

The Importance of Brand Awareness: Quantifying the Impact on Asset Manager Growth

Executive Summary

Brand awareness is an important driver in the growth of institutional asset managers of all sizes. Brand awareness answers the question, how familiar are investors with your firm and your products? It is the first step in an investor's path to eventually placing a mandate. Managers who are effective in creating awareness are better able to compete in our crowded industry. In an attempt to quantify this intangible, we have identified a metric based on consultant reviews in the eVestment database as a proxy for brand awareness at the firm and product levels.

eVestment data shows that firms with both high firm and product awareness realize growth as much as 24.4x that of those with low awareness. Reaching a broad audience and doing so across multiple products in tandem is extremely difficult and achieved by only a select few – only 2.2 percent of managers.

In the path to achieving high firm and product awareness, there is steep competition faced for investor and consultant attention. The average institutional consultant reviews less than two strategies per asset manager within a quarter. This small number signals that consultants and investors are likely searching for products agnostic of firm. It also clearly illustrates the challenge asset managers have in building brand awareness.

Despite having more strategies to attract investor attention, we find that large asset managers do not have a sizeable built-in advantage over their smaller counterparts. In other words, simply having more products does not strongly correlate to an increased ability to cross-sell and does not automatically translate to higher brand awareness.

For managers that do achieve both high firm and product awareness, negative effects can be just as impactful as the positive. Our industry has seen managers with the highest brand awareness experience some of the biggest asset losses. The managers in the top decile of brand awareness who did experience outflows did so at a rate 4.5x greater than those who experience inflows. Negative events for a single product(s) such as poor performance, lacking stability or the departure of a key figure appear to greatly impact firm outcomes.

Asset managers cannot afford to ignore the impact of brand awareness. Understanding the strengths, drivers and effects of brand awareness should be a central part of the growth strategy for any manager. In this paper, we'll take a data-based approach to discussing the importance of brand awareness. We'll also list the asset managers we found in our study that ended 2015 with the highest product and firm awareness.

Key Points

Asset managers with both high firm and product awareness average inflows 24.4x more than those with low awareness.

Most asset managers struggle to achieve high brand awareness. Reaching a broad consultant audience and doing so across multiple products in tandem is extremely difficult and achieved by only a select few – 2.2 percent to be exact. Additionally, the ability of large managers to leverage their brand is only marginally better than their smaller counterparts.

Institutional consultants don't play favorites. Asset managers face substantial competition on the path to high brand awareness – consultants review less than two products of any firms while reviewing 45 unique firms and 73 distinct products each quarter.

High brand awareness can be a double-edged sword – negative effects can be as much as 4.5x stronger than positive impact.

The asset managers that ended 2015 with the highest brand awareness scores might surprise you. View our list at the end of the paper.

Introduction

A brand encompasses much more than simply a name and a logo. Whether positive or negative, brands represent collective opinion on firms, products, services and people. We all recognize brands within the institutional investment industry – from data providers to investors, consultants, asset managers and individual investment strategies. Whether or not we consciously think about it, our perception of the brands we interact with affect decisions we make in our work and personal lives daily. We gravitate toward brands we have a positive association with and avoid those with a negative association. This thinking certainly holds true regarding allocation decisions made by institutional investors. eVestment does not measure brand perception, but we can measure inflows and outflows, which could be used as a proxy for brand perception.

As such, brand awareness is of central importance for asset managers as it leads to both retained and new assets to manage. There are many drivers of brand awareness for managers. These include investment process, thought leadership, personnel, performance track record, transparency and stability. Firms recognized for doing a combination of these items well have high and positive brand awareness, which should lead to less turnover and positive asset flows.

But just how important is brand awareness? In this paper, we'll take a look at the effectiveness and importance of asset management brand awareness using eVestment data. We'll discuss a simple measure of brand awareness, the branding efficacy of the average manager, its impact on a firm's ability to attract/retain assets, and the relative impact of positive vs. negative brand perception.

Methodology & Data

In this analysis, we'll utilize institutional asset flows and consultant activity data from the eVestment database. The asset flows data is calculated and cleaned quarterly utilizing institutional AUM data provided by managers and backing out performance. Institutional consultant activity is tracked through their review of investment strategy profiles on the eVestment platform.

