

Outsourced Chief Investment Officer – Strategies for Sales Success

June 4, 2018

Outsourced chief investment officer (OCIO) goes by a number of different names, including “discretionary,” “fiduciary,” and “delegated.” But interest in the topic, whatever you choose to call it, is practically universal. As a result, managers frequently ask us to help them make sense of this increasingly popular scheme and to assess the opportunities (and threats) it presents.

Clearly, by tapping into OCIO intermediaries, managers gain access to otherwise inaccessible down-market funds, open the door to large, more consolidated asset flows, and deepen existing relationships with investment consultants. However, managers are also very aware of the potential downsides, including further fee compression, coverage complexity and disintermediation from the end client.

To explore the possibilities of asset managers selling into OCIO providers, Greenwich Associates recently published a white paper, [Winning in the New World of Outsourced OCIO](#), advocating a number of strategies worth consideration. As success in this area requires a nuanced understanding of the competitive landscape, we outlined three popular OCIO provider models and corresponding distribution strategies for each.

COMMON BUSINESS MODELS OF OCIO PROVIDERS

	Type A: Independents 	Type B: Consultants 	Type C: Managers 
Pros	<ul style="list-style-type: none"> • Straightforward structure • Experienced investors 	<ul style="list-style-type: none"> • Existing advisory relationships • Greater scale 	<ul style="list-style-type: none"> • Well-resourced distribution effort • Strong brand equity
Cons	<ul style="list-style-type: none"> • Limited scale • Fee pressure 	<ul style="list-style-type: none"> • Organizational complexity • Focus on specific client types 	<ul style="list-style-type: none"> • Perceived conflicts • Unfamiliar territory

Source: Greenwich Associates 2018

OCIO Provider Model Type A: Independent

These are the dedicated, OCIO-only platforms that pair traditional plan sponsor structures with expanded expertise, access and resources. Managers exploring partnerships in this area should focus on the manager research function, ensuring that the firm’s strategies are properly understood and top-of-mind. Additionally, OCIO salespeople should socialize some of the firm’s best thinking with the provider’s leadership to curry greater favor.

As for drawbacks, Independents are often not hampered by existing product relationships or most-favored-nation pricing arrangements (as Type B operators may be). Therefore, managers should be aware of

Independents' pricing power and avoid unprofitable placements, however tempting the large flows may be.

OCIO Provider Model Type B: Consultants

Engaging with consultants who operate in both advisory and discretionary capacities can make for complicated relationship management. But they also offer managers the possibility to leverage existing advisory engagements into discretionary ones. As with traditional investment consulting, the OCIO conversation starts with manager research, as it is often a shared resource, no matter the level of discretion required. Depending on the consultant's approach to OCIO, managers should then expand the conversation to include field consultants and other OCIO decision-makers.

Note, however, that there is no one-size-fits-all when it comes to investment consultant OCIO structures. Because consultants frame their OCIO offerings differently, managers need to understand the individual consultant's approach and overarching philosophy to OCIO. This is important, both to engage most effectively with discretionary leaders and to avoid friendly fire with colleagues engaging on the traditional side. Advisory or discretionary, it is the job of the investment consultant to screen out managers who deviate from core investment messages. As such, sophisticated account planning and coordination with mainstream consultant relations is needed to ensure that all communications are crisp and internally consistent across channels.

OCIO Provider Model Type C: Managers

Although managers may cringe at the thought of partnering with their competitors, several of the largest managers now offer open architecture OCIO platforms of their own, so it's becoming more commonplace. Interests are, in fact, quite well aligned in this arrangement, as the open architecture structure may actually position third-party managers more prominently as a means to stave off the inevitable perceived conflicts of interest.

The difficulty, however, becomes clearer in the sales process. Manager research should still be the starting point, but this is often a small, unfamiliar point of sale. Moreover, broader socialization of the selling manager's offering needs to be conducted carefully, as the targets of this outreach could be the relationship management and sales people who, on any other day, would act in direct competition.

