STAY AHEAD OF THE CURVE
Four Steps to Transform Big Data into a Winning Strategy
What are allocators thinking about? What matters the most to them? How does that translate into actions, both now and in the future?

In 2014, institutional investors and their consultants researched over 1.5 billion data points through eVestment. When data gets big enough, patterns start to emerge that help explain what’s happening now and even point to what will likely happen in the future.

Database screens are the starting point for many manager searches. As their first step, institutional investors and consultants run multivariate screens, focusing on the factors they think are important. Then, with a short list of managers who meet the criteria they’ve set, allocators invite select managers to respond to an RFP. In some cases, however, an RFP is never even issued – you might never even know a search is being conducted. Prescreened managers simply get direct invitations to present their pitches.

The fact is, allocators are essentially revealing their priorities and thought processes as they click through databases to research managers.

1,579,281,819 data points researched on eVestment in 2014
Within this data, we can uncover the variables consultants and investors choose when they are screening managers. We can see which universes and products are garnering the most interest. We can discover which managers are being compared to each other and on what criteria. And we can work backwards to find data points with predictive power.

With this in mind, we have created a four-step methodology for turning that raw information into actionable intelligence you can use to create a winning strategy:

**Step 1: Prioritize**
Use data to pinpoint universes and products to focus on

**Step 2: Target**
Use data to allocate resources where interest is high

**Step 3: Differentiate**
Use data to identify what sets you apart from competitors

**Step 4: Communicate**
Use data to understand what prospects want to hear from you
PRIORITIZE
Use data to pinpoint universes and products to focus on

There is a lot of data out there. Remember the 1.5 billion data points from earlier? All that data can be overwhelming without figuring out what is important. What are allocators looking for? How can you map indicators of success to your current product offerings? Which of your strategies is best poised for growth? Which strategies might be vulnerable and need defending? These are the questions that will help you identify priorities. When you pose intelligent questions, the data provides intelligent answers. Starting with the right questions is essential.

At any given point in time, our screening activity data shows where allocators are focusing their attention. What they’re searching for, what they’re reporting on, and what they’re looking at in the hundreds of thousands of comparison charts they create every year.

We’ve also learned that real predictive data is actually very complex, a combination of over 120 variables, and varies from universe to universe. There is no one-fits-all model. Each universe is unique in what factors are the leading indicators of flows.

What’s getting attention from allocators right now?

Active Share
Activity on just this one variable has increased dramatically in just the last year. Clearly, this is something allocators are thinking about. And that makes sense – when you are paying fees for active management, you want to make sure your manager isn’t simply tracking an index.

Smart Beta
Over the last seven years, interest in Smart Beta has risen sharply, both in the number of new products being added, and the viewership of those products by investors. Within this category, low volatility strategies are dominate.

Non-U.S. Strategies
Global, International and Emerging Markets strategies were getting the most views in the first quarter of 2015.
TARGET
Use data to allocate resources where interest is high

Once you’ve identified where the potential growth is, it’s time to start thinking about how you can put yourself in the best position to capture some of the flows. Where will the demand likely come from? What is the size of the pie – what assets are up for grabs? One item that frequently comes into play while forecasting growth and setting targets is the volatility of the universe. If accounts are typically changing hands every five years or every ten years, that should factor in your forecasts.
Which investor segment should you target? It’s not enough to know that flows are poised to increase. What type of firm is more likely to be allocating more assets or moving into this universe for the first time? Plans are often not in sync. Different types of investors behave differently at many points in time.

In this example, Corporate and Public Pensions were very much in sync with each other in 2011, but out of lock step with other investor segments. But look what happens later, in 2013 and again in 2014. They break away from each other with almost opposite behaviors.
What level of consultant activity is the universe seeing? To analyze the demand, we can again look at screening activity. But where is that activity concentrated? If you were a sales executive thinking about a product in this universe, the geographic concentration of activity would be of great interest.

In this example, you can see that 39.6% of the product viewership activity was coming from the Midwest region.

Are your sales territories aligned to where consultant interest is? Target the territories with the most potential with your strongest sales muscle. After your meetings, are you seeing an increase in consultant activity from those regions? Did you see a spike in activity?
DIFFERENTIATE
Use data to identify what sets you apart

When you are meeting with prospects, it’s not enough to simply describe the depth and breadth of the PM experience on your team, or your disciplined investment process, or your commitment to your stated investment philosophy. Those are all great points on their own, but your competition is making those same points in their pitches. That doesn’t do much in the way of differentiating your strategy from all the others in your universe. What sets you apart?
First, you should determine who you are likely competing against. What matters is who allocators think your peers are for any given sales opportunity. Are you just using your firm’s overall competitors as a proxy for whom you’re competing against in a given opportunity?

Allocators create hundreds of thousands of charts every year to compare managers against each other on a number of factors chosen by the allocators themselves. This charting activity can be analyzed for patterns, and what results is a “perceived peer group” for each strategy.

We’ve learned charts are typically created later in a manager search, towards the end of the due diligence process. This means that the peers you’re being charted against are very likely the firms that will present their pitches before and after you. This is invaluable intelligence.
Next, take a look at the characteristics that truly distinguish your products from your competition, not only against the benchmark. Look for your unique story – what factors are driving your returns? How does that differ from your peers?

In this example, it’s clear there’s not much of a story at all in the regional and sector allocations. In these areas, there is considerable consensus among the peer group, so there’s not much to be gained in spending time focusing on these areas during a pitch meeting. Remember, your story lies in how you are different, not in how you are like everyone else.

It’s immediately obvious the story in this example lies in style allocations. It’s here where this portfolio differs the most from its peers. Where is your independence of thought the most prominent? Look there for your unique story.

In developing your sales strategy, find everything that differentiates you. You probably won’t include every point in your pitch, but you should have the deepest possible understanding of what sets you apart.
Use data to understand what prospects want to hear

This is probably the most important step. What we’ve talked about so far are compelling storylines and of course, that’s what allocators want to hear. Not a litany of data points, but a narrative about why they should choose you over other firms with solid performance and experienced portfolio managers who follow a disciplined investment philosophy and process.

Your pitches do have to be substantiated with data, however. And of all data points you can use to describe your product, which will be most resonant for the specific prospect in front of you? The answer is, it depends. The metrics that allocators care about differ universe to universe. In one universe, investors and consultants care about 1-year returns. In other universe, they care about 5-year returns. This is helpful to know what to talk about and, just as importantly, what not to talk about because it’s not seen as a key metric.

Take a look at what you are currently using in your pitch books. Do you use the same metrics for every strategy, as if key metrics did not differ universe to universe?

The average asset manager providing data to eVestment runs 8 strategies.
CONTROL WHAT YOU CAN CONTROL
The key from moving from big data to an intelligent sales strategy is working methodically, through a simple, but calculated series of questions that allows you to drill down into the unique story you want to tell. There are a lot of factors out of your control. You can’t control performance and you can’t control most of the metrics used to measure it.

What you can control is how well you:

- Understand the opportunities you have for winning new assets.
- Understand who is most interested in your product.
- Allocate and align sales resources to opportunities.
- Demonstrate what makes your product stand out from the herd.

Above all, you can control the story you tell.
Let Us Show You How

Interested in seeing how eVestment's analytics and intelligence solutions can work for you? Click to learn more or request a demo today.

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