harvest ASSET MANAGER MARKETING HUB

Marketing To Sophisticated Investors column

by Bruce Frumerman, CEO, Frumerman & Nemeth Inc.

August 2022

Your New 80/20 Fund Sales Prospecting Rule

Tip 29: Preparing For Post-Pandemic Asset Raising

Welcome to the twenty-ninth of a series of articles offering insights and tips to prepare money management firms for improving their abilities to out-market competitors and attract assets from sophisticated investors in the coming post-pandemic world.

One of the most important decisions a money management firm makes in running its sales marketing effort is regarding how it apportions its prospecting time and focus. As there is only a finite amount of time available for carrying out prospecting it is necessary to be properly focused.

I find there are three types of people a firm can spend time selling to:

1. Suspects who turn out to not be prospects.
2. Those who in future could become part of a firm's natural target market, once certain characteristics it has today reach a required state of growth or change.
3. Those who are presently a firm's natural target market, based on the characteristics the firm and investment offering has today.

Let's take a look at each of the three, going from the least likely prospects to the most likely. Then we can set your new fund sales prospecting rule.

Suspects who turn out to not be prospects

A wide range of reasons could make a suspect not turn out to be a prospect for you. Some of the more common reasons (or clues) you may uncover when trying to interest such a person in your fund are these:

- They only allocate to mega-sized investment firms; possibly as a job-protecting move should the fund underperform (e.g., the old "You can't fire me for investing us with this big-name shop").
- In their eyes, your strategy has capacity constraints that are not acceptable to them.
- Yours is a PE or VC fund and they only invest in direct deals (with no middleman).
- They philosophically disagree with (or don't want exposure to) one or more of the key elements to the approach your portfolio manager takes. Examples of these include growth vs. value, quant vs. fundamental, the degree of leverage employed, industry/sector focus or, most importantly, the described investment process your firm follows (or worse, the lack of a cogent, compelling explanation).

Prospects for tomorrow, not today

This group of prospects are the *You're not yet big enough, old enough or high enough* crowd. You need to meet their requirements regarding their AUM size minimum and track record length policies in order to make it into their investable universe. Also, your returns may currently be no better than that of the manager they are already allocated to within your asset class category. For this audience, what are deal breakers for them today might not be down the road as the characteristics of your investment offering changes.

Your natural target market today

For this audience, your fund's size, track record length, performance, and risk characteristics are not deal breakers. In fact, your fund's performance and the risk characteristics it delivers may be your drawing card. But that much only gets you in the door.

You still need to make the effort to educate and persuade these folks to understand and buy into your investment beliefs and the process you follow to build and manage your basket of holdings. The easier you make it for your natural target market prospects to acquire, review and share that information with the other decision makers at their institution, organization or family office the greater the likelihood you will out-market similar performing competitors and win new asset allocations.

Your new 80/20 sales marketing rule

Your firm has finite resources when it comes to new business development work, both in regards to people and time. To make the most of both, you need to make thoughtful decisions as to how you allocate your resources.

Make an effort to qualify and categorize those your firm pitches. Importantly, eliminate suspects who turn out to not be prospects. (You'd be surprised how many money management firms skip this step, continue to re-pitch such people, and fritter away some of their sales marketing resources.)

Dedicate 80% of your time to identifying and pursuing the types of investors that are the natural target market for your product, based on the characteristics of your offering today — from its performance and risk record to its AUM size and track record length, and the investor needs that your strategy can help them meet.

Spend the remaining 20% of your sales outreach time on building relationships with identified potential prospects for tomorrow, not today: the 'bigger fish' institutional investors who might consider allocating once your emerging manager offering gets big enough and old enough to meet their investment policy guidelines. In this effort the object is not to get an investment commitment, it is to get them interested enough to consent to follow you as you grow. This opens the door to dialogue for potential future business and helps position your firm to be at the right place at the right time when you meet investment policy guideline requirements.

Follow these tips and your investment management firm will have a more efficient and productive sales marketing outreach effort. This, in turn, can improve your asset raising success.

# # #

About the author

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.

Frumerman & Nemeth's work also includes providing strategic consulting on product and strategy-specific branding, crafting the required strategy-specific content detail and designing and producing the marketing tools needed to make it through the two-month to two-year institutional selling cycle. Clients also employ Frumerman & Nemeth to help promote the intellectual acumen of management — helping them get speaking opportunities, write and give speeches as panelists or stand-alone speakers at industry conferences, and through media relations marketing services.

Mr. Frumerman can be reached at info@frumerman.com, or by visiting www.frumerman.com.