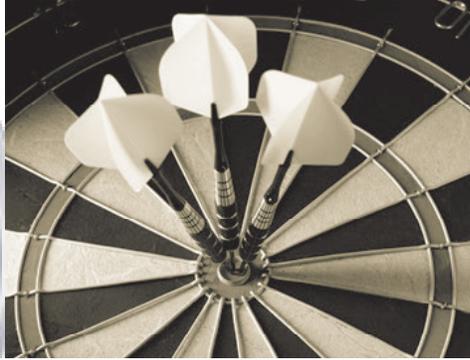




An EMI Industry
Intelligence Report



Boosting Wholesaler Performance: *The Case for Intermediary Relationship Marketing*

By: Campbell Edlund and Brett Rees

Asset management, insurance, and retirement businesses all face the same sales challenge: how to maximize distribution leverage and scale to sustainably meet and exceed the growth, margin, and market share objectives of the corporation.

Confronted with this challenge, sales leaders continuously evaluate and implement approaches to reduce dependence on expensive external wholesaler visits and extend the reach of the sales team and the brand.

As these sales leaders will attest, pressure to maximize distribution leverage and scale – in the face of declining profit margins, changing consumer behavior and an uncertain regulatory environment – is unrelenting. Successful sales leaders, therefore, must continue to look for new pragmatic and innovative ways to boost wholesaler performance and increase the probability that their brand and products will be used and sold by their intermediary channels.

In this intelligence report, EMI presents an approach – Intermediary Relationship Marketing (IRM) – that all sales leaders must learn to harness to more effectively sell through intermediary and distribution channels. When effectively designed and implemented, IRM represents a source of sustainable competitive advantage.

For sales leaders in the Asset Management, Insurance and Retirement Industries who are targeting intermediaries and distributors

Framing the Challenge and Opportunity

The continued hyper-competition and projections of slow or negative growth in some market segments are forcing sales leaders to re-tool their distribution strategies to drive down the cost of sales, strengthen the loyalty and productivity of channel partners, and build new profitable channel relationships.

Three industry trends heighten the need for new, innovative approaches:

- **Profit margins squeezed.** With an increasingly large share of households beginning to draw down financial assets to replace lost income, product margins will be squeezed and achieving individual AUM/sales growth targets will become more challenging.
- **Reduction in retail net revenue.** Behavioral and structural changes (e.g., regulations, lower consumer appetite for risk and increasing preference for beta over alpha vehicles) will push down retail net revenue yields as consumers purchase products with lower fees.
- **Uniform Fiduciary Standard.** Creation of a single fiduciary standard for all advisor segments will drive home offices to be even more vigilant about product options in the financial advisor platform. This will further reduce the set of trusted products and brands they work with. As a result, pressure to be top of mind with the advisor will accelerate in a near “all or nothing” outcome within a context of proliferating offerings.

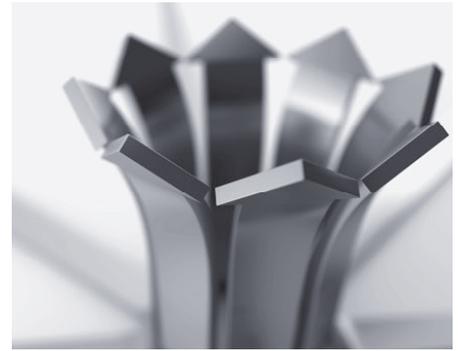
Fortunately, there is one currently under-utilized tool to achieve greater distribution leverage and scale: Intermediary Relationship Marketing (IRM). Correctly planned and implemented, IRM enables sales leaders to markedly augment wholesaler performance and win market share.

What Is IRM?

In the context of the asset management, retirement, and insurance industry, IRM creates leverage and scale for distribution platforms targeting intermediaries and distributors. An IRM initiative augments the productivity of internal and external wholesalers through a pragmatically developed plan of systematic and integrated marketing activities. These activities:

- Create a compelling, consistent and coherent narrative with target channels.
- Generate new qualified leads.
- Keep target channels engaged with your brand and products.
- Pave the way for more effective wholesaler interactions.

Instead of focusing on a single campaign, or a series of disconnected interactions, effective IRM plans and deploys integrated inbound and outbound communication streams – guided by the stage of your brand’s relationship with the channel, individual level data (e.g., behavioral, self-reported, firmographic), and your brand’s narrative. These communication streams increase the probability that your products and brand are selected by your target intermediaries and distributors. IRM builds mindshare, reinforces the value of the relationship with your brand, fosters trust, and provides your wholesalers with richer and timelier intelligence. IRM must also integrate seamlessly with existing sales force automation and CRM tools.



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Effective IRM initiatives plan and deploy integrated inbound and outbound communications that increase the probability that your products and brand are selected.

