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Performance, Distribution & Marketing: Selling Your Investment Strategy



Some of this year’s selling efforts by money management firms will prosper, but many will not. What is it that enables one money manager to grow and retain assets while a competitor fails?

Performance

Is performance the sole answer? No. If that were so, there would be but a fraction of the number of money management firms there are. Performance is a significant ingredient in the formula for success in attracting assets, but it is just one element of the equation.

Some years back a money management firm owner reached out to my financial communications and sales marketing consulting firm for help. The company had top 1% ranked performance for two years in a row, delivering triple-digit returns, but were having trouble attracting new investors. Prospects were not understanding the owner’s obfuscated explanation about the investment process he followed to get those returns so they were wary.

Figuring out how to explain his strategy in a cogent, compelling and linear storyline to people beyond his friends and family client base helped that manager grow assets 80% the following year, despite his portfolio suffering a significant drop in performance. So, for money managers who think that stellar performance alone is all they need, I say think again. As an institutional investor said in the financial trade press, *“I am not going to buy a track record. I want to buy an investment process.”* Remember this comment because it is crucial to your potential for out-marketing similarly performing competitors.

Distribution channels

I am frequently asked whether access to distribution channels is the key to success for growing assets. Having one's product on a distribution channel can be important, but there is a point that investment boutique firm owners who have yet to get onto a distribution channel or 'platform' often overlook: just because a money management firm's products are available through a distribution channel does not make demand pull exist for those products, or mean that the channel is proactively soliciting for investors in the firm's products.

For years and years, I have met investment boutique firm owners who get their products onto retail investor focused distribution channels and have the unspoken assumption that these near-strangers are going to actively market their funds, giving more attention and effort to them than to other outside money management firms in that same channel. Money management firm owners who think they can avoid doing any marketing of their own products just because they get themselves in some distribution channel only find themselves sorely disappointed. And to make matters worse, they end up losing all of those months they were sitting back waiting for outsiders to do their heavy lifting marketing work. Well, this becomes even tougher when seeking to grow assets among sophisticated investors.

The appropriate distribution channels for a money management firm can differ depending on the investment product's characteristics and the intended target audience. For instance, the retail investor 'platforms' that focus on proffering mutual funds, 40 Act funds and sometimes managed accounts offerings are less likely to be the best outlets for reaching the sophisticated investor world: family offices, endowments and foundations, institutional investors and wealth management firms serving UHNW clientele at the private bank-type level.

Instead, so-called distribution channels for such investors can include multi-family offices, which often aim to offer a curated list of strategies and managers to their single family office clientele; investment consulting firms retained by institutional plan sponsors as their gatekeepers and investment product recommenders; and independent, fee-only financial planning/investment advisory wealth management firms that are not tied to any single 'platform', and who serve the UHNW marketplace. Such wealth management firms act like the multi-family offices and investment consulting intermediary firms in curating and recommending specific strategies, managers and products to their clientele.

A final observation about distribution channels: It is naive to assume any distribution channel takes over all of the asset raising responsibilities for an outside investment firm. Assuming you can win them over, give them more and better tools with which to tell and sell your firm's investment product and you increase odds of them retelling your story over that of a similarly performing competitor. But don't let that be your firm's sole plan for growing assets. Your investment firm needs to be directly selling as well. You should aim to have a diversified client base.

Marketing

Marketing is the other major factor that impacts a money management firm's ability to grow and retain assets. Marketing is more than a "get the word out" exercise. This is what should give a firm its identity and position it in the eyes of the prospective investors and their advisors. When marketing, a must-have front office activity, is diminished by a money management firm, its ability to attract and retain assets suffers.

Further, many investment firms do not have good enough marketing content to communicate the beyond the numbers detail about how they invest. This, after all, is the focal point of discussion at investment committees regarding the money managers whose performance was good enough to get them into consideration for a potential allocation. Those money management firms that lack a cogent, compelling and linear written description about their investment beliefs and investment process are making a glaring marketing error.

You have competitors that are making a tactical error that you can turn to your advantage. While all have budgeted for back office overhead for legal and accounting, and for research and securities trading services, many did not properly budget for marketing. (No, simply hiring a salesperson is not the same thing as budgeting for marketing.) To such competitors of yours, marketing is an afterthought. You can turn this to your advantage.

My advice is: budget for marketing. And be aware that handling marketing right costs more than just money; it also costs you time and effort. Consequently, you need to budget for that, as well; provided, that is, you're aiming to out-market your competition.

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About the author

Bruce Frumerman is CEO of Frumerman & Nemeth Inc., a 31-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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