

Branding for Asset and Wealth Managers: The Secret Treasure is in your DNA

The number of asset management M&A deals increased by close to 20% from 2017 to 2018 – and the trend doesn't seem to stop. On the contrary, the number of transactions was more than 40% higher in Q1 2019 vs Q1 2018¹. Furthermore, almost 3,000 hedge funds have closed between the beginning of 2015 to the end of Q3 2018². Do wealth and asset managers have no other choice than to either merge or close?

Without a doubt, we are in an environment where low interest rates and technology advances challenge traditional investment concepts. Combined with increasing regulation and distribution complexity, the pressure is on wealth and asset managers to outpace this evolution with better operational efficiency. Thus, it comes as no surprise that we meet investment managers everyday who are fighting hard to keep their performance numbers at the top of the rankings and to continuously streamline their operational platforms.

There is one area though, which we believe is consistently overlooked and hence remains largely underleveraged, and yet is owned and fully controlled by every wealth and asset manager: their brand.

In this paper we will review the benefits asset and wealth managers can derive from a strong and clearly expressed brand. We will then consider how they can identify and articulate their brand in an impactful manner. But before we get there, let us first define what we mean by brand.

Like every person, every company is unique

According to Markus Kramer, the definition of brand is as follows: "A brand differentiates something or someone from its competition and instills trust,

simplifies choice by reducing risk, spurs demand and creates pricing power and – all being well – builds loyalty and creates value over time."³

Who and what you are today is the result of a complex string of actions over time. What makes a company truly unique is often deeply rooted in its cultural code, its underlying value systems, beliefs and indeed, its purpose for existing at all.

"Profit for a company is like oxygen for a person. If you don't have enough of it, you're out of the game. But if you think your life is about breathing, you're really missing something."

Peter Drucker, management consultant, educator, and author.

It's guaranteed to create further pressure on margins if your value proposition is tied to rational differentiators such as performance or operational efficiency alone. Yet the world of finance more broadly seems to neglect this notion. Discovering, identifying, articulating, aligning and communicating the underlying drivers of values, culture, purpose and ultimately brand enable real differentiation that creates stand out and delivers longevity beyond the rationality of return and performance.

Brand? Surprise... we didn't mention the logo! Well, that's part of it too, but it's an end to the means and not the other way around. If you are clear about why you exist (purpose), your inner value system (culture), then the graphical expression, tone of voice and external communication will follow naturally. However, way too often we encounter firms approaching us for help when they are in the midst of a 're-branding' exercise and have realised that nothing is going to change. They hire a graphic design agency to freshen up the logo and experience an expensive and disappointing project

¹Deals from PwC – Deals insights – Q1 2019

²Hedge Fund Research – « HEDGE FUND LIQUIDATIONS RISE IN THIRD QUARTER, REVERSING TREND FROM FIRST HALF OF 2018 » - December 12th 2018.

³The Guiding Purpose Strategy - A Navigational Code for Brand Growth" – Markus Kramer – Clink Street Publishing – 2017.

because they actually don't have the intellectual material required to efficiently brief either staff (internal alignment) or extended stakeholders.

Brand: A treasure asset and wealth managers still need to find

The financial industry is still not very familiar with the concept of brand. In our recent work studying the application of brand within the wealth and asset management industry that lead to the first ever Responsible Brand Investment Index, or in short RIBI, we found that only 5% of European asset managers articulate a Purpose: what makes a company come alive, in the same way the beating of our heart gives us life⁴. And even fewer asset managers link their Purpose to a greater societal good.

"Nearly 80% of Asset Managers claim to be responsible investors but less than 2% have a Purpose connecting with Societal Impact."

Responsible Investment Brand Index 2018 results.

By its very nature, the financial sector relies on facts and figures to make decisions and is less used to dealing with emotions and feelings. Nevertheless, clients make their buying decisions based on sentiment and feelings. "No emotion. No decision."⁵ As years of research in neurobiology show, our buying decisions are based on emotion. They are explained, justified and rationalised by facts and figures, but emotion triggers the buy button.

Welche Vorteile hat eine klar differenzierte und stark artikulierte Marke für Asset- und Wealth-Manager?

As outlined above, a brand helps to **differentiate**. This is critical in an industry where, in Europe alone, there are some 4,000 managers pursuing the same clients, not even counting the mushrooming landscape of fintechs and robo advisors that transcend these boundaries. And there are 54,000 funds for clients to choose from⁶.

It **instills trust**. More than in any other industry, trust is the cornerstone of an enduring client relation in the asset and wealth management business. Even the best managers experience periods of lacklustre performance. Trust is what will keep the client on the

⁴ The H&K Responsible Investment Brand Index – Jean-François Hirschel and Markus Kramer – <https://www.ri-brandindex.org>

⁵ "Neuromarketing – Understanding the « Buy Buttons » in Your Customer's Brain ». Patrick Renvoisé, Christophe Morin. Thomas Nelson, 2007.

books during these times. And this is critical in an industry where client acquisition costs are high.