IRM Is Not “Spray & Pray”

Most advisors express frustration with the volume and the frequency of promotional communications from investment product and insurance manufacturers. EMI research and our industry experience confirm this, with emails being especially high on the grievance list. At a recent roundtable, many advisors said: “we’re done with email”. Why? Because most of the communications they receive are difficult to process and deliver questionable value to their practice. So what’s a provider to do?

Despite frustrations with the volume and quality of messages, advisors readily admit that they do read communications deployed with information they value by the brands they trust. These brands manage communication streams that contain relevant content, use easy-to-understand copy standards, and create a consistent narrative that demonstrates segment understanding and respect. And because these brands have earned the attention of the advisor, their communications are opened and read before the others (assuming the others are read, which is unlikely given the ease of deleting or navigating away in digital media).

Building an IRM Foundation to Create Distribution Leverage and Scale

IRM is a strategic initiative that requires a solid foundation. It requires:

- Pragmatic market segmentation
- Optimal messaging
- Maximized intelligence and automation

Once these three elements are defined, a specific tactical program and a 15-month contact plan — including robust testing and measurement — can be developed with specific campaign, segment, and program level objectives and goals.

Element 1: Pragmatic Market Segmentation

Which channels do you want to use to promote your products? If you could meet each advisor individually, would you use the same conversation and proof points to convince them that your product adds compelling value and is better than alternative options? Developing mutually exclusive segments can help shape communications to resonate across diverse audience perceptions of value.

The universe of potential intermediaries and distributors is vast, ranging from 300,000 to approximately 1.5 million depending upon the license requirements and the nature of the product. For example:

- A provider of ETFs will target only investment professionals who directly influence the selection of investment products for a client portfolio.
- A provider of fixed annuities will target a broad group of insurance professionals who don’t require a license to trade securities.

Most will agree that an ETF provider’s target market will be markedly different from a fixed annuity provider. This observation has significant implications for an IRM initiative.

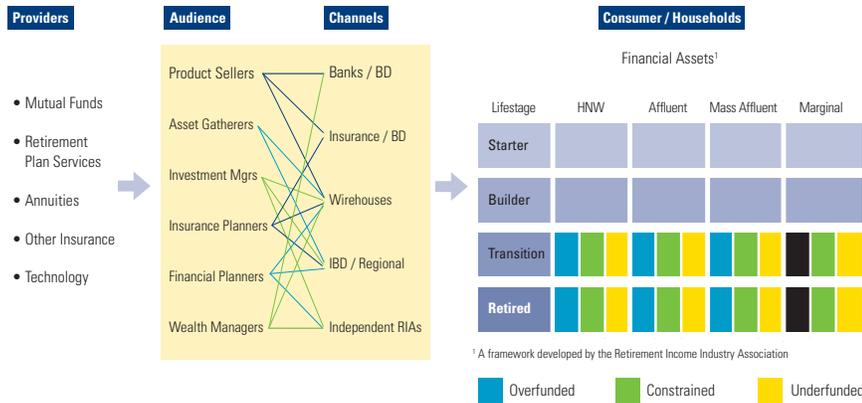
Market segmentation is not just one of the most important elements of an IRM program — it is also one of the thorniest. Why? First, there are practically an unlimited number of permutations (when you view EMI’s Financial Market



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Map below, these complications become abundantly clear). As a result, many brands over-segment their target market resulting in plans that either can't be implemented or are unnecessarily expensive. Second, many brands focus on attitudinal segmentation. While conceptually compelling, this approach overlooks lifetime value considerations and proves challenging to execute because targets with a specific attitude are difficult to identify.



EMI's Financial Market Map

So where do you start? Based on EMI's experience with clients targeting intermediary and distributor channels, the first step should always be to establish clearly defined markets. The result of this exercise always depends upon the nature of the product, the brand's historical success, and the estimated lifetime value of the target audience.

Once clearly defined, the market should be pragmatically segmented to optimize returns on IRM activities. This optimization results from:

- Prioritizing audiences with higher expected lifetime value
- Creating a version of the messaging that resonates best with each segment
- Differentiating the brand and the product from known alternatives
- Potentially excluding audiences where the product cannot compete

The table below presents a baseline segmentation approach.

