Marketing sustainability in asset management

A report with the key findings of investor research from White Marble and the breakfast roundtable for marketing leaders in investment management facilitated by tml Partners.

Enter

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The ESG breakfast roundtable brought together marketers in investment management. They used the forum to discuss the challenges on the journey to successfully integrate and articulate sustainability credentials as part of clear value propositions and brand differentiation.

The session opened with a presentation from Benjie Elston, (Director, Head of Sustainability at White Marble) sharing recent investor research on what is perceived as the key attributes of an ESG market leader. This was followed by an engaging debate among attendees, chaired by Twink Field (CEO and Founder of White Marble).

Hosts

Twink Field
White Marble Marketing

Benjie Elston
White Marble Marketing

Rebecca Vogel
White Marble Marketing

Emma Morrison
tml Partners

Simon Bassett
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Participants

David Bower, FE fundinfo

Nic Basson, *Formerly:* Invesco EMEA

Max Clarke, Schroders Personal Wealth

Courtney Waterman, Ninety One

Richard Benton, Royal London

David Rowe, Comgest

Andrew Kelly, *Formerly:* Standard Life Aberdeen

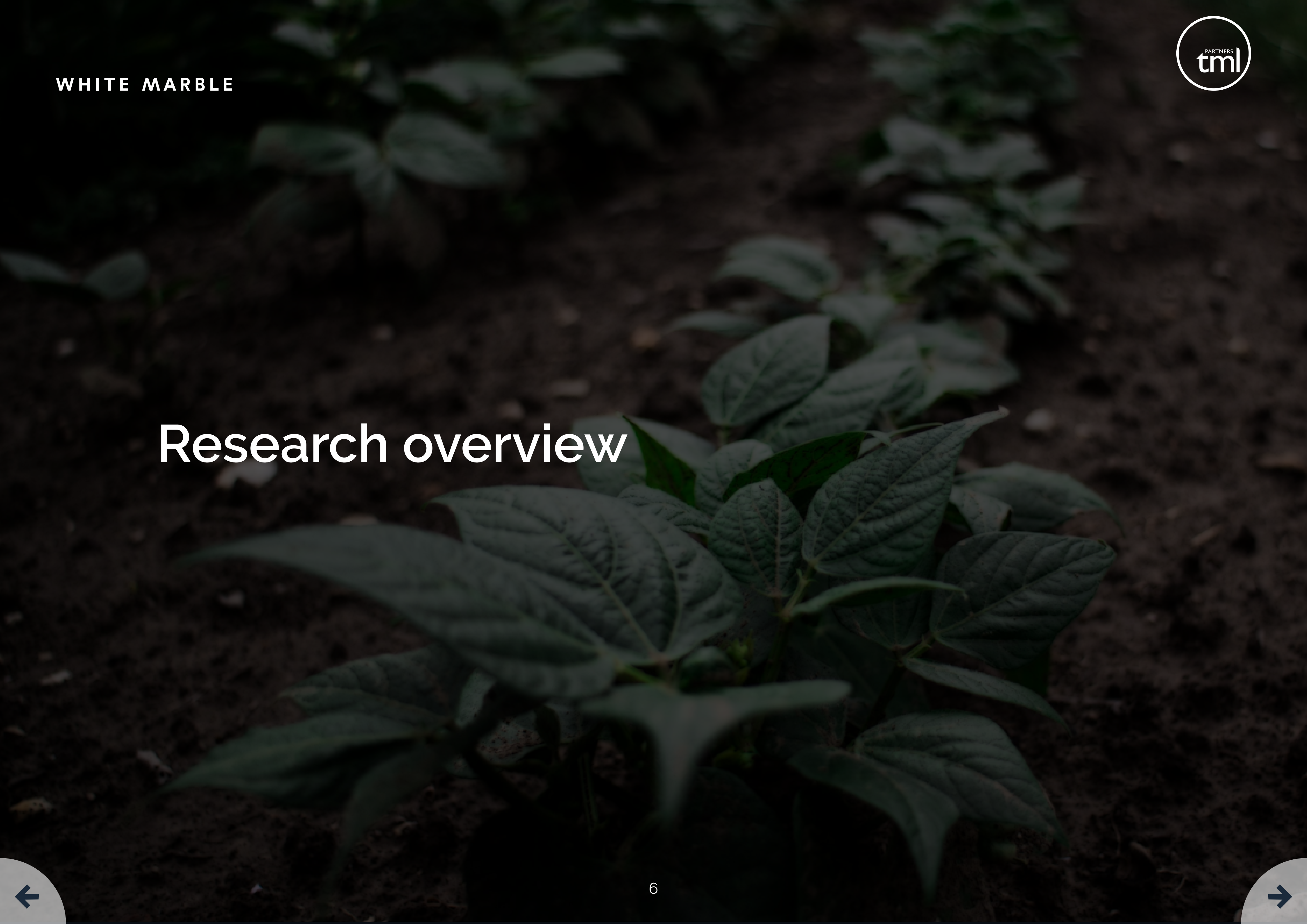
Jennifer Spivey, Candriam

Natasha Moore, Candriam

Jayne Fieldhouse, BlueBay Asset Management

Neil Fatharly, GHV Consulting

Matt Stevens, Marketing Consultant



Research overview

Research overview and introduction to the theme

Benjie Elston opened the event with a presentation on White Marble's latest research.

The continuing shift to investing based on environmental, social, and governance (ESG) criteria is a once-in-a-generation event that is transforming the investment industry. With this transformation comes the potential creation of new winners and losers.

Over the past year, interactions with clients have consistently and visibly shifted towards sustainability-related topics. Asset and wealth managers clearly understand the urgent need to take action but often struggle to envisage exactly how to go about it.

This prompted a number of questions.

Most importantly, what does it mean for us as marketers?

Are there recurring (quantitative and qualitative) factors that separate ESG leaders from laggards in our industry?

How do different investor segments perceive the asset managers they deal with every day?

What is driving investors' views and decisions?

