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## Marketing Your Investment Strategy Twice To RIAs



There is a segment of the marketplace of independent financial planning/investment advisory wealth management RIA firms that is one of the key target markets for money management boutiques that are looking to grow assets. These tend to be fee-only (as opposed to commission-based) RIA firms that do not tie their money manager selection to a single wholesaler's 'platform' offerings.

Such RIA firms want to bring non-core, actively managed investment recommendations to their HNW and UHNW clients that have different characteristics than their core portfolio holdings. These RIAs appreciate the potential upsides of uncorrelated returns that add diversification and a hedge against core equity and fixed income holdings, and enhancing a portfolio's total returns.

However, over the three decades my financial communications and sales marketing consulting firm has been working with both portfolio managers and fee-only independent RIA wealth management firms as clients we have seen firsthand, time and again that there is often a gap in the communications from portfolio manager to wealth manager. This communications gap impacts the 'added value' client communications challenge that RIAs face.

If your investment management firm wants to attract more RIA firm clients it is important to understand what many feel they have to go through to put themselves on the line and recommend allocating to you to their clients.

RIAs need to be able to effectively communicate why, beyond a money manager's past performance record, they are recommending that manager's particular strategy. Note I said strategy — which is *how* the manager or firm invests — not investment type, which are asset allocation categories such as long/short equity, sector specific, event driven, distressed debt, PE and managed futures.

My firm has observed that many of the money management firms pitching these independent RIA firms are not supplying them with both the information they need to vet an investment strategy on offer, and, importantly, the appropriate content they require to retell to their own clients why they are asking for authorization to allocate to a particular money manager. Those money management firms that make RIAs struggle to get this out of them will lose potential allocations to competitors who make their lives easier.

There is an important point that I have found has not occurred to most portfolio managers pitching RIAs. Part of the management fee an RIA firm client pays is for the RIA to make asset allocation recommendations and part of the fee is paid for the RIA to conduct the due diligence on prospective portfolio managers and their strategies. To fully earn the fee for due diligence and manager selection, the RIAs need to be able to communicate to clients how the portfolio manager invests and why they buy into that approach.

Educating their clients about this, and justifying the advised allocation to a specific money manager's strategy, both helps communicate how the RIA is acting on a fiduciary basis in making the recommendation and teaches the RIA's client what he or she needs to know to appreciate the potential added value of the particular money manager and investment strategy their RIA is asking permission to allocate to.

This leads us to meeting your investment boutique's double marketing challenge in winning over RIA firms as clients. Job 1: You need to sell them on how you invest. When they are conducting their due diligence on your firm, portfolio manager and the strategy on offer they need to understand more than just the performance and holdings. Job 2: You need to equip them with the content they will need in order to retell your story, to educate and persuade their own clients to understand and buy into their RIA firm's recommendation to make an allocation to you. To do this you need to deliver content that provides a script the RIA can use to retell your firm's story in a compelling way and without messing it up.

The primary content delivered in performance tear sheet or flipchart marketing collateral — data on performance and risk characteristics — do not provide enough information for selecting and recommending one money manager over another. It is only used by RIAs to create a short list of money managers and strategies to consider.

The additional due diligence content they look for is what my firm refers to as the Story Of How. How does your money management firm think? Specifically, what are your investment beliefs and what is the process you follow to assemble and manage your basket of holdings?

This is what differentiates one money manager from another. When your firm becomes known for these things it will have established a brand identity. Achieving this requires figuring out how to deliver this Story Of How information in a cogent, compelling and linear storyline. This is important because people can best recall a story that has a defined beginning, middle and end. And this is what the RIAs need to educate and persuade their clients that their recommendation to allocate to your strategy is sound.

A money management firm's Story Of How content cannot fit into a flipchart because this is paragraph based content detail, not abbreviated bullet point text. So, it belongs in a brochure format marketing document.

This important piece of marketing collateral will help your money management firm meet your double marketing challenge with RIAs. Its content will constitute the majority of what your firm should communicate verbally in its first meeting with a prospective RIA allocator. In its written form it answers in writing their subjective-based due diligence questions about investment beliefs and process. As importantly, it provides the RIAs with a script to use when recounting to their clients why they believe making an allocation to your strategy is a good, and defensible, decision.

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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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