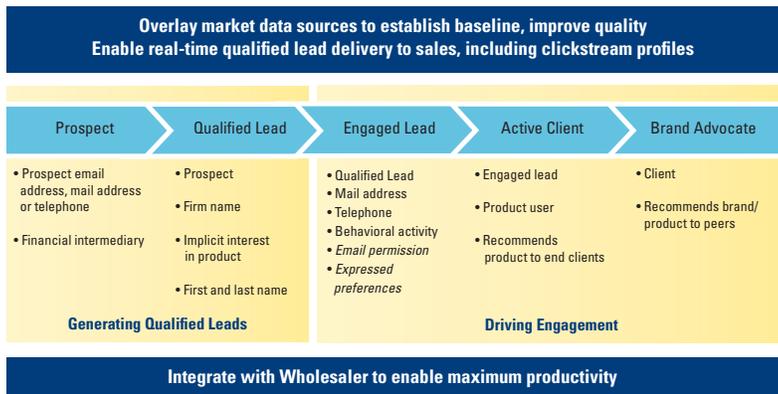
Attribute	Purpose	Methodology
Estimated lifetime value	Optimize the potential return of your activities	Develop a 2-4 year economic model
Lifecycle stage	Informs messaging to drive higher involvement stage migration	Design framework, apply to behavioral data, create reporting tools
Compensation model	Adapt messaging to channel's business model	Overlay firmographic and self-reported information onto individual records

The following presents an example of a Lifecycle Framework; it provides a snapshot of your channel relationship funnel and guides ROI measurement of your marketing activities. It is typically implemented across all value-based segments.



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Lifecycle Framework

IRM creates leverage differently across key accounts, non-key accounts, and potentially in segments which were historically considered un-profitable.

- 1. Key Accounts:** Growing and maintaining share in these accounts has both financial and strategic importance. You want your brand to consistently stand out without having to send an external wholesaler for frequent and expensive visits. Effective IRM addresses this challenge by continuously engaging Key Account channels with your brand between wholesaler visits and activates the channel at the point where product decisions are made. As a result, your brand and products will be consistently top of mind, reducing the number of wholesaler visits required to activate the channel.
- 2. Non-Key Accounts:** These accounts don't always justify external wholesaler visits; most businesses use internal or hybrid wholesalers to support and activate these audiences. Many internal wholesalers place cold calls to activate channels in this segment. For internal wholesalers, IRM will be a game changer. Why? Because IRM will keep your brand and products top of mind, drive audience engagement, and generate information about your audience. Supported by IRM activity and intelligence, the internal wholesaler is now prepared for a warmer and more impactful interaction with the channel. In EMI's experience, this approach also dramatically improves team morale.
- 3. Outside of Target Market:** Many businesses focus on a few core channels and ignore others due to resource constraints or concerns about profitability. Independent RIAs, an increasingly important segment of the market, often fall into this category. IRM is a highly efficient approach for extending a distribution platform's reach into new audiences like RIAs with lower expected lifetime values. By using IRM aggressively in the early stages of a go-to-market strategy in a new channel and adopting a testing and measurement approach, learnings can be accumulated and a critical mass in the channel can be developed leading to peer-to-peer advocacy leverage.



When your brand and products are consistently top of mind, you can reduce the number of wholesaler visits required to activate the channel.

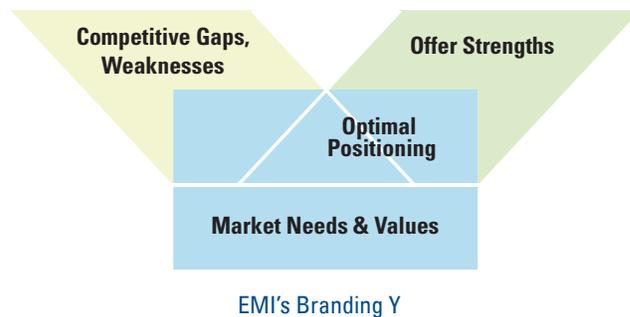
For internal wholesalers, IRM will be a game changer. They'll sell more and their morale will soar.

Element 2: Optimal Messaging

Effective messaging is always anchored in your brand’s umbrella positioning and tailored to break through the messaging clutter in the market. Effective messaging translates the brand at the touch point and conveys a consistent narrative based on the value proposition and the proof points that resonate best with the audience. These communication streams should be well-planned, coherent, consistent, and compelling. Through our experience with companies in the asset management, retirement, and investment industries, we have found that many companies deploy communications with inconsistent tag lines, dramatically different look and feel, and no discernable narrative for the target audience to process. In many cases, the brands never break through the clutter because they are part of the clutter.