Our dataset ranges from 1Q 2012 through 4Q 2015. We will focus on active equity and fixed income products only and the attention they receive from institutional consultants. Institutional consultant reviews represent broader institutional investor attention. Only firms with 2+ active strategies are included in this study, which represents 95.1 percent of the traditional institutional assets in the eVestment database. We compared brand awareness in a quarter with flows in the following quarter for each of the quarters analyzed.

Definition of terms as used in this paper

Brand Perception – The thoughts and feelings a person associates with a particular brand.

Brand Awareness – A combination of firm & product branding, the ability of a firm to garner consistent and sizeable attention from across its product lineup.

Firm Awareness – The breadth of attention a firm is able to command, measured through the quantity of consultants that review at least one of a firm's products during a given quarter.

Product Awareness – The breadth of attention a firm is able to command within its product lineup, measured by the average number of distinct products reviewed per consultant in a given quarter.

Consultant Review – A view of a product's profile through one of the following areas of eVestment: Full product profile, product fast facts, firm fast facts, interactive product profile and mobile profile.

Measuring Brand Awareness

Brand awareness is the combination of both firm and product awareness. High brand awareness indicates that a firm has successfully garnered attention across their product lineup. To illustrate this, let's use Apple as an example. Apple consistently attracts global consumer interest (firm awareness) and is able to do so across its product lineup of iPhones, iPads, iMacs and Apple Watches to the same consumers (product awareness). The presence of both of these characteristics in tandem signifies Apple has high brand awareness.

The first component of our brand awareness measure, firm awareness, captures the breadth of attention a firm is able to command from consultants. Firm awareness is measured through the quantity of consultants that review at least one of a firm's products during a given quarter (see formula below). The more attention a firm has from unique consultants, the broader its awareness is in the industry.

Firm Awareness $Firm\ i, Quarter=t^*$ = number of consultants reviewing at least 1 Firm *i* product in quarter *t*

The second component, product awareness, captures the breadth of attention a firm is able to command within its product lineup. Firms with higher product awareness will be able to leverage the consultant attention they receive across their products. For each firm this is measured by the average number of distinct products reviewed per consultant in a given quarter (see formula below). The more products a consultant reviews from a firm, the deeper its awareness is in the industry.

Product Awareness $Firm\ i, Quarter=t^*$ = average number of unique Firm *i* products reviewed by consultants in quarter *t*

Firm and product awareness are quantified into a single brand awareness metric summarizing the breadth and depth of an asset manager's awareness (see formula below). It is composed of the average decile ranking of firm and product awareness**. Decile rankings are computed relative to a subset of similarly sized firms in a given quarter ***. This helps control for the impact of size on firm or product awareness while allowing comparison of firms of varying sizes on a single scale. By this metric, firms with the highest brand awareness will have scores of 10 while those with the lowest will have scores of 1. In the following sections we will use this measure to analyze the importance of brand awareness for institutional asset managers.

$$\mathbf{Brand\ Awareness\ } Firm\ i, Quarter=t = \frac{Decile(\mathbf{FA}_{i,t}) + Decile(\mathbf{PA}_{i,t})}{2}$$

$FA_{i,t}$ = Firm Awareness Firm *i*, Quarter=*t*

$PA_{i,t}$ = Product Awareness Firm *i*, Quarter=*t*

*Analysis is restricted to firms with at least two actively managed strategies. Our analysis includes 1,154 firms between 1Q 2012 and 4Q 2015, representing 95.1% of the traditional institutional assets in the eVestment database.

**Deciles are ranked groupings of values. A 10 implies high firm or product awareness relative to peers.

*** Firm size is defined by six groups of small to large asset managers bucketed by institutional AUM.

As noted, firms with the highest brand awareness will have both high firm and product awareness. The joint effect on brand awareness is simplified and summarized in *Plot 1*. High firm and product awareness equal high brand awareness. However, in reality brand awareness is not this black and white. Most firms fall in the top left and bottom right boxes – high product awareness or firm awareness – respectively. A firm may be adept at cross-selling their products, but lacking exposure to a broader audience to leverage that product awareness. Or, a firm may be adept at reaching a diverse audience, but lacking ability to associate the value provided by individual products to the firm itself.

