

Executive Summary

The RIA Channel: A Roadmap for Driving Growth

ETF and mutual fund providers should review their distribution strategies in light of the rapid growth in the sales of these products by registered investment advisors (RIAs). According to insights from Access Data, a Broadridge company, RIAs now sell more, in aggregate, than the top four wirehouses. Unfortunately for fund sales and marketing executives, RIAs tend to be small and more diverse, unlike those institutions, and therefore harder to reach using traditional distribution strategies. Gaining access and winning business in this space requires advanced segmentation and specific targeting of the individual advisor.

Drivers of growth

- The RIA channel grew slightly faster than the wirehouses in absolute terms in 2012 and 2013, with total assets increasing by \$328 billion, versus a \$322 billion increase in the wirehouse channel.
- Over the same period, the RIA channel has grown more evenly between long-term mutual funds, which represent 59% of new assets, and ETFs, which represent 41% of new assets. The wirehouse channel, on the other hand, saw most of its increased assets from long-term mutual funds, which represent 73% of new assets.

Segmenting the market

To develop a cost-effective distribution plan, ETF and mutual fund executives should first segment the RIA channel in the following manner:

- Identify attractive RIA segments (e.g., those with largest asset base)
- Confirm that these segments offer the biggest opportunities (e.g., in terms of sales of relevant product types). For example, RIAs with \$100 million to \$1 billion in assets under management have the biggest aggregate asset base of all the segments, and use ETFs and mutual funds actively
- Profile the segments to understand the composition of each segment's client base, geographic spread and investment philosophy
- Leverage robust segmentation to develop the next step of their sales and marketing activities, as well as product positioning and future development

Building the action plan

Providers should then develop a distribution plan that answers the three following questions:

- Access: How will RIAs access your products and find information about them?
- Analysis: How can you understand channel and segment preferences and behavior?
- Alignment: How can you best align sales and marketing resources with the RIA channel?

These considerations will be increasingly important to funds in coming years as the RIA sales channel continues to outpace the wirehouse sales channel's rate of growth.

To receive a copy of the full report, visit <http://access-data.broadridge.com/market-insights>

Report Highlights

Channel growth: RIA mutual fund and ETF assets reached \$1.62 trillion by the end of 2013, surpassing the total fund and ETF assets held with the top four wirehouse firms

Segmentation: Medium-size RIAs (\$100 million – \$1 billion in assets) represent the best prospect for mutual funds and ETF providers

New data: RIA geographic dispersal by region across the United States

Channel characteristics: Product trends within the RIA channel