark-relative concept of risk/return</td>
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A mid all the discussion about the actual definitions of “solutions” or a “solution provider,” one thing is often missing: practical advice on real steps asset managers can take to capitalize on—or at least keep up with—these fundamental changes in the way clients see the world and manage their portfolios.

The most basic change most asset managers will have to make in trying to adapt to a solutions-oriented marketplace is in the nature of their relationships with clients and, to at least some extent, with investment consultant intermediaries. Regardless of size or strategy, one common shift is required: Managers must partner with clients to solve problems. In order to do that, managers must first get closer to their clients.

Most asset-management sales and distribution functions were built to support straight product sales, in some cases relying on consultants as intermediaries. This structure had clear benefits to investment managers, in large part because it was highly scalable. If asset managers could build an efficient investment engine and effectively demonstrate its sustainability in client presentations, they could be reasonably certain that consultant recommendations would drive new business. Although that model has been and remains effective, it also results in arms-length relationships with clients.

At a time when institutions are hungry for solutions, this distance between managers and clients represents a serious disadvantage. Creating opportunities for frequent and in-depth conversations with clients should be a top priority—not just for large asset managers looking to sell portfolio-wide solutions, but for all managers. In this respect, it is a mistake for small boutiques to ignore the new solutions perspective, even if firms are committed, single-product providers. With institutional investors searching for new approaches, managers looking to win new assets or even maintain existing mandates must demonstrate an understanding of what their clients are trying to accomplish and their own ability to help in that effort.

Once they do, managers will find themselves in a position to deepen the relationship by providing value beyond alpha generation. Greenwich Associates research has demonstrated that relationships institutions consider “advisory” in nature are generally more durable. While crises often put stress on manager-client relationships, they can also strengthen institutions’ relationships with preferred providers, or with managers who provide valuable advice. Such advice can pertain to the portfolio as a whole, or to specific asset classes and strategies.

Close advisory relationships deliver another critical benefit: the opportunity for cross sales. Shifts in institutional perspectives have resulted in an increase in multi-product relationships. In 2010, 31% of U.S. institutions’ investment assets were managed through multi-product relationships. By 2014 that share had increased to 38%. Overall, 18% of client relationships...
now involve more than one product, and 30% of asset-management revenues are generated through multi-product relationships. We believe these percentages will only increase with the proliferation of approaches such as liability-driven investment strategies and multi-product strategies, and the push by large investment organizations to build broad, multi-product advisory relationships and provide turnkey, delegated investment solutions and asset-allocation services.

Building the kind of deep advisory relationships that allow for cross sales and other benefits will create a new challenge for managers that rely on investment consultants as a core distribution channel. Many of these consultants will not look kindly on a shift that threatens their position as key intermediaries. Relationships between asset managers and consultants are already becoming more complicated, with some consultants offering multi-asset and other investment products of their own.

When it comes to the growing market for delegated investment services, the battle between investment managers and consultants is becoming heated. Forty-four percent of U.S. institutions using OCIO use an investment consultant as a provider; 40% use an investment manager. Going forward, managing a delicate process of simultaneous cooperation and competition (“co-opetition”) with investment consultants will be a key concern for firms looking to build deeper client relationships and move toward a solutions-oriented sales approach.

Next-Gen Sales

Asset managers who want to change the nature of their client relationships will have to start by altering aspects of their sales and other client-facing functions. The process of building advisory relationships will result in longer sales cycles and the need for increased transparency and ongoing operational due diligence. This work will have to be done by a new breed of institutional sales professionals.

In 2014 Greenwich Associates published Best Practices in Institutional Distribution. One of the key takeaways of that paper was: In the old paradigm of product sales, asset managers talked; in today’s market, they must listen. The skills required to initiate thoughtful, two-way conversations, learn about client needs and build trusting, advisory relationships are not necessarily the same qualities that make for an effective institutional sales professional in the traditional model. In many cases, facilitating this type of dialogue will require expertise beyond the realm of investment products, including topics such as actuarial modeling, capital markets and others, and a focus on the development of a different set of sales skills.

