Marketing To Sophisticated Investors column
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September 2021

How Portfolio Managers Often Set Their Salespeople Up To Fail

Tip 18: Preparing For Post-Pandemic Asset Raising

Welcome to the eighteenth 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.

Most portfolio managers do not outperform. The same holds true for money management firm salespeople in their asset raising efforts.

Asset raising has been more challenging for money management firms ever since the 2008 Great Recession crash. In today's pandemic times the challenges faced in converting prospects into investor clients has only increased.

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.

Making matters worse is that portfolio managers are too often setting their sales staff up for failure.

This is partly due to portfolio managers not giving enough thought to what they need their salespeople to carry out, and thinking that a new hire may actually be equipped to sell without having a good, detailed understanding of how the firm runs its investment strategy.

What we have encountered over the decades

From my 34-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 some that do, but for most it is not their background.

To elaborate, being able to repeat 'talking points' to prospective investors is not what I am referring to. Instead, it is having 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.

As Frumerman & Nemeth has noted before (http://bit.ly/2u5TzB4), there are two parts to marketing a money management firm's investment products to sophisticated institutional investors: sales marketing and communications marketing. Sales marketing is the process of selling to these prospects and their advisors. But when it comes to what the prospects are told, that's the job of communications marketing.

Carrying out the day-to-day sales marketing functions of initiating contact with prospects, delivering the information prospective investors need and want in order to conduct their beyond-the-numbers due diligence, bringing back to management the questions asked that they were not able to answer, keeping in touch over time with persistence but in a politic way, and sharing with management their views as to which of the prospects they have been in communications with are, realistically, potential investors over the near- to mid-term and which are not, are among the jobs of the sales person. It is duties like these for which the sales person is often hired. Yet it is that second task in the list above — delivering the beyond-the-numbers information sophisticated investors use in deciding whether luck or skill generated the good performance they see — in which many salespeople find themselves falling short. Often, the reason is that they were never taught this by their employer.

In the majority of cases when portfolio managers have contacted my firm and said they had acceptable performance but their salespeople were not gaining traction in their efforts I found that there had been no structured effort to teach the employees what, specifically, they need to understand and what they need to communicate relating to the firm's specific strategy.

How to set your new sales person up to fail

This is not that hard to do. Here, based on real-life examples of what we have seen or heard multiple times over the years, are some simple steps to follow to set a money management firm's salespeople up for failure.

1. Tell them to read the current monthly performance data tear sheet and flipchart pitchbook to learn what you do, and then tell them to start selling.
2. Tell them to make your pitchbook slides better, and that you expect that to solve all your asset raising challenges.
3. Tell them to draft your firm's answers to RFP essay questions that ask for detail on investment methodology and elaboration on strategy implementation without ever having given them such detail and elaboration.

4. Treat them as if they are mind readers who can divine what the firm's portfolio managers haven't told them about how they actually go about assembling and managing their portfolio's holdings, and then become frustrated when they cannot.

Do any of these examples ring a bell at your firm?

Preventing a sales effort wipeout

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

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.

Imparting this information will not imbue your sales staff with a depth and breadth of portfolio management strategy implementation and due diligence vetting considerations 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 sales person 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 sales person contributing more effectively to your team and helping build the business.

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About the author

Bruce Frumerman is CEO of Frumerman & Nemeth Inc., a 34-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.

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