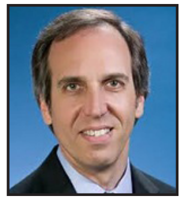
Guest Column

How To Make Your Salesperson More Effective

By Bruce Frumerman, ceo of Frumerman & Nemeth Inc.



Bruce Frumerman is CEO of Frumerman & Nemeth Inc., a 35-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.

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Just as the majority of portfolio managers do not outperform, the same holds true for fund salespeople in their asset raising efforts.

Asset raising was challenging enough during the pre-pandemic bull market. In today's times — with inflation, interest rates, the Russian invasion, energy prices and the yet to disappear COVID pandemic — the challenges faced in converting prospects into clients has only increased. These problems are magnified for emerging manager firms.

The greatest hurdles are found when seeking to win new allocations from sophisticated investors such as family offices, endowments, foundations, institutional plan sponsors and the investment consultant gatekeepers that serve them. This group has become more inquiring and more skeptical in their due diligence vetting, particularly when it comes to evaluating the beyond-the-numbers factors regarding how the portfolio strategies being pitched to them are being run.

Portfolio managers need to give thought to what their salespeople need to convey. No new hire is going to be equipped to sell effectively without gaining first a good, detailed understanding of how the firm runs its investment strategy, and having the tools and plan for communicating this throughout the selling cycle.

What we have seen (and probably you as well)

From my 35-year-old financial communications and sales marketing consulting firm's experience, the vast majority of salespeople at money management firms do not have extensive knowledge about portfolio management. There are a few that do, but for most it is not their background.

Yes, they can repeat 'talking points' they are told to use on prospective investors. But consider what most investment product salespeople lack: the experience of having had in-depth discussions over the years with portfolio managers about investment methodology and strategy implementation, and having the ability to have extended dialogues with prospective investors regarding subjects such as portfolio and risk management, and the ramifications of structuring investment process methodology one particular way versus another.

Delivering the beyond-the-numbers information about a fund that sophisticated investors use in deciding whether luck or skill generated the good performance they see is the area in which many salespeople find themselves being less effective in their selling efforts than they, and their investment firm employers, wish. Often, the reason is that they were never taught this by their employers.

5 steps to set your salespeople up to succeed

Step 1:

Sit down with your salesperson. Talk them through what is many paragraphs' worth of information. (Set aside your flipchart pitchbook. You can't be thinking in bullet points about this.) Explain to them conversationally about these six points:

1. What the portfolio is intended to solve for the prospective investor.
2. Why you decided to take the approach you did to build out your investment methodology.
3. How the investment process runs, giving detail, not just glossed over generalizations.
4. Where risk management considerations fit into the process and how they are made.
5. What the intended characteristics and weightings are for the portfolio and what is done when drift occurs.
6. What roles your supporting investment management staff (e.g., analysts, traders) play, and when and how, within running the strategy.

The less detail you share with your salesperson the more you are setting them up for failure. The more detail you share, and teach them about, the more useful they will appear to prospective investors whose initial contact with your money management firm is through your salesperson.

Imparting information about these six points will not instill in your sales staff an extensive depth and breadth of portfolio management strategy implementation and due diligence vetting knowledge. That can only come with years of experience. However, it will improve their abilities to have a successful round one or round two meeting with prospects, and gain some respect from prospects because they will find that the salesperson actually knows some useful content to convey. This is what is needed to begin to make it through the due diligence gauntlet with sophisticated investors, with your salesperson contributing more effectively to your team and helping build the business.

In contrast, some of your competitors who will be finding it harder to win new mandates will be making the following mistake: These portfolio managers will be telling their salespeople to read the current monthly performance data tear sheets and flipchart pitchbooks to learn what the managers do. Those salespeople will then be told to somehow make the pitchbook slides better. Next, they will be instructed to 'start selling', and don't bother the portfolio manager. Not a recipe for success.

Step 2:

Only now — after having talked through the above mentioned six points with your salesperson — should you take out your

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latest version of your flipchart pitchbook, your letters to investors and any other existing marketing collateral. Starting with your pitchbook, walk them through page by page what is there. Along the way, point out where your previously given conversational explanations to them about the six points *do not appear* in print on the pages that correspond directly or indirectly to these particular topics.

Step 3:
Tell your salesperson how you aim to fill that marketing collateral gap regarding all of the missing information you verbally shared with them.

OBSERVATION: We have found, based on our decades of experience at my financial communications and sales marketing consulting firm, that the flipchart pitchbook is the wrong document to use to attempt to deliver the beyond-the-numbers, paragraph-based information about how portfolio managers think and run their strategies. When we get that information out of a portfolio manager's head and craft that important due diligence vetting content, we put it into a completely different marketing tool for the salesperson to have at their disposal.

Step 4:
Figure out how you want to transition a handoff from your salesperson to you, the portfolio manager, and talk this through with them. For example, which questions from prospects should trigger the salesperson to respond, *That's a good question, and I think portfolio manager Pete would be pleased to answer that directly, and in detail. May I schedule a call for the three of us for later this week?*

Step 5:
Tell your salesperson that mind reading is not part of his or her job description. Explain that you are not expecting your salesperson to have to divine what the firm's portfolio managers haven't told them about how they actually go about assembling and managing their portfolio's holdings.

Make clear that there is nothing wrong with the salesperson asking the portfolio manager questions, whether for clarification or elaboration about how the strategy is being run, or even for a more thorough education about that style of investing.

Acknowledge that the jobs of relationship building with prospective and current investors, and getting sophisticated investors to understand and buy into how a manager runs his or her fund, is a joint venture effort between the portfolio manager and salesperson.

Making it a policy to allow and encourage dialogue between sales and portfolio management can significantly reduce the odds of salespeople finding themselves to be unequipped to effectively retell the investment firm's story to outsiders.

The added benefit of salesperson 'radar' feedback

An additional benefit of taking the five recommended steps is that your salesperson will then be more likely to feel safe in reporting to you when they feel a prospect's response, or questions during a pitch meeting or call, warrant a rethink or refining of how your money management firm is making certain points about itself or its product. As a money management firm owner, it is to your benefit to have a salesperson who is also operating as an early warning detection system as to when a refinement of the firm's communications or its sales marketing approach could benefit from some informed tweaking.