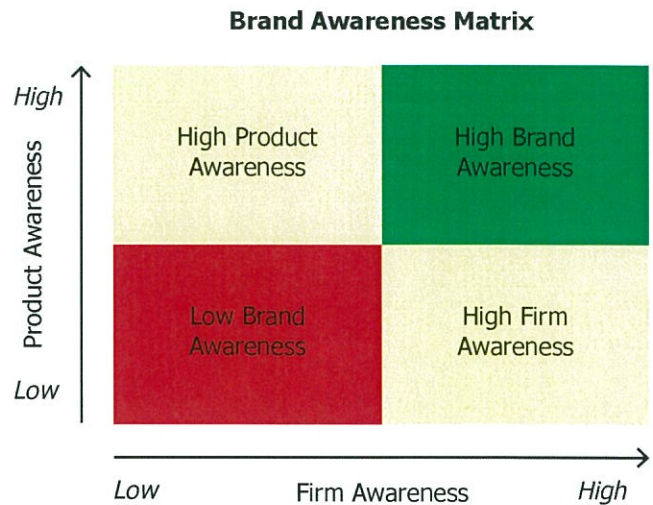
In the following sections we will analyze the impact of brand awareness categorized in each of these four boxes in *Plot 1*.

How do asset managers stack up?

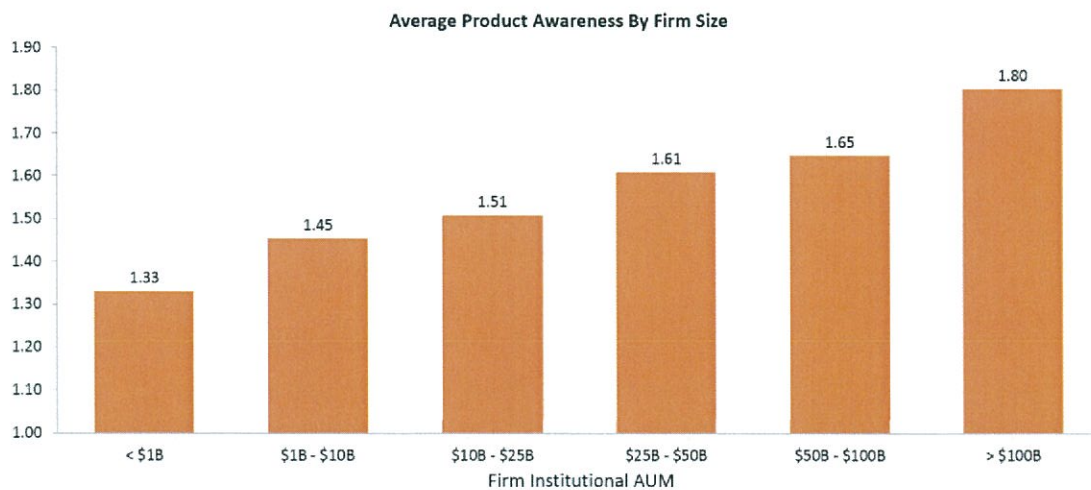
Product Awareness

Consultants review an average of 1.48 products per firm each quarter according to our product awareness measure. In other words, consultants review less than two products from any firms each quarter. This, however, is not due to a lack of consultant activity. The average consultant utilizing our platform reviews 73 distinct products each quarter. This suggests that a consultant will consider over 45 distinct firms each quarter. This signifies that managers face substantial competition for a consultant’s attention and that the norm is for consultants to view products mainly agnostic of firm.