What is the impact of greenwashing on how clients view us, and the industry in general?

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Key findings

To find out what this means for marketers, in June 2021 White Marble surveyed a broad cross-section of investors and stakeholders in the UK investment landscape.

Their insights provided a fascinating picture of a transforming industry and indicate what the future might hold for both leaders and laggards. Whilst quantitative data was collected, the research also aimed to collect qualitative observations and opinions.

One of the priorities for the research was to establish which groups are perceived as sustainability leaders from among the multitude of voices in this space. Another aim was to dive much deeper; to identify the factors behind perceived success in this area of investing and uncover what those who are deemed as less successful can do to improve.

Stay true
Fund buyers and influencers are seeking sustainability messaging set at the board level and deployed in a transparent and authentic manner. Investors want providers with a strong fiduciary culture and a clear purpose and vision.

Solutions, please
Model portfolios and other portfolio solutions are of particular interest, rather than traditional fund structures.

Numbers, not noise
Fund selectors are taking an evidence-based approach, looking at performance and proof of ESG integration. Most marketing is seen as undifferentiated while awards and media coverage have little impact.

Greenwashing is still a problem
Fund buyers are very aware that some managers will overstate their expertise or the sustainability of their funds. Outside agencies are seen as an answer to this.

Stay focused
Institutional and retail investors are at different points in their sustainability journeys and are prioritising different things. This needs to be reflected in messaging and tactical approaches.

Deeper dive

Over 100 investors and stakeholders across the UK investment landscape, including wholesale, institutional journalists and commentators were asked questions designed to rank a shortlist of major players in the asset management industry across **five key themes**:

- Reputation for sustainability
- Investment performance
- Credibility and authenticity of strategy
- Quality of investment approach
- Quality of content and marketing

Top and bottom five managers in each category

BMO Global Asset Management, Schroders and Amundi showed consistent strong performance across all categories. GSAM scored consistently poorly, with Barings and JP Morgan also struggling.

