



Marketing To Sophisticated Investors column
by Bruce Frumerman, CEO, Frumerman & Nemeth Inc.

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Choosing Who Will Be Telling And Selling Your Story

Who is going to be responsible for new business development at your firm? You, the fund manager? An in-house sales manager you add to staff? Or a Third Party Marketer?

Good news / Bad news

If you, the fund manager, are going to be handling your own sales there is bad news and good news. The bad news is that you need to build time into your weekly routine to spend actively introducing your fund to prospects, and pursuing them over time. The good news is that once you figure out how to communicate a compelling story about your fund, with consistency, all but the performance part of your story should be good for the life of your business.

If, on the other hand, you plan to hire an in-house salesperson, or use a Third Party Marketer, there is different good and bad news. The good news is that you will have someone putting in a fulltime or part-time effort on your behalf to tell and sell your fund's story to prospective investors. The bad news is that not only do you the fund manager need to figure out how you should communicate your own 'beyond the numbers' story about your fund; you need to construct a story that another person can tell, with consistency, to a prospect. And, you should want to feel assured that when you are brought into a Round Two meeting with that same prospect that what you tell the prospect will be reinforcing — rather than contradicting — everything that your salesperson had said at the first meeting.

What about Third Party Marketers?

On the subject of Third Party Marketers, let's look at some Pros, Cons and other considerations the money management firm owner faces. Going the Third Party Marketer route enables you to outsource some (never all) of the sales function to a person or outfit who may possess a list of prospective investors to pitch your fund to. Their "rolodex" may contain contacts who you would not have been able to identify on your own. Or, it could be a list that you could have compiled yourself, had you the time and money to put into doing the research.

Speaking of the "who you know" factor. Don't make the misguided assumption that just because a Third Party Marketer "knows" some investor that he will be able to get that investor to invest in your fund. It never works that way. Unless that prospect perceives the specific value that your fund could provide as an addition to her portfolio, and she sees investing with your firm as being a defensible decision, then it doesn't matter how well the Third Party Marketer knows her.

Also, consider the job of the Third Party Marketer. He may represent one or two handfuls of hedge funds. When the Third Party Marketer is out selling, he can earn a commission whether a prospect agrees to invest in fund #6 or fund #1. So how can you nudge the Third Party Marketer not to neglect you, and maybe even favor you?

Here is a valuable secret: The easier you make the Third Party Marketer's job of telling and selling an interesting story about your fund, the greater the odds are that his contacts will be hearing about your fund before they hear about the others on the Third Party Marketer's roster.

There is another important point to consider if your firm is thinking of working with a Third Party Marketer. A Third Party Marketer may have a ready list of investor prospects to pursue, and they can do the sales marketing legwork of telling and selling your story to those prospects. But are all Third Party Marketers also skilled enough to craft the money management firm's story? While some are, a great many are not.

Let me tell you what principals of three different Third Party Marketing firms have said to me. One said, "Look, while we say we offer hedge funds help in putting their stories together to explain how they invest, this isn't really where our expertise lies."

Another said to me, "Every time we had to begin our working relationship with a hedge fund manager by trying to get the story about how he invests out of his head and into marketing materials, we found ourselves thinking that we never got to the bottom of exactly what that manager's investment process was; and we were always less successful in our selling efforts for these hedge funds."

A third said, "I can sell a hedge fund that has an acceptable story, but figuring out how to create an acceptable story when it's not already there isn't something I really have much practice in. I'd rather not spend my time trying to figure that out. I'd rather spend my time out there selling."

Having selling experience in telling a money management firm's story is not the same thing as having the expertise to create how your firm's story should be told.

To get the most out of salespeople, be they Third Party Marketer or in-house hires, it's your job to give them the direction and ammunition they need for telling an effective story on your firm's behalf. While feedback they later give you based on their observations from selling your product can help you refine the story your firm has to tell and sell, you're the one who must lead the effort in creating a cogent and compelling explanation about how you think as a money manager and about how you manage your portfolio.

Understanding the need to build yourself a cogent and compelling 'beyond the numbers' story about how you invest is easy to say, but not so easy to do. Just ask some investors. There are thousands of money managers out there who are doing a lackluster job of telling and selling people on how they invest.

Your ability to survive and thrive is as dependent on your ability to get people to buy into your product as it is on your ability to deliver acceptable performance.

About the author

Bruce Frumerman is CEO of Frumerman & Nemeth Inc., a 30-year-old financial communications and sales marketing consultancy that helps financial services firms create brand identities for their organizations and develop and implement effective new marketing strategies and programs. Frumerman & Nemeth's work has helped money management firm clients attract over \$7 billion in new assets, yet they are not third-party marketers.

Frumerman & Nemeth is internationally recognized for its work in crafting for clients the beyond-the-numbers *story of how they invest* — content that investment committees actually discuss, debate and vote on behind closed doors when considering firms on a short list for potential investment. Importantly, this is required due diligence content that cannot be communicated in pitchbook format.

Frumerman & Nemeth's work also includes providing strategic consulting on product and strategy-specific branding, crafting the required strategy-specific content detail and designing and producing the marketing tools needed to make it through the two-month to two-year institutional selling cycle. Clients also employ Frumerman & Nemeth to help promote the intellectual acumen of management — helping them get speaking opportunities, write and give speeches as panelists or stand-alone speakers at industry conferences, and through media relations marketing services.

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