Managers Start Shift to Control Fundraising Data

By Tom Stabile March 30, 2016

Private equity fund managers are taking their first steps to better manage data that can streamline the capital raising process, an area where it's not rare to see entire operations still run off of Excel spreadsheets.

While many fund managers have added sophisticated systems to research and track deals and investments, the move to better control internal data on client relationships and fundraising efforts remains in early stages at most outfits beyond the largest shops. The newer efforts aim to improve how managers design products, target particular clients, and tailor pitches.

The mindset is shifting from merely collecting data to using it more efficiently, and not just to respond to external requests from clients or regulators, says **Bill Stone**, CEO and chairman at **SS&C Technologies**, a fund administrator.

"There are always upgrade opportunities and room to optimize," he says. "As firms are looking at data in a more effective way to satisfy the constituents that want [information], they're finding constituents for these requests might be internal."

More fund managers are moving their capital raising efforts onto customer relationship management (CRM) platforms such as **Salesforce.com**, but few are using these tools to their full potential, says a former private equity fundraising executive who now runs a consulting outfit and who requested anonymity.

"Many of them still use Excel to manage their pipelines and sales efforts," the source says. "And though more are using a CRM package, especially the large firms, these things are only as good as the quantity and quality of information that you can capture and the adoption throughout the firm. These platforms require a lot of customization."

Many managers have "at least made a stab" to systematize such data, crafting homespun methods to capture communications with clients, historical fundraising data on particular investors, and background on their investment preferences, says **Kevin Kelly**, CEO of **App-X**, a vendor that customizes CRM platforms for alts managers.

"It's not a question of whether some of these tasks have been done before," he says. "It's more about the ease of doing it and getting the data analysis in line with the data collection."

Some of those managers are starting to learn there is more to the effort than just systems, Kelly says.

“People are realizing it’s not just a technology problem, but also a reporting and process and analysis problem,” he says. “There is information, but it’s buried in inboxes and spreadsheets.”

The root use of good internal systems – or CRM-topping services from App-X or competitors such as **Navatar Group**, **NexGen Consultants**, and **Cinovate** – is to create a deep profile of each current and prospective client, says the fundraising consultant source. The system should have detailed personal and professional background information on each investor’s key personnel, as well as extensive data on investment history and preferences, the source says.

“You want to know the investments they’ve done with you, the funds they are in from competitors, the co-investments they’re in,” the source says. “You also want to know about people and the process, not just the primary contact but the whole relationship structure – who their boss is, how investment decisions are made. Then drill down to the personal information.”

The best systems extend data collection beyond the sales team, the consultant says.

“As investors become more sophisticated, they’re reaching out to the deals teams to talk about co-investments, to talk about developments in the portfolio,” the source says. “That team should have access to the same information.”

A key feature is wrapping in communications and scheduling data from e-mail and mobile platforms, which can allow a manager to map out when any single representative from the firm has been in contact with a particular limited partner, Kelly says.

“That’s not as easily reported upon if you don’t collect all of the data from the everyday workflow,” he says. “Taking that a level deeper, you can ask, ‘Who are the folks who have more than $1 billion in assets who we haven’t talked to at all in 60 days?”

Once firms aggregate mounds of such historical data, they can begin to use it strategically – and repeatedly – in their interactions with limited partners, Kelly says. A private equity partner planning a trip to Seattle will typically ask the firm’s analysts for a spreadsheet with information about all of the prospects to visit and all of the relevant client background – a mini-trove of information that can day hours or days to build.

“Once that trip is over, that spreadsheet usually dies there,” Kelly says.

Such tools can also be useful during product development if firms have adequately collected comments, tips, and other data points about client investment preferences, Kelly says. A manager starting up its first secondaries fund, for instance, might be able to mine its databases to find clients who in a previous e-mail thread cited interest in that area.

“Top-performing managers offering new products or add-on vehicles or co-investments should be able to scale up products without always having to add staff,” he says.

Another data set managers can analyze is the effectiveness of their individual capital-raising professionals, says **Sasha Jensen,** CEO of **Context Jensen Partners**, a recruiting firm that collects data on fundraising efforts by firms and sales staffers. Her firm is building a tool that allows fund managers to gauge how much a fundraiser has added to the bottom line by isolating performance and market appreciation.

The catch for fund managers is that any data system may not be cheap to implement, and that it is often is difficult to ensure participation from the firm’s professionals, the fundraising consultant says. “It’s something the investor relations people want, but the IR people are not often the senior people at the firm,” the source says.

And any data set is limited by the surrounding context, the source says. For instance, analyzing a fundraiser’s prowess requires not just data but understanding whether an average salesperson has been boosted by selling a hot fund, the consultant adds.

Data is only a raw input for private equity executives, SS&C’s Stone says.

“Everybody wants to have better data,” he says. “But you still have to make the correct decisions.”