It is worth noting that the lowest average scores for all managers assessed where those for the quality of ESG content and marketing.

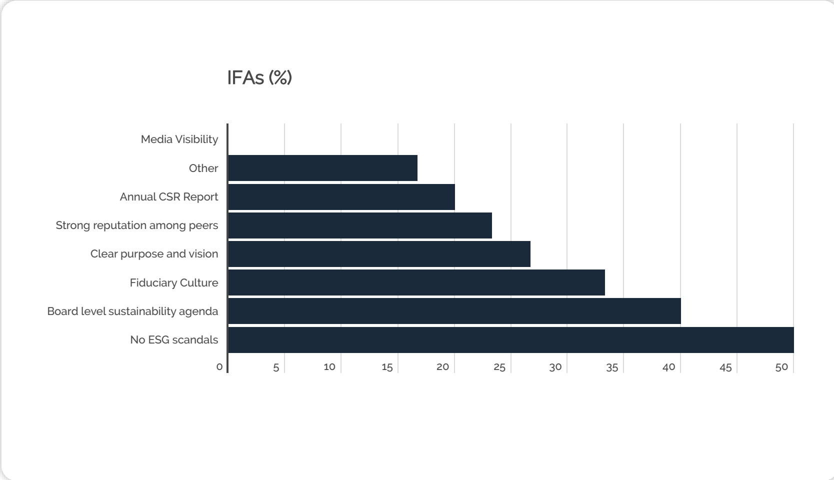
Rank	Reputation	Rank	Investment performance of ESG strategies	Rank	Brand authenticity for sustainability	Rank	Evaluation of sustainable approach	Rank	Quality of ESG content & marketing
1	BMO	1	Schroders	1	BMO	1	BMO	1	Schroders
2	Schroders	2	BMO	2	Schroders	2	Schroders	2	BMO
3	Amundi	3	Janus H	3	Amundi	3	Amundi	3	Amundi
4	BNP Paribas	4	T Rowe Price	4	BNP Paribas	4	BNP Paribas	4	Columbia Threadneedle
5	Wellington	5	BNP Paribas	5	Wellington	5	Columbia Threadneedle	5	Abrdn
21	Northern Trust	21	AXA Investment Management	21	Northern Trust	21	AXA Investment Management	21	T Rowe Price
22	Capital Group	22	M&G	22	Invesco	22	T Rowe Price	22	Northern Trust
23	Barings	23	Pimco	23	JP Morgan	23	JP Morgan	23	Capital Group
24	Invesco	24	Northern Trust	24	Barings	24	Barings	24	Barings
25	GSAM	25	GSAM	25	GSAM	25	GSAM	25	GSAM

Wholesale market findings

The interviews showed that within the collective wholesale market, IFAs and wealth managers had differing consensus on what asset manager credentials mattered most at a corporate, process and product level.

IFAs are most concerned with the public profile of their asset managers, whilst wealth managers place greater emphasis on a manager's ability to demonstrate purpose and vision, and evidence of fiduciary culture.

When choosing a provider, what credentials matter to you most at a corporate level?



Institutional market findings

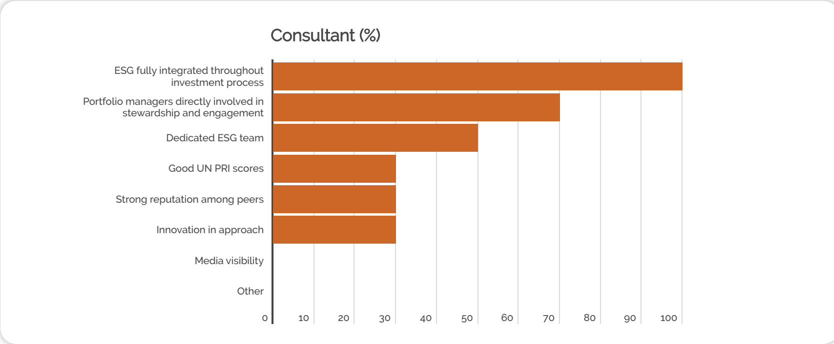
The interviews conducted on this segment included: consultants, pension trustees and independent trustees.

