



# ETF SALES & MARKETING: DIGITAL, BOOTS, & THE BOUNCER

When it comes to raising assets in the ETF space, there are several sales approaches to consider. Digital sales strategies can be cost effective and efficient. Digital destinations include an ETF's homepage, YouTube, X [Twitter], LinkedIn, Instagram, as well as banner ads in "print" media and ETF specific websites. ETF webinars and podcasts are also very effective. 'Boots' refers to traditional wholesaling activities a.k.a. "boots on the ground". Some sponsors choose to build their own team while others outsource. The 'Bouncer' refers to a gatekeeper or due diligence team within a destination you would like to access. Like any good bouncer, you will be vetted prior to entry, and don't forget to bring your checkbook for the cover charge.

ETF sponsors should first educate themselves regarding the two main sources of AUM and then evaluate how to best formulate and manage a sales plan, product support structure, and an AUM retention strategy. The two main categories of AUM are 'Captive' and 'Captured' assets. Captive AUM can be defined as assets within an existing SMA, Hedge Fund, or Mutual Fund that may be compliantly contributed to an ETF. These types of in-kind contributions of AUM are known as 351 Exchanges and Mutual Fund to ETF Re-Organizations. Captured AUM can be defined as AUM raised via traditional sales and marketing efforts. Sound Capital provides a complete analysis for any firm interested in the movement of Captive AUM into an ETF. Captured AUM will be the focus of this piece.

Captured AUM destinations can be self-directed investor platforms [ex. Robinhood, M1, TD Schwab], RIAs [ex. Creative Planning, Carson Wealth], IBDs [ex. LPL, Commonwealth], Wires [ex. BAML, Morgan Stanley], Banks/Private Client [ex. Chase, Citi], Model Portfolios [ex. Betterment, Wealthfront], and Institutional [ex. Pensions, Endowments]. Each destination has varying levels of availability with respect to a listed Fund. Self-directed platforms generally provide immediate access to individual investors while advisor-directed platforms utilizing Wirehouse and/or IBD firms almost always involve a bouncer that performs due diligence during an approval process with the potential "cover charge" to follow. An ETF may be expected to have a minimum amount of AUM [\$25-50m or higher], a minimum track record [6 months for passive, up to 1-2 years for active], and an average daily trading volume of 5-10k shares. The preceding statement applies to fully transparent ETFs, but it is important to note that semi-transparent ETFs may face additional hurdles. Once the minimum requirements are met, the next step may involve approval from risk, legal, research, and product teams. These teams consider items such as internal risk limit policies, availability of research coverage, white space where an ETF may fit, etc. Finally, get out your checkbook for the cover charge. It is not uncommon for a destination to ask an ETF sponsor for "marketing support" or to purchase a "data package". These items go towards efforts to identify and educate owners of ETFs within each destination.

Ultimately, it is critical to have available product support materials and resources that not only help raise AUM, but also retain it. An ETF homepage should have, at a minimum, materials that provide detailed information regarding how an ETF can and should be used by investors. Is the ETF best as a tactical allocation or as a long-term holding? How can investors get best execution? Who can they call to learn more? Remember, whether it is Captive or Captured AUM, you still need to retain those assets through a well thought out and complete AUM retention plan that includes the right resources.

At Sound Capital Solutions, we help you find the "Right Label" for your ETF franchise...not just at launch, but with an eye towards long term success.

