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# Third Party Marketing

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## Structuring a Successful Relationship

Outsourced Sales and Marketing  
Solutions for Investment Managers

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Presented By:



## An Introduction: The Third Party Marketing Business

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Third party marketers work with investment managers to improve their sales and marketing process and increase assets under management.

The best firms specialize in matching clients with financial intermediaries - consultants, multi-managers, sub-advisory firms - and institutional investors, such as public and corporate pension funds, and endowments.

3PM firms seek to accomplish this mission by developing an investment manager's unique story, creating a marketing plan and sales materials, and managing the sales cycle from start to finish.

EBooks in this series include:

*Third Party Marketing: The Basics.*

3PMs leverage their industry knowledge, contacts, and marketing and sales acumen on behalf of a limited roster of investment manager clients.

*Third Party Marketing: Getting Started.*

How do 3PMs and investment managers collaborate to raise assets under management during the first year of the relationship? This EBook shows how.

*Third Party Marketing: Structuring a Successful Relationship (That's this book)*

What are the characteristics of a successful relationship? What are typical contractual terms and conditions? And what are the pitfalls to avoid?

# Relationship Terms for 3PMs and Investment Managers

The five key structural issues that need to be resolved for an investment manager and a 3PM to form a mutually beneficial relationship are also terms which need to be included in the manager-3PM agreement. These are summarized below.

1 DURATION	<ul style="list-style-type: none"> <li>✓ Number of years</li> <li>✓ Renewal and termination</li> <li>✓ Option on future products</li> </ul>
2 SCOPE	<ul style="list-style-type: none"> <li>✓ Capacity levels</li> <li>✓ Protected lists</li> <li>✓ Time commitment from manager</li> </ul>
3 SUPPORT	<ul style="list-style-type: none"> <li>✓ Sales management and tracking</li> <li>✓ Marketing materials development</li> <li>✓ RFPs and database completion</li> <li>✓ Conference attendance</li> <li>✓ Attribution peer group analysis</li> </ul>
4 FINANCIAL	<ul style="list-style-type: none"> <li>✓ Retainer and expenses</li> <li>✓ Commission percentage and duration</li> </ul>
5 COMMUNICATION	<ul style="list-style-type: none"> <li>✓ Daily content liaison</li> <li>✓ Reporting frequency</li> <li>✓ Prospect rating system</li> </ul>

*The best investment manager  
and third party marketer  
relationships are dedicated,  
consistent, and realistic.*

## The Common Characteristics of a Failed 3PM Relationship

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Investment managers know the importance of learning from stocks that do not meet performance expectations. While it is more exciting to relive the great success stories, experienced 3PM's must also be able to articulate the lessons learned from their relationships which have not worked out.

Manager-3PM relationships often end unnecessarily due to the frustration from a lack of new asset growth, but often the underlying reasons are attributed to a number of factors:

- ➔ Inability to clearly articulate or differentiate the “story.”
- ➔ Lack of “chemistry” between the 3PM and the manager.
- ➔ Inadequate support of the sales process.
- ➔ Trying to fit the manager’s style into the “wrong box.”
- ➔ Portfolio manager departure.
- ➔ Change of ownership.
- ➔ Broken investment process.
- ➔ Long-term consistent under-performance vs. benchmarks and peer groups.

*Portfolio managers should  
focus on what they do  
best...managing money.*

## Red Flags, Misconceptions, and Warning Signs

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While both parties in a 3PM arrangement will be dedicated to success, communication remains an essential ingredient to accomplishing mutual goals. For 3PMs, a frustration is identifying an investment manager that has a “great story,” to only later discover that the manager is not ready to implement or support a dedicated sales effort.

An experienced 3PM will avoid managers that are not ready to commit to a 3PM arrangement, which may be indicated by the following statements:

- “ If I keep up the strong performance numbers, institutions will find me.”
- “ No one can tell our story as well as I can.”
- “ We have never lost a finals presentation.”
- “ We can’t afford a full-time sales effort.”
- “ Why should I start marketing before I have a three-year track record?”
- “ I know most of the gatekeepers already from my last job, so what are you going to do that I can not do myself?”
- “ It’s earnings season, we won’t be do anything marketing now.”

