



How Blackstone Built an \$80B Wealth Juggernaut (Sept. 18)

By Tom Stabile December 26, 2019

FundFire Alts is highlighting top stories of 2019 in today's issue. This article originally ran on September 18.

Blackstone Group is expecting its annual sales to advisors and their high-net-worth clients to hit a record level of \$25 billion this year, thanks in part to continued strong inflows for its real estate investment trust (REIT) and big dollars for its flagship private equity and real estate funds. And that's all with a no-commission sales team.

From its start distributing to the advisor market nearly a decade ago, Blackstone has boosted its sales total each year, and now counts \$80 billion in assets through advisors and their clients. That journey took patience and upfront investment, said **Joan Solotar**, head of Blackstone's global private wealth solutions business, at a discussion hosted by **Chestnut Advisory Group** in New York on Monday.

"When you make the commitment, it has to be long term," Solotar said. "You need to know that initially... you won't raise as much in year 1 as you will in year 5."

Waiting years for a return on investment is not the typical path for new initiatives at Blackstone, says **Steve Schwarzman**, chairman and CEO at the \$545 billion alts manager, in a separate interview.

"Usually when we introduce a new product, I like it to start making money within a year," he says. "But in [retail] distribution, it was one of the few times we faced a challenge where the cash out of pocket would in effect take years, and we decided to make that investment."

Building up the wealth business entailed considerable hiring over the years, with Solotar's team now topping 125 professionals in sales, marketing, product development, compliance, and other roles.

Spending big to invest in staff and infrastructure for a new business involves risk, and is not a universal impulse, says **Keith Giarman**, private equity practice leader at DHR International, an executive recruiter.

"I applaud companies that take risk to generate more revenue opportunities over time," he says. "At some point you've got to put a stake in the ground for the next five to 10 years, to decide strategically, it makes sense for us."

But to make a move as Blackstone did to expand into a new market is an additional challenge that may not pay off for all firms, Giarman says.

“It’s always a trade-off – whether to stay really focused on your expertise or to diversify for growth,” he says. “The same strategy may not be successful for someone else.”

For Blackstone, the wealth market push involved critical early steps, Schwarzman says. Those included building out a distribution team; setting up a support organization for sales, marketing, and technology; and creating an education framework to explain alternatives to advisors, many of whom previously had no such products in their client portfolios.

The group has continued making other large investments, including the recent launch of a new technology and data analytics platform, Solotar said. “We have a team that works closely, hand in glove, with the wholesalers and the folks on the desk, so we know [which advisors are] getting what [information],” she said.

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Two of the biggest pieces have been assembling a sales team from scratch and building out a suite of products crafted for advisors.

The sales team now counts 65 wholesalers across multiple advisor channels, including dedicated teams for the wirehouse brokerages, independent advisors, and family offices. The wirehouse team has 12 field wholesalers matched up with a dozen internal desk specialists, Solotar said.

Having a no-commission sales force is a key distinguishing trait from many other asset managers targeting advisors, she said.

“[Y]ou have to buy in that you’re going to have a long-term, great career at the firm, and that your value will be recognized,” Solotar said. “[Commissions] would be really the antithesis of what we’re trying to build culturally. Very collegial, very team oriented – it’s not an ‘eat what you kill’ environment.”

Employee training was another major element in building the team, especially at the start because there were few alts peers with sales organizations where Blackstone could hire from, Solotar said. The team still sees ongoing training, in part because each wholesaler brings Blackstone’s entire suite of more than 40 products out to the market, she added.

“A deal gets signed – we have to know everything in our group,” she said. “We create ‘war books’ for each fund.”

Training is a major focus across all of Blackstone, says Schwarzman, who wrote in his newly published memoirs, *What It Takes*, about having no training before getting loaded with work on his first day at **Donaldson Lufkin & Jenrette**. Today, all new analysts at Blackstone go through training activities during their first three weeks, he says.

“We give them advice on how to be successful, tell them how our culture works,” he says. “We tell them what the path forward is.”

Creating a new product set for advisors has also been a major focus at Blackstone, including multi-asset vehicles that each year tap into all drawdown-style private funds Blackstone has open at the time, as well as the REIT and an interval fund. Such tailored products will make up 60% of the wealth management assets it raises this year, Solotar said.

Product development is a stumbling point for managers targeting advisors, said **Amanda Tepper**, CEO at Chestnut, at the Monday discussion with Solotar.

“Most products come from the investment team down, and then they’re pushed into the marketplace, without anyone thinking, ‘Is this really what the marketplace wants?’” Tepper said.

On a recent effort to deliver its business development company vehicle to overseas advisors, Blackstone learned it wasn’t a popular format for Swiss private bank clients, Solotar said. But most of the time, the manager catches such issues by asking wealth management partners early on for their input and conducting “previews” with advisors, spending ample time to test interest in product ideas and preferred formats, she said.

“[I]n our conference room it all sounds great, and it’s not always the way they would want it,” she added.

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