Plot 1



Plot 2

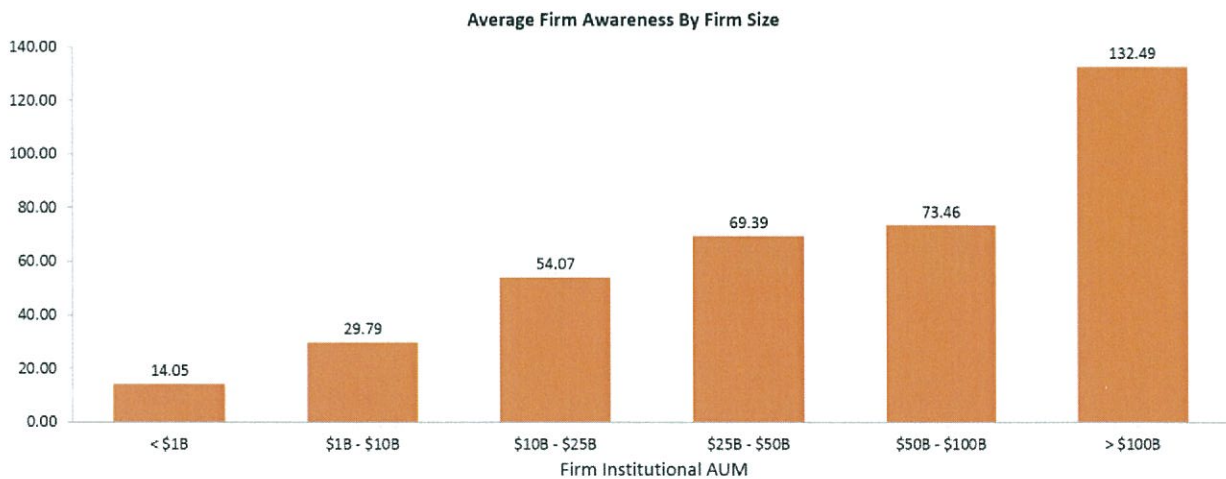


Plot 2 shows how product awareness varies by firm size. Interestingly, product awareness is only marginally higher for larger asset managers (1.8 vs. 1.33 products per firm). Larger asset managers have more strategies than smaller managers on average (57 actively managed strategies for \$100B+ managers vs. 4 actively managed strategies for <\$1B managers). As such, one would expect consultants to review a significantly higher quantity of strategies for larger asset managers since they have, on average, 14 times more options. We believe that consultants are looking for a level of manager diversity in their allocation decisions and speaks to the largely meritocratic nature of our industry – certainly an obstacle for benefiting from firm awareness.

Firm Awareness

The average firm has 43.4 unique consultant reviewers on the eVestment platform each quarter. This is important because each unique consultant represents a potential growth opportunity. As consultants tend to review a large number of firms each quarter and only a few truly represent opportunity, broad exposure, or volume, is essential. Unlike product awareness, firm awareness is highly impacted by firm size. As we see in *Plot 3*, firms with greater than \$100B in institutional AUM average 132.49 unique consultant reviewers each quarter. This is over nine times the average of 14.05 for the smallest firms. This makes sense as firms with more AUM will likely have more strategies. What is interesting is that since product awareness is relatively low for large asset managers, awareness is largely concentrated by strategy for the average asset manager. In other words, a higher level of firm awareness can lead to growth centered around a single product as opposed to the entire firm.

