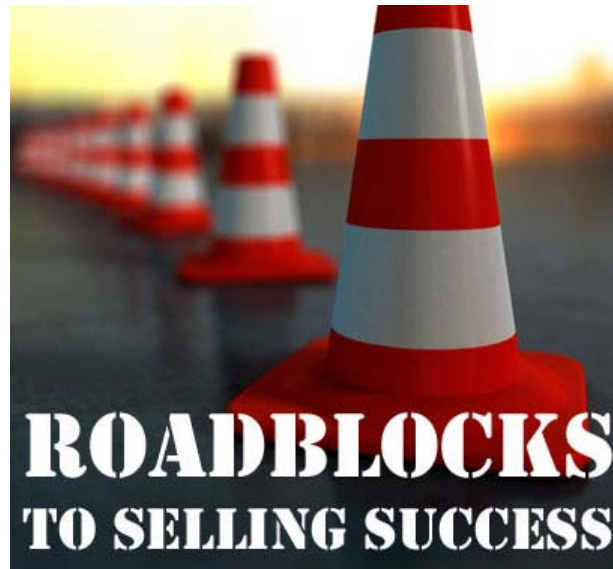


COVER STORY



ASSET GATHERING - MARKETEEERING

Roadblocks To Selling Success: Examples to learn from

By Bruce Frumerman, President of Frumerman & Nemeth Inc., a communications & sales marketing consultancy that has helped money management clients attract over \$7 billion in new assets.

Could your money management firm do better in its selling efforts?

In my previous article I commented that it is as important to have a great storyline for educating and persuading prospects to understand and buy into how you invest as it is for your firm to deliver acceptable performance.

So, is your communications sufficient for out-marketing the competition, or could it be a roadblock preventing selling success? How can you tell when you need to rethink your communications?

Does the problem sound familiar?

The selling challenges that money managers face are as varied as the strategies that they follow; yet it often comes down to a firm's ability to tell and sell the investment process part of its story. Consider these examples of the variety of selling obstacles I've seen due to communications marketing problems.

- An 18 month old two-man hedge fund was preparing for its first ever presentation at their prime broker's capital introduction event. They were concerned that their long-short strategy was nothing special, and they didn't know how to explain what they did other than saying "We look at the screens all day." They told me they were concerned that a skeptical prospect may say to them, "My cat can stare at a screen all day. You must be doing something!"

The answer to how to tell their story was found. When they gave their verbal presentation — no slide shows were permitted — the storyline they presented about what they do, and why, flowed, while the presentations from the other funds did not. About one third of the audience at the capital introduction event gave business cards and asked for individual meetings. The head of cap intro congratulated the presenting manager on his talk, the quality of the content and the look of his marketing handout and, in particular, the audience response. *"How long have you been making presentations?"* the prime broker asked. *"What do you mean?"* asked the manager. *"This is the first time I've spoken in public."*

- A hedge fund with a seemingly plain vanilla value investing strategy was struggling with how to differentiate itself and get more than a *"So what?"* response from prospects who weren't friends and family. Also, they needed to tell a story that middlemen such as financial planners could understand, buy into and retell to *their* High Net Worth clients.

The fund managers got help to see their investment process from a *buyer*-focused perspective and a new storyline was developed for selling people on how they implemented their strategy. This was applied to their marketing materials and presentations, replacing the generic-sounding platitudes about investing that they had been using with an explanation of investment process specifics.

A financial planning firm president to whom they presented their new story commented afterwards, *"You guys hit on everything we'd like to know about how you do things. And I like that I can explain to my clients very clearly about what you're trying to do."*

Their legal counsel wrote them, *"There is some good 'user friendly' information in this material about your investment approach. You could consider actually incorporating some of this information into your formal offering memorandum."*

Also, the new explanation about how they invest enabled the firm to land its first family office client. Before, it had difficulty even getting a meeting with one.

- Now, how would you explain a quant-based hedge fund that is presently running a concentrated portfolio invested in precious metals, mining and related commodities; that had been invested *previously* only in tech, but got out before the bubble burst — and was holding a diversified portfolio for a few years thereafter before allocating to precious metals and mining? Right! *Not that easy!*

As the firm's owner recognized, while every money manager claims to have a disciplined process he knew he actually did; but he didn't know how to explain it well. So, his firm never said it the same way twice. Solving that problem gave them a better structure for explaining how they invest and the consistency of their approach. It also gave them greater control over how their story was told by the sales manager they then hired. Additionally, the new explanation of their investment beliefs and portfolio strategy helped land them a client who wasn't even on the lookout for a money manager of this type.

- Then, there was a 10 year old midsize hedge fund looking to recruit its first salesperson. They were turned down by the first candidate they offered the job to. Why? He found that the co-managers couldn't agree with each other on how to explain to him how they ran the portfolio. Their prospective salesman was worried what would happen in a Round Two meeting with a potential investor when the portfolio manager contradicted what was told to that investor in a first meeting. Once the co-managers were brought to agreement on how to explain their approach new, supporting marketing collateral was created and they were successful in recruiting an in-house salesperson and growing the business from there.

- A quant fund had a sales manager who had trouble answering prospects' questions after she gave her presentation about the firm and its multi-factor analytics-based investing process. It turned out that the CIO had never fully articulated to the sales manager the detail of the process he followed to build and manage the basket of holdings. It was all in his head. So, all she could do was repeat the generalities she had been told. After the firm's investment process story was gotten out of the head of the CIO and onto paper, the sales manager was able to run a sales presentation meeting from beginning to end without having to say to a prospect, "*I don't know.*"
- Finally, a one-man hedge fund with no track record was running the most complex strategy on the Street. High Net Worth investors were not familiar with the new strategy. Consultants had yet to understand it. In the early 1990s how would you have explained mortgage derivative investing with a market neutral overlay? After building a storyline and equipping the firm's salesperson with marketing materials that served to both educate and persuade, assets under management grew sixfold, from \$100 million to \$600 million, in 16 months. (And remember I'm talking about early 1990s dollars, not today's dollars many years later.)

To improve their ability to market, each of these firms had to take a structured approach to rethinking how they communicated their investment beliefs and their portfolio management process. Then, they had to create or refine their storylines about how they invest and produce the marketing collateral they needed to successfully navigate through the selling cycle.

Your selling success

Your firm, too, has to decide what sales language to use, with consistency, as well as what themes to address, in your verbal and written sales presentations and marketing materials, and in media relations marketing branding work.

This begins with determining what should be your organization's buyer-focused key selling messages and the priority in which these points should be presented in order to communicate a linear storyline.

This is easier said than done, however. While money managers are experienced in analyzing securities — something they've done time and again — a roadblock to selling success is often their lack of experience and perspective in being able to reexamine their firm with the eyes of their ultimate target outsider: the interested and experienced but skeptical prospect. What about at your firm?

Is your storyline about how you invest good enough to out-market competitors with similar performance? If you don't think it's good enough to convert a sophisticated, skeptical prospect into an investor, now is the time to take the steps necessary to overcome that roadblock to success.

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