Know Your Customer

With the numerous shapes and sizes of OCIO distribution channels, it's no wonder that managers looking to sell into these providers struggle to nail down a comprehensive strategy. Clearly, given all the shades of gray in the space, the distribution strategies that value the flexibility to cater to provider idiosyncrasies over those that approach all channels in a similar fashion will be the most successful.

Coalition Greenwich, a division of CRISIL, an S&P Global Company, is a leading global provider of strategic benchmarking, analytics and insights to the financial services industry.

We specialize in providing unique, high-value and actionable information to help our clients improve their business performance.

Our suite of analytics and insights encompass all key performance metrics and drivers: market share, revenue performance, client relationship share and quality, operational excellence, return on equity, behavioral drivers, and industry evolution.

About CRISIL

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better. It is majority owned by S&P Global Inc., a leading provider of transparent and independent ratings, benchmarks, analytics, and data to the capital and commodity markets worldwide.

CRISIL is India's foremost provider of ratings, data, research, analytics, and solutions with a strong record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights and efficient solutions to over 100,000 customers through businesses that operate from India, the U.S., the U.K., Argentina, Poland, China, Hong Kong, and Singapore.

For more information, visit www.crisil.com

Disclaimer and Copyright

This Document is prepared by Coalition Greenwich, which is a part of CRISIL Ltd, an S&P Global company. All rights reserved. This Document may contain analysis of commercial data relating to revenues, productivity and headcount of financial services organisations (together with any other commercial information set out in the Document). The Document may also include statements, estimates and projections with respect to the anticipated future performance of certain companies and as to the market for those companies' products and services.

The Document does not constitute (or purport to constitute) an accurate or complete representation of past or future activities of the businesses or companies considered in it but rather is designed to only highlight the trends. This Document is not (and does not purport to be) a comprehensive Document on the financial state of any business or company. The Document represents the views of Coalition Greenwich as on the date of the Document and Coalition Greenwich has no obligation to update or change it in the light of new or additional information or changed circumstances after submission of the Document.

This Document is not (and does not purport to be) a credit assessment or investment advice and should not form basis of any lending, investment or credit decision. This Document does not constitute nor form part of an offer or invitation to subscribe for, underwrite or purchase securities in any company. Nor should this Document, or any part of it, form the basis to be relied upon in any way in connection with any contract relating to any securities. The Document is not an investment analysis or research and is not subject to regulatory or legal obligations on the production of, or content of, investment analysis or research.

The data in this Document may reflect the views reported to Coalition Greenwich by the research participants. Interviewees may be asked about their use of and demand for financial products and services and about investment practices in relevant financial markets. Coalition Greenwich compiles the data received, conducts statistical analysis and reviews for presentation purposes to produce the final results.

THE DOCUMENT IS COMPILED FROM SOURCES COALITION GREENWICH BELIEVES TO BE RELIABLE. COALITION GREENWICH DISCLAIMS ALL REPRESENTATIONS OR WARRANTIES, EXPRESSED OR IMPLIED, WITH RESPECT TO THIS DOCUMENT, INCLUDING AS TO THE VALIDITY, ACCURACY, REASONABLENESS OR COMPLETENESS OF THE INFORMATION, STATEMENTS, ASSESSMENTS, ESTIMATES AND PROJECTIONS, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE ARISING OUT OF THE USE OF ALL OR ANY OF THIS DOCUMENT. COALITION GREENWICH ACCEPTS NO LIABILITY WHATSOEVER FOR ANY DIRECT, INDIRECT OR CONSEQUENTIAL LOSS OR DAMAGE OF ANY KIND ARISING OUT OF THE USE OF ALL OR ANY OF THIS DOCUMENT.

Coalition Greenwich is a part of CRISIL Ltd, an S&P Global company. ©2024 CRISIL Ltd. All rights reserved.