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Bright Ideas: Citi Turns Operations into Sales Strength

by Scott Johnson

Stable Operations Become a Manager Marketing Tool

A new operations outsourcing deal picked up by Citigroup this week highlights the growing importance of back-office stability to front-office tasks like sales and marketing. The firm appears to be reinforcing that trend with some key services for its asset manager clients.

Pacific Income Advisers, a \$4 billion manager based in Santa Monica, Calif., is announcing today that it has extended a servicing relationship with Citigroup from retail managed accounts into its institutional lineup. That comes just a few weeks after AIG Global Investment, recently spun off from troubled insurer AIG, told FundFire that it was outsourcing its back-office functions to an undisclosed provider.

These deals largely come down to cost and scale. Pacific Income Advisers executive v.p. Tim Tarpening says Citigroup's order management system makes his firm's account volume capacity "virtually unlimited," and the overall servicing deal will generate cost savings as well as support the firm for growth.

But smart managers can use operational strength as a marketing tool, too. Citigroup's Chandresh Iyer, global head of investment administration and global custody, says institutional investors and consultants are more comfortable when they know what's in place in a manager's back office. Citigroup deals directly with consultants and investors that are conducting due diligence on a manager's operational risks.

The firm also offers concrete services to managers to help them sort through the technical aspects of marketing. For example, the firm is helping managers prepare for a January 2010 revision of the Global Investment Performance Standards (GIPS). And the firm provides descriptions of its operational systems that managers can plug directly into their marketing materials.

"There's material we provide our clients to include in their RFP responses, in their pitch books, et cetera," says Iyer. "That cuts across several areas: GIPS compliance, operational readiness, contingency planning, disaster recovery, confidentiality and privacy information, as well as industry best practices and how we keep up with our best practices."

Editor's Note: Bright Ideas is a weekly interactive feature aimed at bringing individuals and firms the latest strategies for surviving and thriving in a rapidly changing marketplace.