Achieving optimal messaging is not for the faint-of-heart. Companies need to go beyond convincing the various functional areas to rally around a core set of messages. To define optimal positioning, EMI developed “Branding Y” (see below), which finds the intersection of:

- Their strengths, values, and aspirations
- Their target segment needs and values
- The strengths and weakness of their competitor set



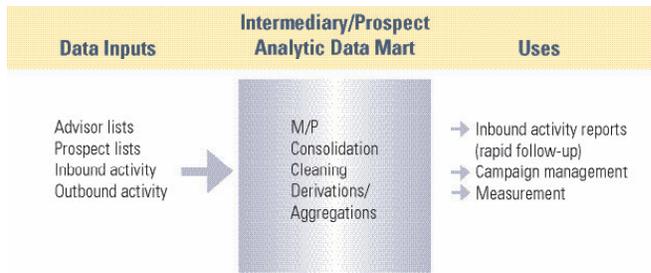
Once the Branding Y research is complete, the results and two to three potential value propositions should be shared with key corporate stakeholders to solicit input and ensure engagement of all stakeholders. Feedback from the team will help refine the positioning and ensure cross-functional buy-in. Skipping any steps in the process can threaten the viability of the company’s market positioning, including internal adherence; this raises the risk of lower return on investment.

Element 3: Maximizing Intelligence and Automation

Every sales leader looking to profitably scale their channel sales organization needs a lead generation and engagement platform. Such a platform will enable the management of enhanced “owned” media. Owned media – unlike paid media – is composed of addressable relationships created through interactions with the brand. And because these relationships are addressable (and in the case of email, permission-based), targeted communication activities require no media expenditure.



Many companies deploy communications with inconsistent tag lines, dramatically different look and feel, and no discernable narrative for the target audience to process. It should come as no surprise that these firms sub-optimize wholesaler productivity and sell less.



Lead Generation and Engagement Platform

An effective Lead Generation and Engagement Platform is composed of the following elements:

- A database with a unique, 360° analytic record for every prospective and existing relationship, storing behavioral and firmographic information.
- A set of Web-based measurement reports including campaign ROI and advisor life cycle migration.
- Two-way integration into sales and marketing channels, including sales force automation.

The benefits of automating measurement, campaign management, analytics, and channel integration, as well as the intelligence about the audience you want to acquire and activate, cannot be overstated. Moreover, a lead generation and engagement platform needs to be a living system that evolves over time as you learn more about your campaign execution, measurement, and other analytic needs.

Using IRM to Boost Wholesaler Performance

Once you've built your foundation, Intermediary Relationship Marketing can be activated.

Lead Generation Tactics

Creating a continuous flow of qualified leads into the relationship funnel requires economic guard rails, creativity, analytic prowess, and a deep understanding of audience behavior and attitudes.

Many factors will drive the outcomes of your lead generation activities. Creatively applying a testing and measurement philosophy will ensure that you discover the lowest cost and most scalable approaches to generating profitable qualified leads. For example, despite the plethora of financial information on the Web, a remarkably large number of financial advisors use search engines to find information about products to use or sell to their clients. With the emergence of social networks, new acquisition approaches continue to evolve.

Engagement Tactics

Driving audience migration to a more advanced lifecycle stage – e.g., from engaged to active – is the goal of engagement tactics. To do this, a contact plan needs to be developed based on the interests and expectations of the target segments and your brand's value proposition. An onboarding process and communication is a best practice as a first step in engaging the newly established channel relationship.



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Sales and Marketing leaders will both recognize the strategic importance of researching, planning and deploying an industry-leading IRM initiative. And because IRM can be a significant source of competitive advantage and directly contribute to individual objectives, Sales and Marketing will have clear incentives to collaborate effectively. IRM is an area where both leaders should perceive the benefits of cooperation.

Conclusion

Effective IRM remains a relatively under-exploited strategy for driving channel sales. It represents a significant source of competitive advantage that will support a sales leader's quest to optimize distribution platform operating leverage and scale. It can help you to:

- **Break through the Clutter.** IRM is a strategy to increase the probability that your brand and products are selected by your target channels. IRM achieves this by deploying communication streams with a coherent, consistent and compelling narrative.
- **Fill the Pipeline.** IRM efficiently fills the pipeline with qualified leads, engages active and inactive relationships, and pushes out target audience activity intelligence to internal and external wholesalers for more rapid and effective follow-up. By creating the right narrative with channels, it breaks through the high volume of messages that inundate and ultimately overwhelm most intermediaries and distributors.
- **Extend the Relationship Management Model.** IRM complements and extends the traditional wholesaler relationship management model by boosting wholesaler performance. It does this by increasing your brand's share of mind, enhancing wholesaler knowledge of the channel, and reducing dependence on wholesaler visits to activate the channel.
- **Build a Foundation for Action.** Effective application of IRM requires a tight partnership between Sales and Marketing leaders, a "living" data mart to collect and transform operational data into sales intelligence, tight integration into distribution channels, and a well thought out communications strategy and plan. This gives you a clearly defined process so that all future communications are based on established objectives and goals – and continue to augment your brand standing while serving your audience in the manner they desire.

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About EMI

EMI has been working with Fortune 500 companies and financial services leaders to drive results through our clients' sales and service channels. For more than 20 years, our strategic programs, combined with our industry expertise, have helped companies achieve greater growth and increased customer loyalty.

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