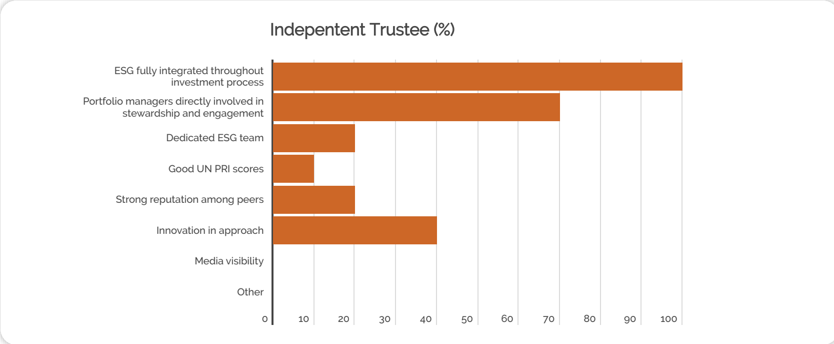
Responses were relatively consistent at a corporate level, with evidence of a strong fiduciary culture important across the board. Alongside this, a board-level sustainability agenda and track record of avoiding ESG scandals were repeatedly identified as being of key importance.

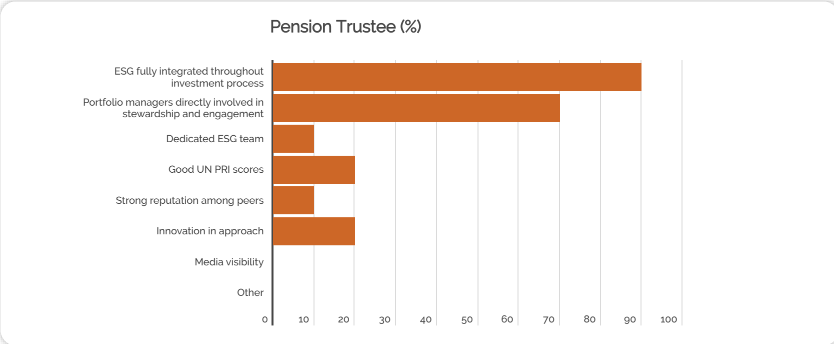
When discussing priorities at a process level, full ESG integration was recognised as being crucial. However, there were a range of opinions on the importance of a dedicated ESG team versus EGS processes being the responsibility of all investment professionals.

Authenticity was repeatedly highlighted as being of crucial importance.

When choosing a provider, what credentials matter most at a process level?







