

# Emerging Manager *Monthly*

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## Guest Column

### Gaining an Edge: How Smaller Managers Can Succeed In Today's Environment

By Steve Rubenstein, Arrow Partners



Steve Rubenstein is the founder of Arrow Partners and possesses 25+ years of experience and success in the institutional asset management business raising billions of dollars across a wide range of traditional and alternative asset classes.

Steve is a leading advocate of the third party marketing industry and served as president of The Third Party Marketers Association from 2004 to 2006.

Prior to forming Arrow in 1995, Steve worked at Bankers Trust in the Global Investment Management Group and was primarily responsible for establishing sub-advisory relationships.

If you are an investment manager, you know that growing your assets and revenues is harder than it used to be. Working in a “virtual” environment is yet another challenge for smaller managers looking to get attention and successfully navigate through the due diligence process. Unlike the era of expanding defined benefit plans, today, most institutional investor portfolios are fully invested. At the same time, a shrinking number of investment consulting firms and an exponentially larger universe of attractive investment strategies have combined to create a fiercely competitive marketplace for the fewer opportunities that do arise.

In this environment, even firms with top-notch credentials and investment results can struggle if they don't also master the sales and marketing process. The good news is that you do not need to invent a new or proprietary approach or build an internal sales team to be successful. Successful marketing has a proven and repeatable process for pursuing target investors and converting those opportunities to assets. The process requires more diligence and typically takes longer than years past; but with the right commitment it can work.

#### Phase 1: Create a Story and a Plan

You may have strong performance, a highly disciplined approach, decades of experience and a team of highly specialized sector researchers. But so do literally hundreds of other investment managers. So, how do you break through the competition for your audience's attention? The answer is you need to develop a “story” that highlights how your approach gives you—and consequently your investors—a unique advantage. This story presents your differentiators in terms of your audience's needs and concerns and gives them a compelling reason to put your firm on the short list.

But the extensive due diligence process starts well before you'll have the opportunity to tell your story in person. That's why before you make your first pitch, phone call or e-mail, you need a clear and concise story told through a set of sales materials that support your business proposition. These materials are essential and include database profiles, a comprehensive library of RFP responses, a compelling website, a quarterly snapshot, thought leadership articles and white papers as well as an institutional presentation.

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At the same time, ask yourself if you have created a detailed plan that identifies the segments, firms and contacts you will target, the relevant databases to populate and the metrics you'll use to gauge whether the right people are hearing your story and how well it resonates with them.

#### Phase 2: Make an Impeccable First Impression

Once you have created a clear, targeted marketing strategy and all the pieces are in place, you can begin your sales process. You contact your prospects, send materials and request initial calls and meetings. In a virtual environment, portfolio managers' face time is even more critical. But that is just the opening salvo.

Unfortunately, too many asset managers start their sales efforts around published RFPs. Unless you target a prospect well before an RFP is issued, you are probably too late to earn their consideration. By the same token, resiliency is key. If you stop after the first “no,” you are unlikely to achieve long-term

success. Effective sales and marketing processes are characterized by persistent and proactive efforts over a sustained period of time.

### **Phase 3: Patiently Manage Your Prospect Pipeline**

The institutional sales cycle, once measured in weeks or months, now takes years. Once you have gotten onto your target's radar screen, you need to stay active. Continuously providing compelling information and content that helps their decision-making and reinforces your story.

Institutional investors invest with people they know and trust. Simply put, this process takes time. They need to get to know you, learn your story and explore how your strategy fits with their needs. Building and nurturing industry relationships has always been an important part of the sales and marketing process. The consolidation of consulting firms has made it absolutely essential to have strong credibility with the highly selective and powerful surviving gatekeepers that remain.

### **Maximize the Best Use of All Your Resources**

The main reason most investment managers fall short in growing assets isn't that they don't know the steps in the sales and marketing process, but they fail to give it the time, energy and resources it requires.

If you are both the portfolio manager and the salesperson, growing assets will always come second to portfolio performance. Most successful firms give equal priority to both functions, and thoughtfully allocate their resources to maximize the outputs of each. That means letting portfolio managers focus on investing and taking advantage of experienced sales professionals to gather assets. It also means leveraging cost-effective technology tools. A customer relationship management system (CRM) is a must to efficiently and systematically track every target and follow up appropriately on every opportunity.

Growing your investment management business often feels like a chicken-or-egg situation: Investing in a stronger sales function will help generate more revenue, but you need higher revenues before you can hire more sales professionals.

Fortunately, there is a highly cost-effective third option. Investment management firms without the right internal sales expertise can partner with an external marketing firm. Outsourcing enables you to draw on experienced sales and marketing professionals for far less than it would cost to invest in an in-house sales team. Additionally, it offers flexi-

bility of a variable price model to get the time and resources back to focus on the things you prefer to focus on.

With specialized sales and marketing expertise, established third-party marketing firms can offer deep insight into the information needs, priorities and constraints of investors and their consultants. This knowledge of the key players, in addition to having the pivotal relationships, means they can help identify potential early adopters for your strategy. What's more, serving as the eyes and ears of your target audience, third-party marketers can help you develop your most persuasive and compelling story—one that highlights all the attributes of your firm that your audience will consider competitive advantages. This objective perspective can give you the foresight to identify and address any weaknesses in your new presentation before you make that critical first impression.

### **Choose Your Partners Wisely**

The third-party marketing industry is made up a variety of firms. Each offers its own unique blend of industry focus, asset class product expertise and geographic concentration. And while some third-party marketers serve only as sales reps, successful firms offer a comprehensive sales and marketing function ranging from developing the plan to creating sales materials, creating a compelling website, completing RFPs and DDQs and populating industry databases as well as systematic outreach and follow-up.

If you are considering working with a third-party marketer, look for a firm with experience and a solid reputation in your specific market, as well as strong credibility with those gatekeepers and buyers. In addition, it is critical to be sure they have a strong understanding of regulatory requirements and a culture and track record of compliance. This is an important strategic relationship. You will be working closely together on a daily basis, so implement a hiring decision-making process that is no different than hiring a senior executive or partner for the long term. You need to both like and trust them.

*Arrow Partners is a third-party marketing firm with more than 25 years of institutional investment experience. The firm works with a limited roster of clients to provide a dedicated, comprehensive sales and marketing function that helps investment managers achieve their long-term goals for asset growth.*