“Next-Gen” sales professionals will require the following traits:

- Willingness to act as a true advisor by first listening to institutions’ needs and opinions
- A focus on building trust and credibility over the long-term, as opposed to immediate sales
- The ability to consider investors’ needs holistically, including both sides of the balance sheet
- Analytical/technical skills
- Deep integration with distribution and investment teams

In order to develop and encourage these characteristics and behaviors, many asset managers will have to alter exiting sales management and compensation structures. Short-term asset raising and revenue generation do not entirely align with the long-term trusted advisor status that managers seek in the “new order.” A key tool in this effort is annual sales plans for prospects and clients that include relationship-building steps as performance goals that will be assessed and influence compensation. Another requirement: a well-designed client relationship management (CRM) system that makes it easy to store information learned from conversations with the client and other sources, and easy-to-access information to prepare for calls or meetings. An efficient CRM system is essential, since firms attempting to build advisory relationships with clients should require all client-facing professionals to learn from prospects and clients about their overall goals and needs during every interaction.
Is a Solutions Strategy Right for My Firm? If So, Which One?

In today’s marketplace, building close partnerships should be part of every asset manager’s business plan. But not every firm can or should pursue the notion of being a “solutions provider” beyond trying to strengthen relationships by helping clients solve problems within their asset classes or current areas of expertise. Indeed, the first step most firms will have to take in forming strategies for today’s marketplace is to determine where they currently sit on the “solutions spectrum” and decide where on that spectrum they ultimately want and need to compete.

To help asset-management executives work through their options, Greenwich Associates developed the “Products-Solutions Spectrum” model, which identifies four main types of solution-based approaches.

The chart below shows the wide variation in asset-manager strategy, ranging from product-centric “parts providers,” to providers of holistic portfolio solutions. Generally, the process of moving up this ladder begins when a firm responds to shifts in institutional perceptions and demand by starting to customize products to specific client types. This marks a fundamental change for many management firms that have marketed one-size-fits all investment products based mainly on their ability to deliver high levels of alpha or cost-efficient beta.

For many firms, this transformative move will also be their last step on the solutions ladder. Most asset managers will find that introducing some level of customization to their product offerings increases the firm’s appeal among a client base that is focused less on relative investment performance and more on meeting their own specific challenges. However, the majority of assets and client relationships in the industry still derive from traditional product sales. Not all clients want solutions, and not all firms want to be solution providers. Standardized products have important advantages. They fit into traditional asset allocation models, making them applicable to the broadest possible client audience. Because of this compatibility, these products can be marketed with

The Products-Solutions Spectrum

<table>
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<tr>
<th>Holistic Portfolio Solutions</th>
<th>LDI / OCIO / Risk Management Solutions Provider</th>
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<tbody>
<tr>
<td>Packaged Outcome-Orientated Products</td>
<td>Multi-Asset / Allocation Funds Provider (e.g., absolute return, target date, guaranteed income, etc.)</td>
</tr>
<tr>
<td>Tailored Products</td>
<td>Needs-Sensitive Parts Provider</td>
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<tr>
<td>Products</td>
<td>Parts Provider</td>
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Product Expertise | Asset/Risk Allocation Expertise
relatively narrow levels of client interactions and considerable support from investment consultants, making the standardized-product business model highly scalable.

The initial step of creating, selling and servicing tailored products may reduce the scalability of that model, even as the new demands divert resources and management attention away from the investment function. Smaller management firms and firms that elect to remain single-product providers will each determine the right level of customization—if any. Relatively few firms in this category will attempt to progress to the next rung on the solutions ladder to become providers of packaged outcome-oriented products; mass customization remains an attractive proposition for many.

A growing number of large and even mid-sized asset managers are offering multi-asset funds or allocation funds including absolute return, target-date funds, guaranteed income products, and others. Although demand for these relatively sophisticated strategies is on the rise, supporting these products is a complex task requiring access to multiple asset classes and considerable levels of expertise in functions that stretch beyond the traditional asset-management skill set, including asset and risk allocation.

Finally, a small subset of the largest asset management organizations are offering strategies and services marketed as holistic portfolio solutions. The most common approach is the deployment of “strategic advisory” functions that offer institutions advice on asset allocation and other topics, generally free of charge, as a means of building advisory relationships and securing sales and cross-selling opportunities. Firms in this category are also marketing specific product-based solutions ranging from LDI and risk-management consulting services to delegated investment solutions.