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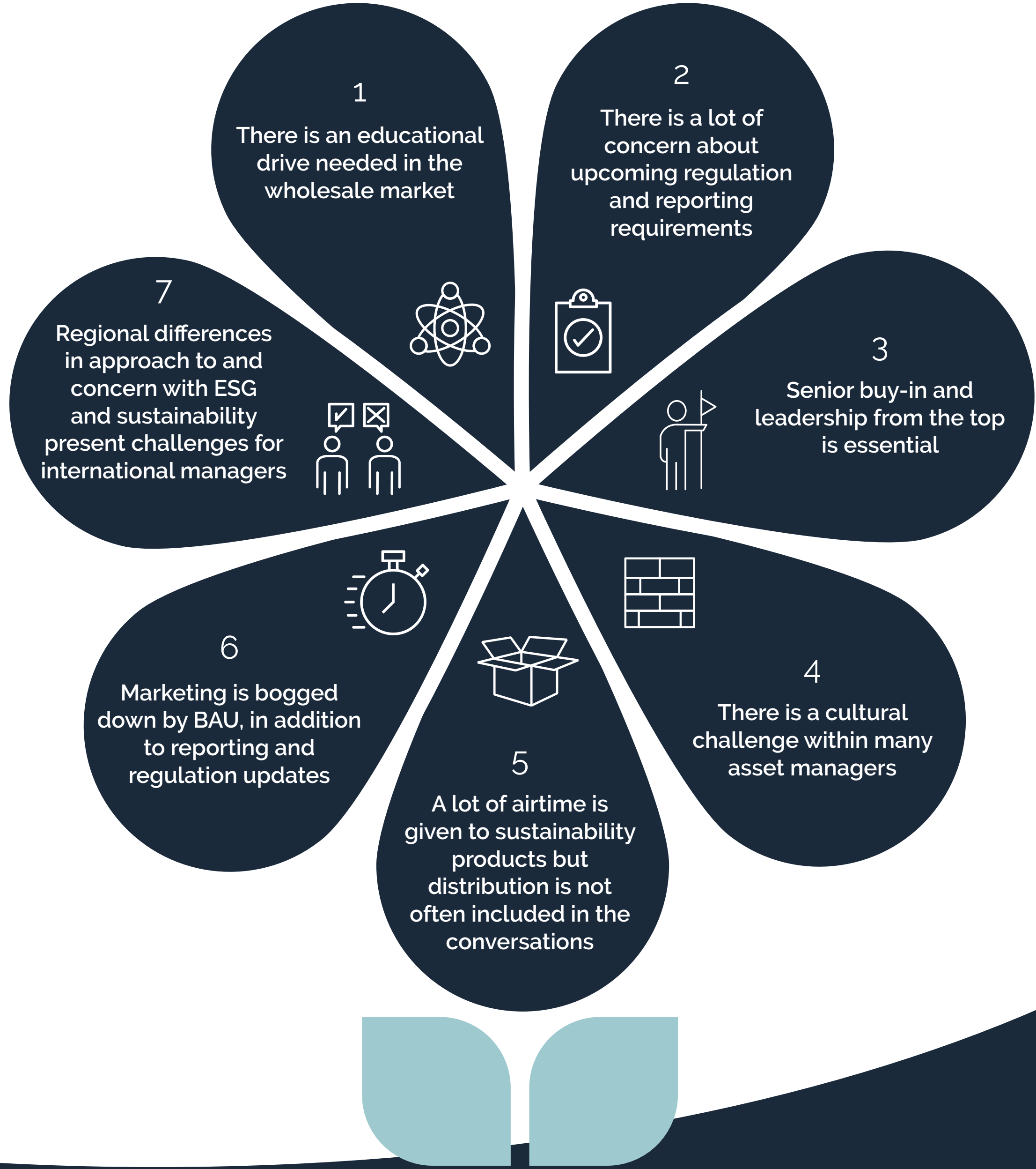
What makes an ESG leader?

1. The asset manager is able to demonstrate a strong fiduciary culture at a provider level
2. Purpose and vision are articulated clearly and authentically
3. There is high-level support for sustainability
4. The agenda is set at board level
5. There is clear evidence of impact

Discussion

The second half of the event was dedicated to a group discussion around what these results mean for asset managers, as well as specifically marketers in asset management, and the key challenges that they face.

Here is the general consensus on the main challenges that senior marketing leaders in asset management face:



1

There is an educational drive needed in the wholesale market

There is an apparent conflict of interest and action from end clients. Various research and observations agree that sentiment from end clients is to reward companies for positive change, rather than exclude or punish those that are further behind on their journey. However, it seems that individuals still want to invest in 'clean green' companies rather than those that are less advanced, but have the potential to evolve their sustainability credentials.

Education directed towards end retail clients more generally is not being done well from within the asset management industry. Pensions are an example of investments that the majority of people hold but are incredibly un-engaged with.

Part of this issue seems to come from the intermediary market and distribution not having a good understanding of sustainability and ESG to explain it well to their clients.

The big institutional players increasingly have a focus on engagement activities to push companies along the journey to becoming more sustainable and to better manage ESG factors. This means that many of their investments, whilst not 'clean and green', now have the potential to improve over the longer term. However, this is not always well articulated and explained to less sophisticated investors.

