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For the wholesaler, a wholesale change

By Jeff Benjamin

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DETROIT - Money management firms are becoming increasingly creative in their attempts to gain access to the swelling ranks of more than 300,000 financial intermediaries responsible for bringing investment products directly to consumers.

Driven largely by the trend toward holistic and fee-based financial planning, traditional product manufacturers, such as mutual fund complexes and insurance companies, are going whole-hog to make wholesaling look and feel like anything but a sales call.

"You won't survive unless you can do this," said Gene Needles, president and chief executive of AIM Distributors Inc., the Houston-based sales and marketing division of Amvescap PLC of London.

In the case of AIM, the focus is on helping financial intermediaries better understand the nuances of exchange traded funds in the context of an overall portfolio.

The new consultative wholesaling campaign coincides with Amvescap's Sept. 18 acquisition of PowerShares Capital Management LLC, a Wheaton, Ill.-based manager of \$6 billion in ETFs.

"You can't be too thin, too rich or too consultative," Mr. Needles said, emphasizing a trend that has been developing over the past few years.

In some respects, the wholesaling evolution represents a dogged effort to keep up with the ever-sophisticated nature of financial intermediaries.

"It's been a domino effect," said John Diehl, a Wayne, Pa.-based vice president of product development for The Hartford (Conn.) Financial Services Group Inc.

"As more investors started looking for financial advisers, it seems like a natural evolution that wholesalers would find more ways to work with those financial advisers," he added.

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At The Hartford, that has meant the addition in January of 20 retirement solutions consultants to work alongside the firm's 280-member wholesaling force.

"Using these guys can make our wholesaling force better, because they become almost like financial planning coaches," Mr. Diehl said. "The idea is to not tell the advisers how a product works but to tell them where it might fit in a given portfolio."

The shift in mind-set isn't entirely lost on financial advisers, but most still are not letting their guard down when a wholesaler comes knocking.

"With the busy schedule that I tend to keep, it's really hard for me to fit in much time for anything other than client appointments, but I do try to meet with the wholesalers that can bring me practice-management tips or other information that can help me build my practice," said Amy Jensen Wolff, president of AJW Financial Inc. in Minneapolis.

Bringing real value, as opposed to the latest hot product, is the essence of the wholesaling evolution, according to Bing Waldert, an analyst with Cerulli Associates Inc. in Boston.

"If you look at the evolution of financial advisers, the best and most successful have moved to a fee-based, holistic-planning model, and wholesalers are now faced with going through the same evolution," he said. "They can't just lug in the latest five-star mutual fund and get an adviser's attention anymore; you have to give the adviser a reason to sit down with you."

As Mr. Waldert pointed out in a recent research report on wholesaling, performance has been commoditized through a combination of factors - such as Internet search capabilities and a more self-sufficient universe of financial intermediaries.

With that in mind, wholesaler operations such as AIM Distributors, which started preaching the consultative approach four years ago, constantly are searching for new ways to add value to the adviser.

Mr. Needles said the process began by teaching wholesalers to "listen more than talk, and that's really hard for a salesperson."

AIM's latest wholesaling undertaking involves a much more sophisticated campaign to not only help advisers better understand ETFs but to challenge them to consider fundamental indexing as opposed to traditional market-capitalization-weighted indexed investing.

"As ETFs continued to gather steam in the marketplace, we didn't want to just come in and be a 'me, too' in the marketplace," Mr. Needles said.

It is a far cry from the traditional sales calls that might include lunch and a couple of fund brochures, but advisers are demanding more, and they generally are getting more.

At Evergreen Investment Services Inc. in Boston, the wholesaling effort begins by considering what the firm has identified as the financial intermediary's three critical needs.

Those needs are identified as client retention, client acquisition and practice management, according to Maryann Bruce, president of Evergreen Investment Services.

"Our goal is to continue to think of new ideas and new programs, because if we can add value, we believe the adviser's business will grow, and we will be rewarded," she said. "In the old days, you would lead with your best product, and you didn't even know or care about the financial adviser's needs."

Mr. Waldert estimated that the overall state of wholesaling includes extremes on both ends, with extreme innovators and those laggards unwilling to change with the times.

Advisers generally are keen on the evolution but still are reluctant to roll out the red carpet.

"I almost block out wholesalers from seeing me because they're a waste of time," said Theodore Feight, owner of Creative Financial Design in Lansing, Mich.

He admitted to relying heavily on wholesalers back in the early 1970s when he would call on them to speak at the client-building seminars that helped establish his practice.

"When you're new, they help you, but now they usually just have one or two products to talk about," Mr. Feight said. "If I find something I like, I'll call them for more information."

As wholesaling continues to migrate toward more of a business-consulting role, Mr. Waldert said, there could come a time when advisers will find the relationships necessary to business success.

"One advantage that wholesalers already offer is their access to a lot of different kinds of advisers and advisory firms," he said. "There are a lot of ways that financial advisers can already use wholesalers as a research tool."



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