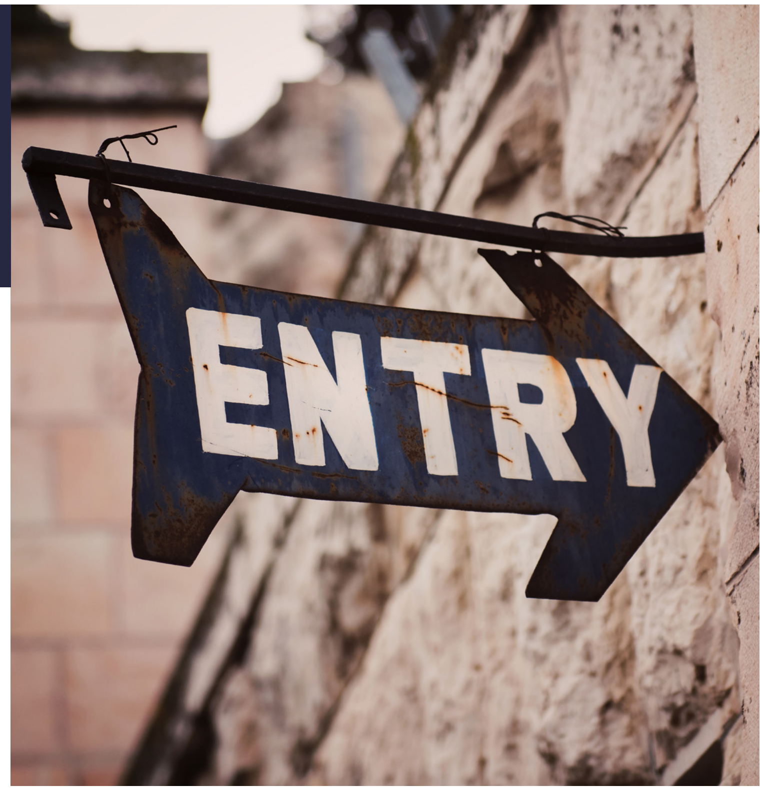
ARCHER

insights:

A NEW ERA OF RETAIL: HOW INVESTMENT MANAGERS CAN CAPITALIZE

With more assets piling into retail strategies than ever before, managers seeking growth are wise to begin assessing this potential opportunity today.



Over the past few years, many institutional investment managers have identified the retail market as a growth opportunity. This is a trend we have been watching over the past few years, and we have had a front row seat as it continues to evolve.

Some of the industry's largest asset managers are leading the way, taking advantage of retail investors' increasing appetite for differentiated strategies in their portfolios. Investors are looking for solutions that might not be available through typical mutual funds or other traditional retail investments. Thanks to a new way of thinking and technology, these solutions are becoming increasingly available through managers that historically targeted institutions.

THE $24 TRILLION OPPORTUNITY

The sheer size of the retail investment market, standing at $23.8 trillion, is part of what's attracting institutional managers. Retail assets are growing faster than institutional, having gained 5.2 percentage points of market share in the last decade.

Additionally, as distribution firms grapple with the proliferation of investment products and limited due diligence resources, they are looking for investment managers to package their strategies in a variety of wrappers to appeal to different types of clients.

In the retail space, clients who have typically gravitated toward mutual funds or ETFs are finding that SMAs and UMAs offer more flexibility for customization, such as incorporating tax optimization or ESG preferences.

"There's a real opportunity to address the growing cohort of advisors that service high net worth clients looking to capitalize on institutional DNA to help differentiate from more commoditized offerings," said Russell Parker, Founder and CEO of *rpm*AUM. "Oftentimes these are lesser-known brands with tremendous capabilities that have been untapped in the retail market but which carry an implicit credibility thanks to their proven investment process."

MAKING THE MOVE TO RETAIL

When entering the retail market, managers need to shift their approach in order to scale. Adopting new technology that makes launching funds targeted to retail investors much more efficient and cost effective is a critical step. Until recently, retail strategies required a heavy operational lift given the volume of trade processing, reconciliation, and other operational functions. When tackled manually, these tasks drained resources and ultimately made the effort financially unviable. New capabilities and technology partners have made this process much more manageable for firms of all sizes and backgrounds.

While forging into retail strategies can serve as a feasible approach to growing your firm, there are a few considerations investment managers should take into account before getting started. As a financial technology firm that's helped many managers expand into retail, we can help navigate the challenges you might face along the way. Based on this experience, here are our top three pieces of advice:

1. FOCUS ON ASSET MANAGEMENT

Investment managers pivoting to retail must do so strategically. When appealing to a new investor audience, its best to stick with the proven strategy that's made your firm successful thus far rather than try out a new investment strategy. Pivoting to retail is a sizeable undertaking within itself. Don't try to reinvent the wheel, and instead take it one step at a time. Focus on managing the strategy packaging it in a way that meets the needs of investors, advisors and distributors. One way to streamline this is to outsource non-core functionalities when possible to free up resources for the areas you add the most value as an investment manager.

2. IDENTIFY HOW YOUR PRODUCT OFFERING TRANSLATES TO RETAIL

Define your approach from the start, whether that means being the best at one core strategy or offering a wider range of products. If being a generalist better suits your strategy, consider bringing smaller firms under your umbrella to leverage a wider range of investment expertise. Whether your firm offers a niche product or a range of options to create a complete portfolio, investment managers should pursue retail with purpose and intention to optimize their success.

3. UNDERSTAND THE RETAIL BUSINESS IS MORE BESPOKE

Considering that effectively reaching the retail market requires connecting to sponsors, investment managers will be required to integrate with more technology platforms and portals than they are used to. This adds customized connectivity requirements that aren't traditionally needed in the institutional space. Partnering with technology vendors that have experience with these platforms and understand the best practices for integrating will save managers time, resources and headaches in the future.

CHARTING NEW WATERS

Expanding into retail strategies may seem like a sizeable undertaking at first. But upon closer look, it is clear that doing so can serve as a powerful source of growth for investment management firms. Finding the right technology partner is crucial to the success of this effort. Not only can they provide powerful technology that will drive operational efficiencies necessary to accommodate scale, but technology vendors with the right expertise can also offer valuable guidance and help managers avoid potential pitfalls. With more assets piling into retail strategies than ever before, managers seeking growth are wise to begin assessing this potential opportunity today.

For more insights, news, and other resources, visit **archerims.com**