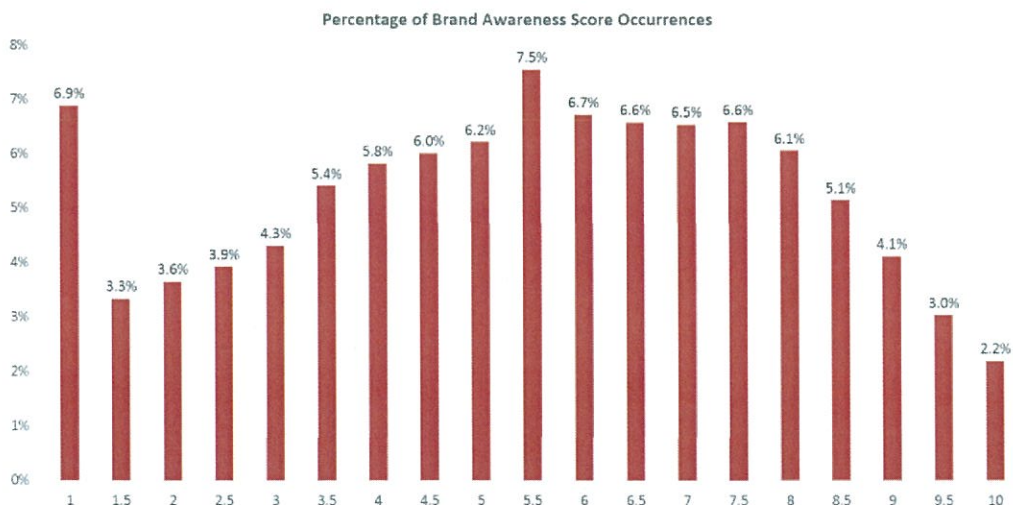
Plot 3



Brand Awareness

As shown in *Plot 4*, relatively few firms are able to command both high firm and product awareness to achieve high brand awareness. It is telling that, of the potential brand awareness score scores between 1 and 10, achieving a score of 10 is the least common scenario experienced by asset management firms. Reaching a broad consultant audience and doing so across multiple products in tandem is extremely difficult and achieved by only a select few – 2.2 percent to be exact. Most managers have average brand awareness; experiencing some success in either firm or product awareness.

Plot 4

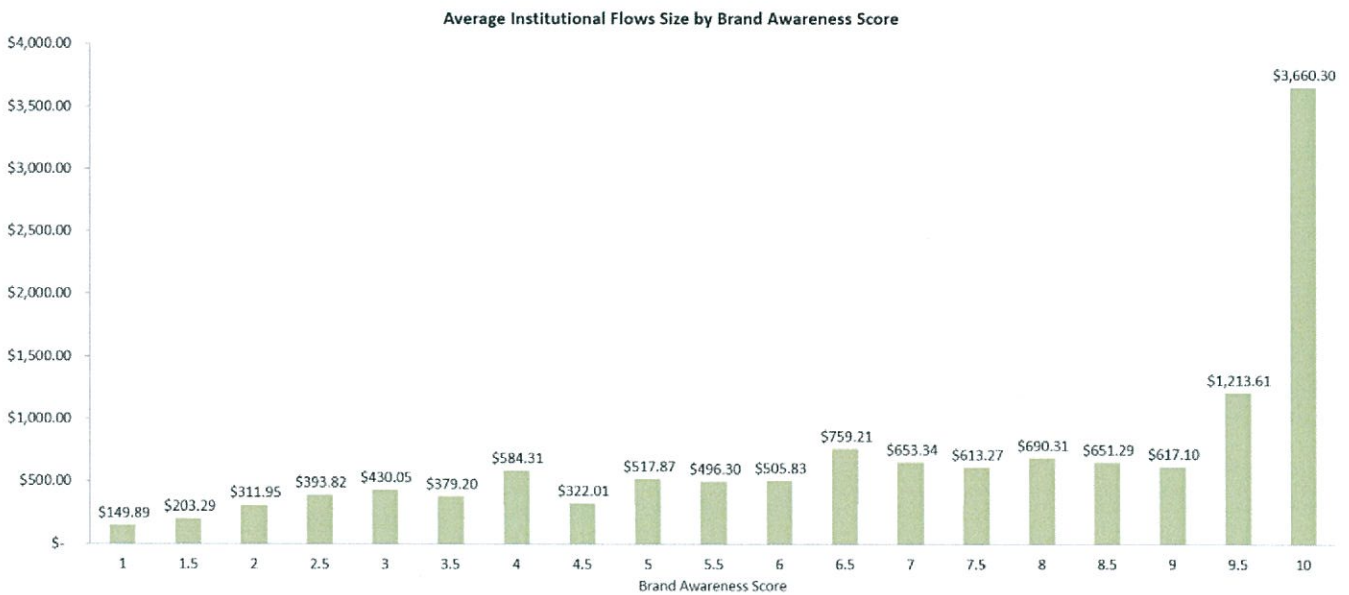


Does brand awareness impact growth?

