

**Contact:**

Chris J. Brown  
Tel. 603-382-5300  
[chris@swayresearch.com](mailto:chris@swayresearch.com)  
[www.swayresearch.com](http://www.swayresearch.com)

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## ASSET MANAGERS INCREASE SPENDING ON THE DCIO MARKET BY 28 PERCENT IN 2008

*However, Market Turbulence is Likely to Constrict 2009 Budgets*

**October 28, 2008, Newton, NH** – According to a new research study titled *Best Practices in DCIO Sales and Marketing* from New Hampshire-based Sway Research, asset managers are on track to increase the dollars being spent on defined contribution investment-only (DCIO) sales and marketing efforts by an average of 28 percent in 2008. Much of the spending increases are being directed at new sales force hires and marketing programs designed specifically to support retirement advisers (i.e. advisers that focus on DC business).

According to Chris J. Brown, principal of Sway Research, "some of the increase in spending is in response to mounting competition from other asset managers as well as increased flows into proprietary Target-Date portfolios, all of which are placing greater pressure on DCIO executives to meet aggressive sales goals." In fact, nearly one-third of the fourteen managers surveyed by Sway for this study did not expect to meet 2008 DCIO sales goals, even before the fall credit crisis depressed the U.S. equity markets.

The growth of Target-Date funds has already begun to impact flows from DC plans into investment-only products, yet DCIO managers should not expect any relief in the near-term. According to the gatekeepers from nine leading DC platforms that took part in a survey for this study, assets under administration invested in Target-Date portfolios will increase from an average of just 12 percent currently to 31 percent by 2015. As Sway details in the full report, both DC platform gatekeepers and retirement advisers overwhelmingly prefer using Target-Date portfolios as a QDIA option.

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While strong growth has compelled asset managers to build out sales and marketing resources to serve the DCIO market, 2009 may see a slowdown in spending due to the impact of falling equity markets on asset management revenue. "Unfortunately, the slowing U.S. economy and falling stock prices are likely to impact DCIO spending in 2009, forcing some DCIO business leaders to do as much, or more, with fewer resources," says Mr. Brown. However, Sway did find that there is a significant gap in DCIO productivity among investment management firms, with leading firms generating well-over \$1 billion of sales per salesperson, which is four-times as much as firms at the low-end of the range. "This suggests that even without another increase in spending in 2009, many managers are in a position to enhance DCIO productivity and profit margins by improving the ways that sales and marketing resources are being used," adds Brown.

Based on surveys and interviews of DCIO sales executives, DC platform gatekeepers, and retirement advisers, the study, titled *Best Practices in DCIO Sales and Marketing: Harnessing Value-Add Programs to Build Brand With DC Platforms and Intermediaries*, features key DCIO business benchmarks, such as annual DCIO sales and marketing spending, staff headcounts across function, and sales force productivity. The report also utilizes feedback gathered from DC gatekeepers and retirement advisers to provide best practices for asset managers to establish and enhance relationships with these key audiences.

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### **About Sway Research LLC**

Sway Research is owned and operated by Chris J. Brown, an experienced researcher and leading authority on trends in the development and distribution of financial services products. Sway's mission is to provide financial services executives with solid facts and well-informed opinions, so they can make effective decisions leading to increased revenue and strong growth. For more information on Sway Research and its services, please visit our Web site at [www.swayresearch.com](http://www.swayresearch.com).