If you are an investment manager that has thought of or said any of these things, and are still frustrated by your deficient growth of assets under management, you may want to reconsider your sales and marketing strategy.

## The Characteristics of a Quality Relationship

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The best investment manager-marketer relationships always have the same three characteristics:

- 1 Dedicated.** It is a dedicated, professional effort.
- 2 Consistent.** There are consistent principles, including defined goals, expectations, and accountability.
- 3 Realistic.** Both parties make a realistic resource commitment to the effort.

## The Basic Requirements for a Successful Long-Term Partnership

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How do you seek success? Design the right marketing structure for your firm with:

- ✓ A commitment to a truly dedicated professional effort.
- ✓ A set of consistent principles with defined goals and expectations.
- ✓ A realistic financial and resource commitment to support a comprehensive sales program.

Not too long ago, the third party marketing business was considered a “cottage industry” – small, fragmented, informal networks of salespeople with limited channels of distribution.

Today, however, the use of independent distribution teams is widely accepted as a proven method for increasing a manager’s assets while controlling the sales expenses and investment professional’s time and focus away from investing.

The standard model calls for the 3PM to serve as the sole sales agent for the firm, but in other situations the 3PM may supplement an existing internal sales force.

In either scenario, ultimate success hinges on a well-organized plan with clear roles, responsibilities and accountability.

## Our Values: About Arrow Partners

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Arrow Partners was founded with the vision of being the premier institutionally-focused third party marketing firm in the United States.

From “Day One,” we knew that we must establish and aggressively maintain a reputation of thoughtfulness, ethics, and most of all, success.

We know that the most effective way to do so is by:

- ➔ Staying active in the industry.
- ➔ Focusing relentlessly on working with only the best clients and vendors.
- ➔ Communicating clearly and regularly with our clients.
- ➔ Developing and maintaining the most reputable sales practices and procedures.

Arrow Partners wants to be known for its success, but also for its reputation for maintaining relationships with the highest-caliber people and organizations.

We don't merely seek to adjust to industry and market conditions. By the virtue of taking a strong industry leadership position, Arrow Partners wants to actively influence those forces for the betterment of our firm and its clients.

## Managing Principals



**Steve  
Rubenstein**

Steve Rubenstein is the founder and a principal of Arrow Partners, a leading third party marketing firm serving the investment management industry. In 1998, Arrow Partners was a founding member of the Third Party Marketers Association, of which Steve was President from 2004 until 2006.

Since founding Arrow Partners in 1995, Steve has been a leading advocate of the third party marketing industry. He has written and been quoted extensively in industry publications.

Previously, Steve was Vice President at Bankers Trust in the Global Investment Management Group, from 1988 to 1994, where he was responsible for establishing private-label and sub-advisory relationships. From 1986 to 1988, Steve sold independent equity research to U.S.-based institutional investors for Institutional Research Services. From 1984 to 1985, Steve sold independent research products and services to financial institutions for Drexel Burnham Lambert. Currently, Steve holds Series 7, 24, 50, 54, 63 and 65 securities licenses with FINRA and is registered with the SEC and MSRB. Steve graduated from Lehigh University in 1984 with a Bachelor of Science in Finance.



**Ken  
Rogers**

Ken Rogers joined Arrow Partners in 1998 as a Principal, and has been instrumental in its growth into a third party marketing industry leader. Ken's leadership in the third party marketing industry is extensive. Over the course of his career, Ken has been published and been quoted numerous times by national publications.

Ken has an established a proven track record of successfully selling a broad range of investment products and services to institutional investors and financial intermediaries. From 1988 to 1997 he was a Principal and Managing Director at RogersCasey, where he led marketing and sales, and served on the firm's Executive Management Committee.

Ken spent four years at Metropolitan Life Insurance as an account executive, managing an institutional sales and client service team. Currently, Ken holds the series 7, 24, 50, 63 and 65 securities licenses with FINRA and is registered with the SEC and MSRB. Ken graduated from Muhlenberg College with a BA in Communications in 1985.



## To Learn More About Third Party Marketing

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Arrow Partners is a Founding Member of the Third Party Marketers Association (3PM).

The 3PM was formed to maintain a standard of excellence in the industry and to share information and ideas among independent sales and marketing firms.

For more information on how outsourced sales and marketing may help you raise assets under management, please contact:

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