Whether and how brand awareness impacts consultant and investor allocation decisions is a central question for asset managers or investors looking to better understand their peers. It gives us some insight to the process investors use to make their decisions and whether there are underlying characteristics a brand can have that impact investors. Insight can be gained by comparing brand awareness levels with firm and product asset flows realized. If brand awareness actually affects decisions, there should be a visible relationship between high brand awareness and institutional firm flows the following quarter.

To do this, the average absolute value of institutional firm flows is compared by brand awareness score. Absolute values allow us to capture an impact in either direction and are used due to the fact that brand awareness can have both a positive and negative impact on flows. *Plot 5, Table 1 and Table 2* summarize the findings.

Plot 5



The relationship between brand awareness and ensuing flows is clear – firms with higher brand awareness experience larger institutional flows the following quarter, both positive and negative. In fact, firms with the highest brand awareness average flows a significant 24.4 times larger than firms with the lowest brand awareness score. This includes small to larger managers.

Firm and product awareness magnify each other's impact. This is visualized in *Table 1*. The bottom row represents firms with low product awareness. There are no clear flow trends for this row no matter the firm awareness size. In other words, firm awareness is ineffective without product awareness. Similarly, the first column represents firms with low firm awareness. Here also are no clear flows trends despite high product awareness. Flows are the greatest for highest firm and product awareness.

Table 1

		Firm Awareness									
		1	2	3	4	5	6	7	8	9	10
Product Awareness	10	\$280.57	\$158.22	\$270.08	\$232.77	\$372.26	\$ 426.87	\$ 597.13	\$ 516.10	\$1,074.14	\$3,660.30
	9	\$201.20	\$ 58.90	\$147.52	\$476.99	\$469.95	\$ 621.70	\$ 670.46	\$ 711.67	\$ 637.26	\$1,303.66
	8	\$174.30	\$ 83.40	\$ 98.50	\$409.89	\$332.47	\$ 485.66	\$ 802.09	\$1,038.52	\$ 650.09	\$ 666.96
	7	\$222.10	\$161.64	\$240.55	\$224.33	\$682.05	\$1,396.22	\$1,561.22	\$ 793.89	\$ 684.88	\$ 618.56
	6	\$130.57	\$253.50	\$213.90	\$414.69	\$704.14	\$ 848.05	\$1,367.24	\$ 447.20	\$ 513.57	\$ 570.82
	5	\$365.82	\$123.41	\$626.67	\$410.33	\$912.03	\$1,070.65	\$ 611.52	\$ 358.59	\$ 404.98	\$ 473.91
	4	\$125.64	\$300.46	\$383.16	\$881.53	\$554.03	\$ 793.19	\$ 503.00	\$ 299.66	\$ 768.33	\$ 424.68
	3	\$369.94	\$369.08	\$391.00	\$685.28	\$686.26	\$ 226.80	\$ 269.93	\$ 436.72	\$ 444.27	\$ 622.70
	2	\$363.62	\$403.51	\$515.19	\$650.19	\$408.14	\$ 329.53	\$ 251.59	\$ 651.70	\$ 393.50	\$ 261.17
	1	\$149.89	\$178.12	\$193.40	\$376.39	\$232.00	\$ 158.87	\$ 180.36	\$ 153.99	\$ 49.88	\$ 127.06

Brand awareness matters for everyone, but is more important for larger firms. This is demonstrated in *Table 2*. Flows are larger for firms with higher brand awareness across the size spectrum. However the impact is significantly stronger for firms with over \$100B in institutional AUM. For this group, firms with the highest brand awareness average flows over \$6.7B larger than those with the lowest brand awareness.