The role of holistic solutions provider will only be appropriate for a very small share of organizations with significant resources to build the necessary skill set and operational infrastructure. The model requires managers to maintain expertise and capabilities spanning risk analytics and management, asset allocation and multiple asset classes. Nevertheless, firms of all sizes must develop a deep understanding of the solution-provider model. The reason: Rival firms pursuing solution-provider strategies today could be tomorrow’s clients. Asset-management organizations that establish themselves as providers of comprehensive LDI solutions, delegated investment solutions, multi-asset class or asset-allocation products will, in many cases, need to outsource the running of particular component products to sub-managers.

Many asset management firms have already embraced sub-advisory roles as their best strategy for cracking defined contribution—a market in which they would struggle to compete with well-established giants that capture the lion’s share of assets in U.S. 401(k) plans and other defined contribution (DC) structures. But managers should not limit sub-advisory strategies to providers of target-date funds and other products in DC. Smaller and boutique asset management firms with best-in-class reputations or specific expertise in a particular asset class should also explore opportunities to fill sub-advisory roles to providers of multi-asset-class products in institutional channels.

In 2013 Greenwich Associates published a special paper on the growing popularity of OCIO services. Outsourced CIO Gains Traction Among Endowments and Foundations advised smaller and mid-sized asset managers to begin treating OCIO as a new and discrete distribution channel. The same advice holds true for providers of multi-asset or allocation products, LDI and other solutions.
Greenwich Associates has identified the seven primary challenges that asset management companies must face and overcome in transforming their organizations from a product-centric to a solutions-based orientation:

1. **Extending and broadening investment capabilities and securing necessary talent**

2. **Changing the approach without damaging the existing value proposition**

3. **Meeting technology and operations requirements**

4. **Developing or acquiring consultative distribution capabilities and talent**

5. **Building credibility, trust and respect in the new role**

6. **Mastering a challenging economic model**

7. **Navigating collaboration vs. competition**

### 1. Extending investment capabilities and securing talent

Investment capabilities drive results. If anything, this principle has become increasingly important as investors have become more sophisticated, less willing to pay for active management that fails to consistently deliver alpha, and more diligent in sourcing their lowest-cost beta. These changes have made the industry more competitive than ever, ratcheting up the pressure on asset managers to maintain truly differentiated investment propositions.

Now, on top of the need to deploy a top-notch investment function within a particular asset class, asset managers that adopt a solutions approach will have to develop capabilities in fields including strategic and tactical allocation of assets, risk, derivatives, and multiple asset classes. In some areas, the talent needed to field these capabilities might exist in-house. But in areas such a liability management and others, meeting these requirements will often require external hires or acquisitions.

### 2. Changing the approach without damaging the existing value proposition

Transitioning a firm to a solutions-based approach can require significant changes to nearly every aspect of a firm, including the product set, investment function and sales process. These deep changes must be made in a way that does not erode the original value proposition that supports the firm’s existing client base. Critically, the changes must not be allowed to disrupt or degrade the investment function by imposing new demands on investment staff or otherwise distracting these professionals from their primary task. Finally, the changes must be communicated to the marketplace in a way that enhances, rather than complicates, the firm’s brand perceptions. None of this is easy, and none of it is possible without a careful, long-term strategy for both internal and external execution.

### 3. Meeting technology and operations requirements

The shift from producing and delivering traditional products to managing multi-asset class/allocation products or broader portfolio solutions can be a quantum leap in terms of technology and operations demands. Compliance and reporting requirements become significantly more complex when managers get beyond their traditional comfort zone of single-product or asset-class management. Managers must build the systems and technology teams required to meet these requirements at a time when they are already under pressure from client demands for seamless service and fast, robust reporting.
Developing or acquiring consultative distribution capabilities and talent

Selling products and providing solutions are two different tasks. Salespeople who thrive in the traditional product-pushing model can be entirely unsuited for the job of building deep client relationships, listening to the needs of the client and working with all parties to craft solutions. In addition to these particular soft skills, sales professionals operating in a solutions-based framework will require at least some level of expertise on a range of non-investment-related topics, allowing them to have value-additive conversations with prospects and clients on wider strategic needs and challenges.

For this reason, asset managers contemplating a shift in approach should conduct a thorough audit of their sales force and sales practices, and be prepared to train, supplement or even replace individuals not suited for the new approach. Firms must also be prepared for a relatively new distribution challenge: When selling products that fit within an institution’s standard allocation framework, it’s an easy task to identify decision-makers. When a manager shifts to a broader, portfolio-based approach, the task of identifying and accessing decision-makers becomes much more challenging and must be approached in a systematic and organized manner.