There is more success in educating the broader public around finance in general from outside the financial services industry – for example Richard Curtis' Make My Money Matter initiative.

2

There is a lot of concern about upcoming regulation and reporting requirements and whose responsibility it is

There is a lot of concern about upcoming regulation and reporting requirements - both whose responsibility it is (adding to the marketing burden in many cases) and also how best to implement.

It's a huge piece of work every time disclaimers have to be updated when there is a change in regulation – often this falls to marketing.

Article 8 is a real grey-zone, and a scandal waiting to happen. Whilst conservative firms are 'allocating down' (allocating products to a lesser category out of caution with the view to re-categorising when they can be certain) less cautious firms are labelling products as more sustainable than they are really are. This is likely to blow up at some point. It has the potential to cause further reputational and trust damage to the industry in general, not just for the firms responsible.

Disclosures don't drive decision making – businesses need to be making changes ahead of regulatory amends being implemented, if they are to be competitive and 'innovative'.

3 Senior buy-in and leadership from the top is essential

Clarity from the top helps storytelling and reinforces the importance of relationships between CEO and CMO.

CIOs need to guide PMs in their focus on ESG. Some managers have had success in encouraging managers to incorporate ESG into their strategy through bonus-linked incentives, including potentially losing out if they do not comply.

Owner-managed / family-run businesses (e.g. Fidelity) seem to have an advantage at this point in the game. Vocal and engaged leadership teams can motivate their businesses to act in certain ways as they have more influence over the individuals within their firms.

The moral compass of leadership teams has potential to influence change and the direction of a business - C-suites and business owners need to lead from the front to make an impact and drive change.

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4

There is a cultural challenge within many asset managers

Fund managers who have a lot of autonomy in how they manage their portfolios are very resistant to having methodologies or exclusions imposed on them.

A new generation of fund managers is emerging who care about these issues personally – but this is a long-term process.

In many houses ESG has been viewed as a means to gather assets, rather than a deeper and genuine philosophy. This is at least true in the eyes of many intermediaries, who believe it has contributed to a lack of trust in and respect for the motives of asset managers.

Tougher action does incentivise fund managers to integrate ESG: asset management houses that have introduced bonus linked incentives encouraging portfolio managers to embrace ESG integration have seen positive results.

There is a view that the strongest incentive for managers to truly embrace ESG integration will only be when they start to suffer outflows if they do not meet the needs of investors in the form of sustainability and ESG integration.

5

Have the right people at the table – distribution is often not included

A lot of time and energy is spent thinking and talking about sustainability products to meet the perceived needs of clients and the direction the market is travelling in.

However, distribution teams are often not included in these conversations to the extent that they should be.

This has a dual consequence:

- It contributes to the poor understanding that many managers have of their end clients' needs and wants, as they are not engaging with and listening to the teams who interact with them on a daily basis; and
- It contributes to the poor understanding among distribution teams, and therefore intermediaries, when they are just presented with new products, rather than being more closely involved in their development.

Clients want to see asset managers understanding what they want and need – this is as true for the wholesale market as it is for institutional. This is hard to achieve without the voice of distribution, or client services.

6

Marketing is bogged down by their BAU

In theory, marketing is the centre of creativity and innovation in a firm, but under-resourced and overworked teams do not have the time and space to be effective in this way.

In some firms, marketing is increasingly bearing the burden of regulation changes and reporting requirements (for example, in some businesses reporting is marketing's responsibility, though this is not the case unanimously).

Many marketing teams are feeling overwhelmed with the amount of marketing materials, online advertising, direct sales, events, budget management that they need to worry about. This results in little time for innovation.

Storytelling: in many cases, marketing teams are struggling to extract and surface many of the good and relevant stories at asset class and investment level. They also need to get investment teams sharing these stories, as well as making these more accessible and simplified.

In many cases, marketing is becoming polarised - between retail attitudes and the institutional focus. This leads to an information and educational gap.

