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Guest Column

Six Reasons Why You Are Not Attracting New Assets

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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.

By Steve Rubenstein, Arrow Partners

"*Solid long-term performance*?" Check "*Consistent investment approach*?" Check "*Continuity of portfolio manager*?" Check. ***"So why don't we have more assets under management?"***

As third-party marketers for the past 20+ years, it is the number one question we are asked. It preoccupies emerging managers as well as larger, more established firms. If your sales and marketing efforts are not yielding the desired results, you might want to take a closer look at the underlying assumptions of your marketing and sales strategy.

Lack of objectivity

We know the reasons for disappointing asset growth are fairly consistent across the industry. As far as marketing is concerned, most managers are far too close to their philosophy, process and portfolio management to be able to step back and objectively evaluate their message, articulate their story and demonstrate how they differentiate themselves. What a manager views as "unique" is often rote and what they see as "compelling" has been industry standard for years.

On the flip side, the parts of their story and business strategy that are compelling are often underplayed or ignored completely. Consider retaining an outsider consultant to listen and critique your presentation and material or ask a consultant you know well to share their comments about your story.

Unrealistic expectations

Many discussions with investment managers start like this:

A firm with a 20+ year GIPS verified track record manages only $250 million. They believe their asset class is coming back into style, and are confident they will be managing more than $1 billion within the next 12-18 months.

Based on history and the realities of growth, how is this a realistic expectation? A more realistic set of expectations might sound like this: "We want to implement a new marketing strategy with a goal to double in size in two years and double again by year five."

Stretch goals are good but unrealistic goals are paralyzing.

It is important to state that increased assets under management is not a marketing goal – it is a sales result. Marketing should be concerned with measurable reach, contacts and managing the "prospect pipeline." The topline marketing goal should be to get your firm on consultant/advisor radar screens and ultimately on their approved list.

When setting realistic expectations and developing an achievable marketing plan, you should:

- Start with a credible evaluation of your firm's current position in the marketplace.
- Take an objective look at competitors.
- Evaluate the statistics about asset flows and industry trends.
- Profile your client relationships. What attracted them to your firm? Have you asked for referrals?
- Establish metrics to attract a new client. Measure and track the cost per meeting.
- Count the number of RFPs and questionnaires you have completed during the past 12 months.
- Assess the databases you populate. How many days after month-end are your numbers updated? Is your profile complete?

Inability to tell the story

The most effective stories draw the audience in, enabling them to experience the tale as if they were one of its main characters. Investment management marketing draws on the same emotions – the audience (investors) has to be able to understand how your story helps them achieve their long-term goals.

As such, your firm's story should have three versions: a 30-second elevator pitch, a high-level two-minute overview, and a longer-form narrative (think: 30 minute presentation) that brings all aspects of your business into focus. The core components of this long-form story are fairly straightforward.

Since all great stories have a beginning, middle and an end, the best place to start is with a timeline that maps out the firm's history as well as its plans for the future. Be specific.

- Explain ownership structure (past, present and future).
- Analyze the firm's client breakdown: include investor type, location and size.
- Discuss profitability and break-even asset levels.
- Disclose any regulatory issues.

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• Review outside resources and vendor (compliance, technology, research, etc.) to supplement internal efforts.

The middle needs to focus on "institutionalizing" the investment process and differentiating your strategy from competitors and incumbents. For the ending, value-added insight into performance ties the story together.

The ultimate validation of the story is in the performance you deliver to clients.

Do your marketing materials need polishing?

One of the most important things to assess is the suite of sales materials.

It amazes us when we ask a portfolio manager to send the full collection of materials and we only receive the past two quarterly performance commentaries. We always ask an investment manager the last time they did an online search for their firm to assess the results. (If you have not done it recently, do it now.)

Furthermore, what constitutes your "marketing materials?" Certainly the presentation book, quarterly snapshot and Form ADV, but what about holdings or returns-based attribution analysis? Why not include your eVestment analytics profile? Many consultants and intermediaries subscribe, but why not save them a step and make it directly available to them?

And what do your materials actually say? How are they organized? Do they have a consistent look and feel across each piece?

If you don't like the results, make a commitment to fix it, or find someone that can help.

An often overlooked marketing piece is a firm's website, as it is the most publicly-available, highest-profile marketing asset for a firm. Look at your website as a new visitor would, then take an objective look at a few of your competitors' sites. Compare and contrast. Are you differentiated and is it easy to find the important information? Is your message crisp? Do all the components function well together? Does it look like it has not been touched in years? Do all of the links work? Doesn't it make sense to organize your site to make it as easy as possible for your audience to find the information they want?

If your online presence is not up to date, you are giving your competition an easy competitive advantage. Based on the website, would you do business with you?

These are all important things to consider when creating and evaluating your materials – you need to think like a potential investor. Be cognizant of the things that promote your firm and can be responsible for its relative success or failure.

Penny wise, pound foolish

When your firm has to tighten its belt, what's the first area to feel the squeeze? If you said marketing (as most do), that's a terrible solution to what's often a recurring problem and speaks volumes about the firm's priorities.

Think of it this way, if portfolio performance trails the benchmark and peer groups, would you cut the research budget? Of course not. Then why would you reduce the marketing budget if the results are disappointing?

You need to budget your marketing and sales at levels commensurate with your ambitions. Are you being realistic about the resources you to need to invest? Are your expectations realistic? Since the vast majority of searches are "replacement searches," have you adjusted your timing expectations accordingly?

This is a mid- to long-term challenge facing all investment management firms; one that cannot be short-changed. It takes money to make money. It's an old cliché, but there's a reason why: because it's true.

Fortunately, the dramatic impact of technology has allowed smaller boutique managers to access the same data and CRM systems as the largest global multi-product firms. Low monthly licensing fees have replaced expensive long-term subscriptions. For some investment managers, the cost-effective, results oriented budget of partnering with an established third party marketer can provide the same full range of marketing and sales services without the massive fixed budget of hiring a team of salespeople.

Look in the mirror and be honest with yourself

What's been your experience with marketing and sales? Specifically, what have you tried, what has worked, and what hasn't?

Distribution is a full-time job and most portfolio managers, bright, educated and trained as they are in finance and research, have limited time (or interest) to also accept additional responsibility for the marketing and sales function within their firm.

How has your firm handled the day-to-day responsibilities that are required of a professional marketing effort? Have you outsourced other non-investment functions, such as compliance, cyber security or auditing? What was your experience with those vendors? Was it worth the money to have these highly specialized, essential tasks off your plate?

The days of investment management firms simply relying on good performance numbers to see them through are long gone. But the fables about "unicorn firms" organically growing assets into the billions through nothing more than word of mouth persist. There are a lot of stories about people winning the lottery every day, but we wouldn't recommend that as a reliable retirement strategy.

Investing in a marketing and sales strategy isn't an option for firms with even modest ambition—it's an essential component to your survival.

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