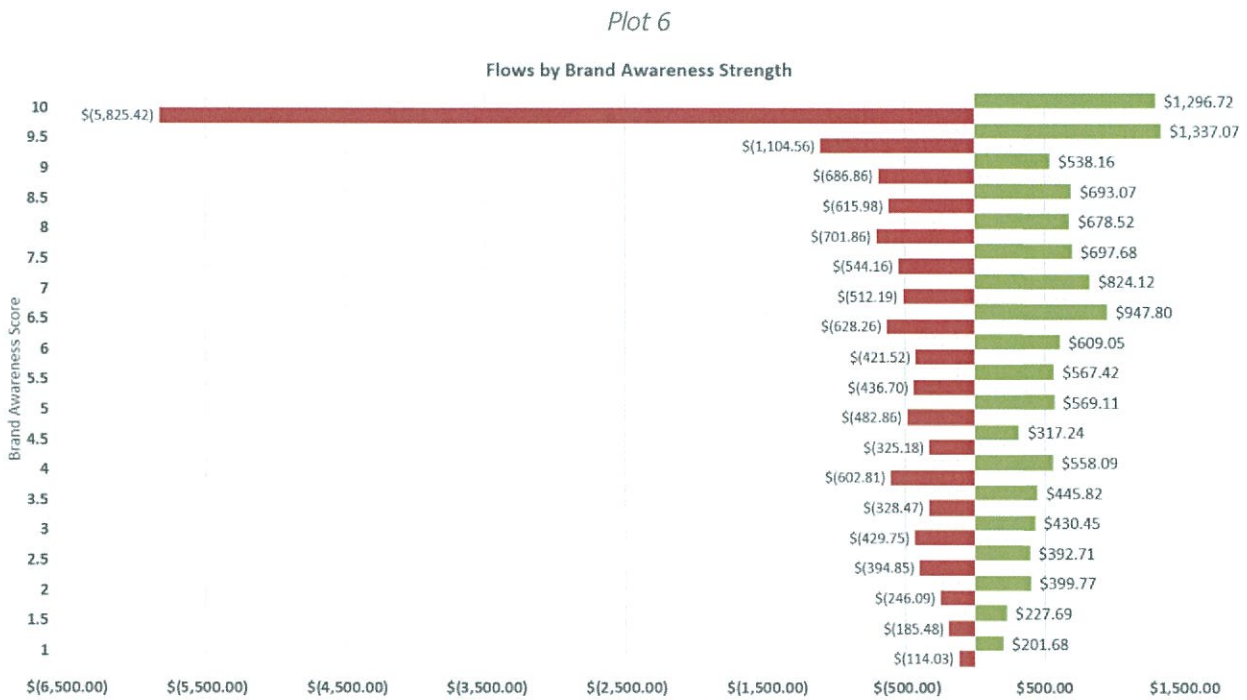
Table 2

Difference in flow magnitude between low and high brand awareness by firm size

	Small Firms					Large Firms
Firm AUM	< \$1B	\$1B - \$10B	\$10B - \$25B	\$25B - \$50B	\$50B - \$100B	> \$100B
Top - Bottom Flows Brand Awareness	\$40.46	\$172.10	\$361.07	\$535.08	\$1,136.33	\$6,681.57

Negativity Bias

The previous section made it clear that brand awareness does impact flows – both positively and negatively. To understand the positive and negative influence of brand awareness, positive and negative flows were separated and compared by brand awareness strength. This allows us to understand how brand awareness correlates with positive and negative flows individually.



Firms with the highest brand awareness average outflows 4.5x larger than inflows. This shows that brand perception can be a double-edged sword – broad recognition can hurt as much or more than it can help because awareness does not guarantee positive perception. When negative perception (not measured in this study) is coupled with strong awareness, outflows are predictable. It is not difficult to think of a name within or outside of our industry that has extremely hurt by negative brand perception. Strong negative brand perception is often the result of something substantial such as personnel departure, regulatory or performance issues.

This fact that negative brand perception can be even more impactful than positive is likely an effect of a concept in psychology called negativity bias. Negativity bias explains that things of a negative nature have a greater effect on a person’s psychological state than do positive things of equal strength. In other words, the loss of a star portfolio manager has a stronger impact than the hiring of an equally reputable star portfolio manager. This bias can be thought of as a subconscious form of risk management. However its effects can potentially be more harmful than helpful to investors. For asset managers, it speaks to the importance of clear communication in containing and explaining potential drivers of negative perception which can be magnified by high brand awareness.