7

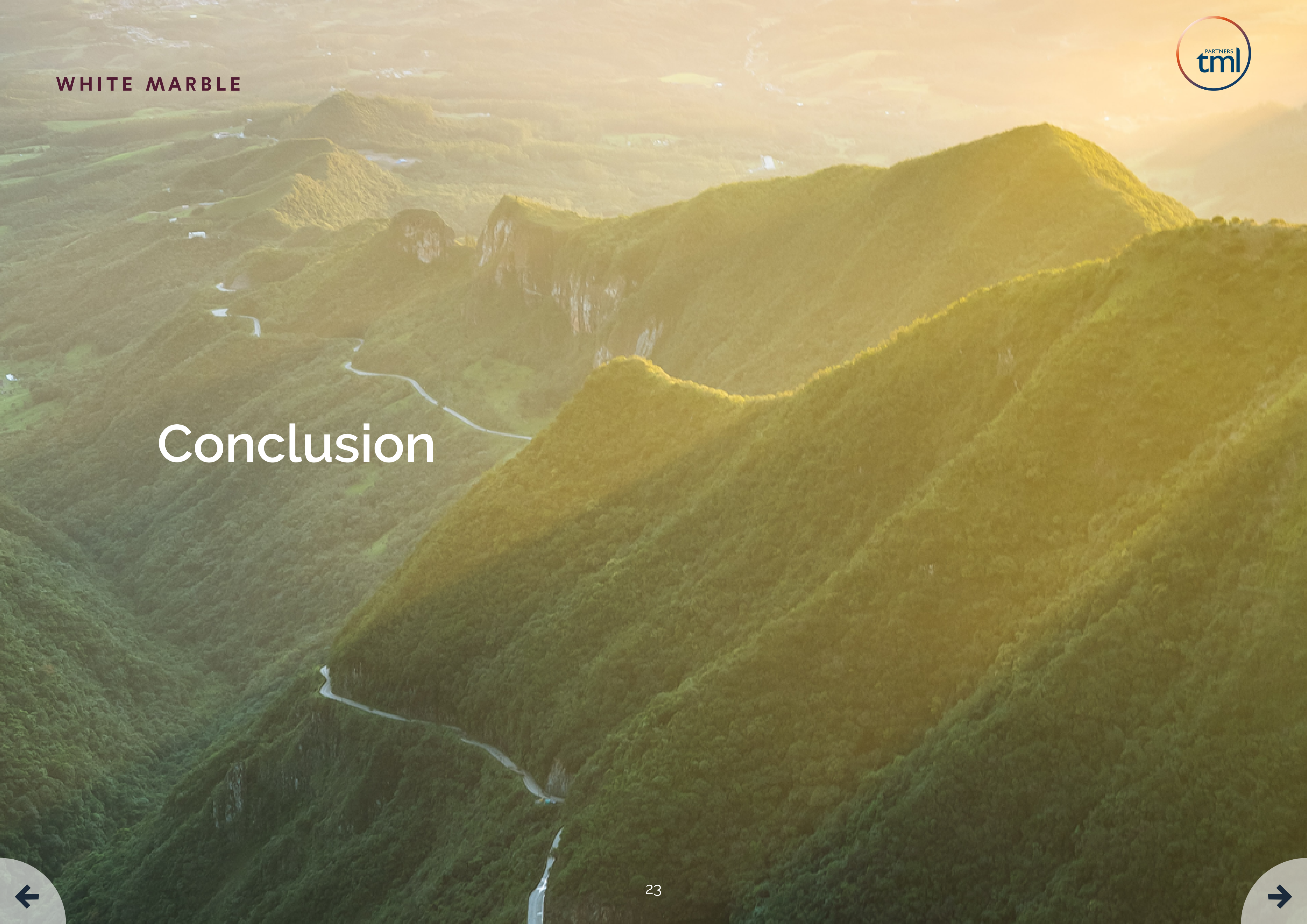
Regional differences in approach to, and concern with, ESG and sustainability present challenges for international managers

International managers face additional challenges: e.g. EMEA markets are more advanced in their appetite for and understanding of ESG and sustainability.