It **simplifies choice**. A clear and inspiring identity simplifies choice for the customer. The same way Google "organises the world information and makes it universally accessible and useful" rather than "builds a search engine", the asset manager who "empowers people to live a better life"⁷ is more inspiring than the one who "generates return over the long term". Companies who get this right optimise their chances to be remembered, identified and admired by their clients, their prospects, their employees and the highly skilled talents they need to continuously attract.

It creates **pricing power**. This is hot topic of interest in the asset and wealth management world where, for example, the margins of asset managers have decreased by more than 20% from pre-crisis levels to the end of 2017⁸. Borrowing from other industries, think of brands like Apple, BMW, Nespresso, Evian and how they manage to command margins thanks to a unique positioning and well executed, subsequent activation inside and outside their organisations.

So, how do you go about identifying and articulating a strong brand?

The magic is in the methodology

The only one to know their brand inside out is you. Anyone you hire to assist you with your brand should have the humility to admit they are there to help you identify and articulate your brand, not invent it: no one else knows better than you!

We have seen a number of companies, full of good will and energy, launch themselves into some sort of a brand project. They gather a workgroup for a so-called brainstorming session. It usually lasts half a day to a day, people get bored and start reading their e-mails, or they shout at each other and when the dust finally settles there is... nothing.

A branding project needs to be supported by a methodology designed so that the end result is tailor-made, progressive and tangible. Specifically, it needs to deliver on these aspects:

⁶ The « Asset Management in Europe – 9th Edition – Facts and figures – May 2017 » – EFAMA, European Fund and Asset Management Association. « Worldwide Regulated Open-ended Fund Assets and Flows - June 2017 » - EFAMA, European Fund and Asset Management Association.

⁷ Real life example. Please refer to the above-mentioned H&K Responsible Investment Brand Index.

⁸ « Global Asset Management 2018 – The Digital Metamorphosis » – The Boston Consulting Group.

Genuine. In a world where transparency allows anyone to see and judge what you do, there is just no room left for anyone not living and breathing absolute integrity. In the language of branding, this means that there is no such thing as pretending to be something you are not. Shining on the outside must be reflected on the inside and vice-versa. Your brand must be the genuine expression of who you are. We call this integrity from within.

Shared. Way too often have we seen brand projects where the team loosely agrees on a brand story and, as soon as the project is finished, everyone goes their own way like a dislocating flock of birds and tells their own story - often either abbreviated, glorified or in the worst case, discredited. All of these routes are counter-productive to building internal and external alignment around your unique position, proposition and story. Your brand will only ever be as strong as the consistency with which it is expressed. The methodology must therefore ensure that there is perfect alignment within the company for who you are and the way to express it across every touchpoint. This is particularly important if you are either a larger organisation or are embarking on a transformation process.

Simple. The wealth and asset management industry is full of jargon. Choosing the wrong language and tonality in how you express your brand carries many risks. Even if you are genuine on the inside, it won't do much for you if you are not understood and admired on the outside. It's hard to talk to emotions through jargon; yet to be appreciated for who you are, brand can help trigger a buy decision and keep customers and talent loyal. A professional methodology will make sure you do not end up in a well-defined dead end.

Last but not least, a methodology must get you to the results and their desired outcome **efficiently**. A branding project is by definition transversal, meaning a lot of parties are involved and you want everyone's time to be well used. It is a truism that the sooner you are done, the sooner you will be in a position to start reaping the benefits. However, the complexity of your given context does not automatically translate to an equally complex effort, investment of time and money. A solid methodology relies on tried and tested frameworks independent of scale.

We often observe a temptation to hire agencies outside the financial world, the rationale being that they can bring best practices from industries where branding is more advanced and look at you with a fresh pair of eyes. This is all true and indeed desirable. Knowledge of your industry however is also a must - it reduces the learning curve, assures a better understanding of context and target audiences and overall speeds up your project tremendously, avoid

the onerous time needed to explain your business to a generalist agency (and, anecdotally, avoid the embarrassment of calming down your angry colleagues coming out of a so-called "branding workshop" which turned into a "wealth and asset management for dummies" exercise). While agencies with integrity will write this time off as 'onboarding' costs, this time spent bears an opportunity cost at your end.

Start Digging!

Going on a treasure hunt to activate your brand is undoubtedly an undertaking that needs careful consideration. If it is well planned and executed, you will find your treasure fuels guidance and direction for the long run (aim for at least five, better ten years). Properly planned and structured branding projects are an effective agent to catalyse change, enabling you to tackle strategic issues which go beyond branding per se.

Answering the question on the outset "Do wealth and asset managers have no other choice but to either merge or close?" we can say with confidence that while we keep seeing a lot of effort applied to investments and operations, the industry would benefit greatly from placing branding centre stage. Beyond improving the quality of products and focusing on cost efficiency, branding is your weapon to increase your ability to attract new clients, keep the ones you have for longer, attract and retain top talent and ultimately protect your margin. So, when do you start?

About the authors

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