

Wealthy Rank Most Prestigious Fund Brands

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Wealthy investors like the **Dodge & Cox**, **BlackRock** and **Columbia** fund brand names the best, according to a recently released survey.

The Luxury Institute, a research firm that focuses on the spending habits of the top 10% of America's wealthy, conducted an online survey to gauge consumer sentiment about mutual fund brands.

The survey asked 1,500 wealthy consumers to rate 23 individual firms according to their brand recognition in the marketplace and several customer satisfaction metrics. The survey findings have been used to construct a benchmark, the Luxury Brand Status Index (LSBI), aimed at providing firms with a snapshot of how they stack up against the competition.

The LBSI is composed of four equally weighted criteria of brand awareness: consistently superior quality, exclusivity, social status as a product owned by people who are admired and respected, and the ability to make the investor "feel special" during the customer experience.

It found that Dodge & Cox was rated the most prestigious fund company among wealthy consumers, who cite the shop's strong performance, reputation and quality of service. The company was given a score of 6.73 versus the average of 6.16. "The fund family is particularly popular with high earners (\$300,000) and penta-millionaires," the report says.

BlackRock, which bought **Merrill Lynch Investment Management** in February 2006, took second place with a 6.54 score. The firm scored the highest in terms of exclusivity and being worthy of a price premium. Among those investors that would recommend the firm, "expertise, reputation and service" were highlighted as its strong suit.

Surprisingly, Columbia Funds came in third with a 6.46 score, despite having very little brand recognition. (See *Ignites* 9/24/2007 "[Columbia Goes to Print With \\$6M Ad Blitz.](#)")

Columbia users cited strong management and good performance as their primary reasons for rating Columbia so high.

But that hasn't translated into wider recognition for the fund shop. Only 5% said they were familiar with Columbia funds and just 1% percent of the respondents said they had purchased Columbia fund shares in the last 12 months.

"Columbia is a very small brand and those who know them, love them," says Milton Pedraza, CEO of the Luxury Institute.

AllianceBernstein got a 6.42 on the strength of past performance and service, while American Century rounded out the top five with a 6.41 score. Consumers who recommend American Century applauded its low fees, dependability and past performance.

Top Five Luxury Mutual Fund Brands

Company	LBSI Score
Dodge & Cox	6.73
BlackRock	6.54
Columbia Management	6.46
AllianceBernstein	6.42

AIM Distributors and **Putnam Investments** were the lowest-rated firms in the survey. Their involvement in the market-timing scandal and poor performance were the primary reasons for respondents' not recommending those fund families.

Noticeably absent from the upper echelon were **American Funds**, **T. Rowe Price**, **Fidelity** and **Franklin Templeton**. Those who would not recommend American Funds groused about "high fees and poor performance."

"It's not a popularity contest," Pedraza says. "It's about how many wealthy people know who you are and what they think of you."

Respondents were screened to include only those age 21 or older with a minimum gross annual income of \$150,000. The average participant had a net worth of \$3 million and an average annual income of \$329,000. This criterion represents the top 8.5 million U.S. households, according to the Federal Reserve. The data is weighted with respect to age and income to match the Fed's profile of these households.

But the findings are somewhat perplexing as they suggest that a positive perception in the marketplace doesn't necessarily translate into purchases. And while it may be important for fund shops to know how their products are viewed, if consumers aren't acting on those beliefs, then there is very little value in the rankings, observers say.

"The consumers polled are not making decisions with their own money, so the survey is not all that useful," says Lisa Cohen, president of sales consulting firm **Momentum Partners** and a former managing director of product management at **Evergreen Investments**.

Indeed, the survey shows that the next investment preference respondents are most likely to cite would be Fidelity, **Vanguard**, American Century or T. Rowe Price, which is consistent with the purchases they've made in the last 12 months.

Respondents were most willing to recommend Fidelity (73%), American Century (69%), Vanguard (69%), Dodge & Cox (67%) and BlackRock (65%), the survey says. Columbia came in at 51%, well below the 58% average among its peers and even below AIM, which was at 53%.

Pedraza defends the findings, saying, "There are many different factors that go into a referral. Very often people want to keep the secret to themselves." However, the survey specifically asks the participants if they would recommend the funds to people they "care about."

The disconnect between perception in the marketplace and reality may be due to a lack of education among well-heeled investors, Cohen adds. "Investors at all levels don't always understand what they're buying and why, so they may not be making the smartest decisions."