Asset Managers Ranked By Brand Awareness Scores (as of Q4 2015)

\$100B+					
Rank	Firm Name	Institutional AUM (millions)	Brand Awareness Score	Product Awareness (Value)	Firm Awareness (Value)
1	Wellington Management Company	\$926,918.00	10	10 (2.85)	10 (431)
2	BlackRock	\$2,814,807.00	10	10 (2.44)	10 (355)
3	J.P. Morgan Investment Management	\$816,163.00	10	10 (2.39)	10 (335)
4	Lazard Asset Management	\$124,875.61	10	10 (2.35)	10 (334)
5	PIMCO	\$1,305,783.00	10	10 (2.59)	10 (318)

\$50B - \$100B					
Rank	Firm Name	Institutional AUM (millions)	Brand Awareness Score	Product Awareness (Value)	Firm Awareness (Value)
1	Acadian Asset Management	\$66,834.85	10	10 (2.17)	10 (172)
2	Artisan Partners Limited Partnership	\$94,513.20	9.5	9 (1.95)	10 (297)
3	William Blair Investment Management	\$54,159.00	9.5	9 (2.15)	10 (214)
4	LSV Asset Management	\$85,400.62	9.5	10 (2.19)	9 (161)
5	Mondrian Investment Partners	\$56,258.97	9	9 (2.08)	9 (159)

\$25B - \$50B					
Rank	Firm Name	Institutional AUM (millions)	Brand Awareness Score	Product Awareness (Value)	Firm Awareness (Value)
1	Victory Capital Management	\$30,032.05	9.5	9 (1.92)	10 (140)
2	Boston Company Asset Management	\$36,605.26	9.5	10 (2.21)	9 (110)
3	Janus Capital Management	\$41,007.46	9	8 (1.83)	10 (149)
4	Prudential Financial	\$33,986.72	9	9 (1.85)	9 (89)
5	INTECH Investment Management	\$47,611.87	9	10 (2.11)	8 (85)

Asset Managers Ranked By Brand Awareness Scores (as of Q4 2015)

\$10B - \$25B					
Rank	Firm Name	Institutional AUM (millions)	Brand Awareness Score	Product Awareness (Value)	Firm Awareness (Value)
1	Burgundy Asset Management	\$15,000.61	10	10 (2.13)	10 (141)
2	Pzena Investment Management	\$15,411.56	9.5	9 (1.99)	10 (151)
3	Baron Capital	\$11,921.69	9.5	10 (2.13)	9 (78)
4	Westwood Management	\$17,288.15	9	8 (1.78)	10 (108)
5	Westfield Capital Management	\$14,832.09	9	8 (1.76)	10 (106)

\$1B - \$10B					
Rank	Firm Name	Institutional AUM (millions)	Brand Awareness Score	Product Awareness (Value)	Firm Awareness (Value)
1	Ariel Investments	\$5,697.50	10	10 (1.95)	10 (86)
2	Kennedy Capital Management	\$4,705.52	10	10 (2.20)	10 (59)
3	Wasatch Advisors	\$7,446.59	9.5	9 (1.74)	10 (112)
4	Advisory Research	\$7,741.80	9.5	9 (1.74)	10 (78)
5	Chicago Equity Partners	\$9,777.10	9.5	10 (1.92)	9 (52)

<\$1B					
Rank	Firm Name	Institutional AUM (millions)	Brand Awareness Score	Product Awareness (Value)	Firm Awareness (Value)
1	Redwood Investments	\$924.85	10	10 (1.78)	10 (36)
2	Poplar Forest Capital	\$370.20	10	10 (1.73)	10 (30)
3	Keeley Asset Management (KAMCO)	\$714.82	10	(10) 1.85	10 (26)
4	Granite Investment Partners	\$531.34	9.5	9 (1.65)	10 (37)
5	Arbor Capital Management	\$424.39	9.5	9 (1.55)	10 (29)

Conclusion

Brand awareness is only one piece of the puzzle. However, high brand awareness coupled with a positive brand perception seems to lead to the best outcomes for asset managers. With trillions of dollars at risk, brand awareness and the resulting investor attention in the institutional investment industry warrants deep and deliberate consideration. The globalization of the industry and competitive landscape mean that today more than ever, standing out matters.

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