Building credibility, trust and respect in the new role

Extending the business model beyond a firm’s traditional core products means extending the value proposition as it is communicated to clients. Some managers underestimate the challenge of conveying their new value proposition when it extends into areas in which the manager has no prior credibility in the eyes of clients and prospects. This hurdle is one of the main reasons that management firms should only adopt new approaches that build naturally off their core products and investment expertise. In these areas, the firm is already viewed as a trusted product supplier and will have a much better chance of being accepted as a provider of more sophisticated products, portfolio-wide solutions and strategic advice. Remember: Your firm is only one of many providers fighting to be preferred partners and as such, you need to start from a position of credibility and trust.

Mastering a challenging economic model

The economics of the solutions-based approach is no “slam dunk.” Large organizations do use advisory services as loss leaders, and even the most sophisticated firms have struggled to turn a profit on these units, especially in the short- or even mid-term. As discussed earlier, product customization is an expensive undertaking and one that can reduce scalability. Asset management firms that decide to pursue solutions-based approaches must be prepared to make significant investments into the effort, and they must be prepared to stick with the strategy long enough for it to begin to deliver long-term benefits associated with broader and deeper client relationships. The best way for asset management firms to minimize costs and maximize margins is through a process of aggressive client segmentation that identifies appropriate targets for customized products or advisory services. The efforts are only worth making in areas that have the potential to yield meaningful results.

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<tr>
<th>Technology and Operations Investment: Build Seamless Delivery, Execution and Reporting (Scale Efficiencies)</th>
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<td>Solution Design</td>
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<td>• Asset allocation</td>
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<td>• Portfolio construction</td>
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<td>• Capital market research and analysis</td>
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<td>• Sensitivity analysis</td>
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4 Developing or acquiring consultative distribution capabilities and talent

5 Building credibility, trust and respect in the new role
Navigating collaboration vs. competition

Moving from product suppliers to solutions providers will affect the firm’s relationships with key counterparties, competitors and peers. In particular, crossing into the realm of client problem-solving or even offering multi-asset-class or allocation products can place the firm in competition with other providers, such as consultants. Meanwhile, firms might start cooperating with rival peers. Current competitors could become new clients as firms start accepting sub-advisory roles to asset managers and even consulting firms offering multi-asset-class products, LDI, and delegated investment solutions. In this new environment, strong leadership and a clear business plan will be required to keep the firm on course.

The Competitive Lines Are Blurring
The change from asset-management products to solutions is being driven by a shift in focus among investors to absolute outcomes over relative investment performance. “Solutions” are simply the strategies by which asset managers apply their skills and capabilities in different ways to help clients achieve these desired outcomes. However, implementing a solutions-based approach can be a difficult task requiring investment in infrastructure, a redefinition of relationships with clients and intermediaries, a review of business metrics and compensation structures and, in some cases, a restructuring of the investment function itself. Despite these challenges, fundamental changes in investor demand are making the solutions approach relevant to all asset managers—including both firms that will pursue solutions strategies as a means of growing their businesses and firms that will eventually sell products to solutions providers through a new and increasingly important distribution channel. Success will come to managers who approach this new world with a clearly defined plan and who diligently manage all aspects of their business toward that strategy. However, any move toward a solutions-based approach must be made carefully, to ensure that the changes do not erode the firm’s value proposition within its established core client base.

**Conclusion**

Greenwich Associates

**Strategic Advisory Services**
Our Strategic Advisory practice helps investment management clients respond to business challenges and develop strategic solutions. By combining our extensive industry experience with detailed research from both our annual and custom research programs, we provide a unique viewpoint on:
- How best to organize for success
- Key success factors
- Successful strategies to promote growth
- Alignment of the organization with industry best practices
- Effective communication strategies

By applying this knowledge to the businesses of individual managers, Greenwich Associates has the unparalleled ability to assist organizations as they address important questions related to structure, business development, product development, marketing, sales, distribution, and client service in the investment management industry.

Our Advisory practice helps clients in a variety of ways:
- Market opportunity assessments
- Brand perceptions and strategies
- Strategic business reviews
- Effective sales strategies
- Product assessments
- Product messaging alignment
- Acquisition due diligence
- Client segmentation
- Distribution structures and staffing
- Effective thought leadership strategies

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