This can cause difficulties for international managers when it comes to global communications as they attempt to find messaging that meets the expectations of European clients, whilst not alienating those in markets that are less advanced/engaged.

Investors in the US have been less engaged in recent years and as a consequence, have slipped behind the curve in relation to Europe.

There are increasing examples of global heads of ESG being based in Europe (often in London) even if other leadership is based elsewhere. This is to be closer to the heart of the movement.



Conclusion

Final observations – White Marble

1

It's an open field – to date the space has been dominated by generally smaller, more boutique managers who have been integrating ESG / sustainability for longer, but the benefits of scale mean that the larger players will have an advantage once they have their houses in order.

2

Focus enables authenticity – the ESG/ sustainability space is a very broad one. Only the biggest and best resourced managers can realistically expect to have equal levels of genuine expertise across all elements. For most, reducing their field of vision to a focused area of specialism enables genuine expertise and impact.

There are three types of businesses: businesses that seek to do no harm, businesses that provide sustainable solutions and businesses that are sustainable. Asset managers need to decide which one they are or want to be and communicate accordingly.

3

Relationship of CEO influence – if engagement and buy-in is to be authentic, then senior leadership need to be truly engaged and supportive of the process. Marketing departments increasingly find that the responsibility to engage senior management on the journey to integrate ESG processes and sustainability practices is falling to them.

4

Getting comfortable with transitional positioning – in order to be truly authentic, asset managers need to be comfortable with the concept that the integration of ESG and transition to sustainable business practices are inherently a process. Their clients are interested and engaged in hearing their current position and plans for evolution. Having a voice and engaging in the discussion is preferable to remaining silent and evasive on the subject for fear of appearing to be less evolved than their competitors.

5

Get to the why – there is a distinct lack of messaging from asset managers around why they are integrating ESG and sustainability into their processes. This is detrimental to the 'trusted provider' position that many asset managers wish to portray, especially to their wholesale clients. It presents an opportunity for those who can successfully and authentically convey their position.

6

Brand positioning is sustainability positioning – if brands are to be truly authentic to their position on ESG and sustainability, then it cannot just be an add-on factor that is bolted on to their core brand positioning. It must be truly integrated and woven into a brand's very fibre.

The hosts

tml Partners is an internal executive recruitment firm specialising in senior marketing appointments.

With a team of highly experienced consultants, we provide specialist marketing expertise that is unrivalled by generalist head-hunters and in-house resourcing teams. Our Financial Services team specialise in Asset and Wealth Management, Banking, Fintech, Payments and Insurance. We network extensively in this community continually adding value with thought-provoking events and publications to help facilitate the agenda for the marketing leaders of tomorrow.

Finding the right marketing talent is far from obvious and ineffective hiring is high risk. tml Partners mitigate this risk with a truly dynamic perspective on hiring the best marketing talent. We're trusted and connected networkers in the senior marketing community and spend a lot of time understanding the motivations and building meaningful relationships with the best, hard to find, passive talent.

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WHITE MARBLE

CONSULT | LEARN | MEASURE

White Marble is the home for best practice in investment marketing. We aim to transform marketing into a more strategic, educational and measurable function of the investment industry.

We help clients resource and deliver their marketing projects; develop ambitious marketers at all levels through our programmes, learning opportunities and supportive community; and underpin this activity with performance data from our industry benchmarking tool, Metrologis.

Based in London and Boston, we are a truly diverse and international team of 25, of seven different nationalities and speaking five languages. Our marketing expertise balances years of industry experience with outside-industry thinking. With this wealth of industry knowledge and authority, we have a deep understanding of the complex needs of our clients and are able to provide independent advice, cutting-edge services and results that deliver where you need it most.

Sustainability at White Marble

We work with clients to help them make sense of the sustainability landscape; ascertain and implement strategy, articulate and communicate their sustainability credentials. Across the team we have subject-matter experts with deep knowledge of the wide contextual background required to understand environmental, social and governance factors and how they can be harnessed for more effective decision-making within organisations.

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