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Extra Net Benefits

GPs are not renowned for their passion for administration and often embrace tools that can provide a few extra hours a month to focus on the portfolio or the next deal. That is why secure investor areas containing details of the operations and investments of each fund are emerging as a fundamental feature in any LP communications programme.

It was not so long ago that those who used such tools treated them as a metaphorical loft where various pieces of information would be dropped and occasionally dipped into. No more. LPs are increasingly determined to cut through background noise and focus their attention on what drives GP performance. Investors can use these areas to undertake their own research and draw their own conclusions. This works both ways as GPs recognise the time-saving ability of these devices when they are intelligently deployed and well managed.

We know because Bladonmore develops online strategies and extranets for a number of firms. It does not matter whether it is for a start-up emerging markets fund or a UK-specific development capital operation, the same themes and issues arise. The shift is the transition from untidy lofts into showrooms packed with detailed data and engaging commentary for existing and prospective LPs.

Investors are a sophisticated bunch who are not easily impressed by faddish branding overhauls. However, the structures of these organisations are changing. Today, several individuals from the same organisation often seek access to the information, each of whom may have a different focus or stimuli. Only one or two may have been able to attend the GP's last investor event and so these secure areas become of critical importance.

The best private equity firms are providing bespoke access to this information, allowing individual users to customise the way they access and download it, while supplementing raw data with multimedia comment and analysis. Why should LPs wait until the next annual meeting or quarterly update to raise a query, when a simple secure message via an extranet site can instantly reach the right person or team to address it? And what is to stop the private equity firm, when responding, to make the query and its response, available for other LPs to see where appropriate? The smartest GPs have gone beyond overhauling websites and putting in place effective secure areas. They are tracking the documents that particularly resonate at any one moment and understanding the different journeys taken by different LPs when they access the site. Informing investors of quarterly updates to review, new deals or senior hires are all good catalysts for pinging alerts that drive LPs to the secure area.

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A number of tools are also emerging that are effective in deepening the dialogue online. For example, a quarterly five-minute video of the managing partner or chief executive might support a written update on fund progress. It could even be streamed online with synchronised PowerPoint slides, perhaps with subtitles in Chinese or Arabic so that nothing is lost when engaging with overseas audiences. A younger generation of LPs are emerging, a generation that is accustomed to YouTube, TED and the BBC iPlayer and is comfortable accessing information through online video. The ability to choose between printing a written document, viewing information on a BlackBerry or watching a short video on an iPhone is one that this audience will appreciate.

Over the coming years, GPs have an opportunity to drive more of their communications online and reap considerable benefits. An intuitive, well-structured extranet can make communicating with LPs a more engaging and efficient experience. The logistics of serving a global investor base are both time consuming and expensive. The good news is that, for the majority of firms, even a modest reduction in these costs would be more than enough to offset the costs of developing and maintaining an extranet.