Hope Is Not A Strategy

Steven Rubenstein, President of Arrow Partners

It is surprising the degree to which many asset managers still underestimate what it takes to successfully market investment management services. Although everybody says they want to grow their business, the manner in which they approach and execute their sales and marketing efforts suggests otherwise.

Here are some core beliefs and philosophies for successfully marketing asset management services.

- **Bringing a knife to a gunfight.** To put it bluntly, the sales and marketing playbook created and successfully used in the 1980s and 1990s is now outdated and ineffective. Consultants and institutions have evolved into ever-stronger gatekeepers, so it is almost impossible for an investment manager to penetrate these barriers using an obsolete sales and marketing plan. Performance — while still an important benchmark — is just one benchmark, and is one that consultants and institutions are besieged by daily. So, how can an investment manager, not focused on the day-to-day realities of the sales and marketing function, effectively anticipate and provide the relevant information, presented in a format that reflects what potential prospects want, need and/or expect? Simply put, they can't. Because the new business effort depends upon it, the playbook must be continually revised and improved, and employ an ever-evolving group of strategies that will get our investment manager client's foot in the door.

- **Dress rehearsals don't exist in this industry.** Fair or not, managers are given one chance to make a favorable first impression to a consultant or investment committee. With the intensity of the competition, buyers are not looking for a reason to work with you – they are looking for a reason to exclude you. Therefore, the manager must have a professional and comprehensive presentation and sales kit ready before approaching the marketplace. Experience has taught me that there are rarely any new questions to be asked. And because everyone asks the same ones, asset managers must have all answers prepared, posted to their website and be current in industry databases.

- **Differentiation is not a cliché.** It is easy to roll your eyes when some marketer discusses the virtues of differentiating yourself. Dismiss such talk at your own peril. For example, the number of small-cap value managers has almost tripled in the past 20 years. (Look it up in eVestment). Greater competition is but one small piece of evidence of the increasing maturity of the investment management business. There are countless new investment options and the changing landscape requires managers to be flexible in terms of fees, client servicing and new platform opportunities. It also requires telling your story in a more active, three-dimensional way. Relying on industry finance-speak and jargon does not help your cause one iota.

- **Past performance does not guarantee future results.** Every salesperson knows they are facing an uphill battle when a portfolio manager begins a conversation by asking "How much money will you raise in the next 12 months for us?" While we understand where that question is coming from, it reveals the fundamental misunderstanding most managers have about the marketing component of the industry. It's akin to a consultant asking a portfolio manager, "What will your portfolio return be for the next 12 months?" It is an unfair question whose answer is dependent upon numerous factors, many of which are beyond their control. A better conversation starts with a manager expressing growth goals and asking about how the marketer's approach helps to meet that goal: How long should it take? What are the key milestones and metrics? What's our role in the process?"

- **Responsiveness is relative.** Many investment managers give up too easily when faced with an uninterested prospect. Managers should ask themselves: Do I return the call of every vendor with whom I may have a future interest in working? Of course not. The same goes for institutional buyers. The flow of information from many of these buyers is asymmetric, and timed irregularly. Things don't always happen in a straight line. The new business effort is rarely linear (people change jobs, they network and sometimes things don't happen sequentially). Embrace the unpredictability when it occurs. Really. In the end, no one should ever obsess about a prospect that has not returned a call or e-mail. Some consultants and institutions are responsive and some are not; some are open-minded while others are not; some tell you they have a strong preference for boutique firms, others are biased toward global, multiproduct firms. Remember that it is a marathon, not a sprint.

- **Hope is not a strategy.** Show us a manager who believes that because they have good performance numbers, investors will find them, and we'll show you a firm with underwhelming AUM. Stories of the small manager with great numbers who landed a billion-dollar account are just that – stories. People win the lottery every day – that doesn't make it a viable retirement plan.

And finally, a wise man once observed, "You have two ears and one mouth; therefore you should plan to spend twice as much time listening than you do talking." That's wisdom.

This column appeared in PI Online – April 24, 2014

■ ■ ■