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COVER STORY — MARKETEERING

Who will be telling and selling your story?

By Bruce Frumerman, President of Frumerman & Nemeth Inc., a communications & sales marketing consultancy that has helped money management clients attract over $7 billion in new assets.

Who will be responsible for new business development at your firm? You, the fund manager? An in-house sales manager you add to staff? Or a Third Party Marketer?

If you, the fund manager, are going to be handling your own sales there is bad news and good news. The bad news is that you need to build time into your weekly routine to spend actively introducing your fund to prospects, and pursuing them over time. The good news is that once you figure out how to communicate a compelling story about your fund, with consistency, all but the performance part of your story should be good for the life of your business.

If, on the other hand, you plan to hire an in-house salesperson, or use a Third Party Marketer, there is *different* good and bad news. The good news is that you will have someone putting in a fulltime or part-time effort on your behalf to tell and sell your fund's story to prospective investors. The bad news is that not only do you the fund manager need to figure out how *you* should communicate your own story about your fund; you need to construct a story that *another* person can tell, with consistency, to a prospect. *And*, you should want to feel assured that when *you* are brought into a Round Two meeting with that same prospect that *what* you tell the prospect will be reinforcing — rather than contradicting — everything that your salesperson had said at the first meeting.

On the subject of Third Party Marketers, let's look at some Pros, Cons and other considerations the money management firm owner faces. Going the Third Party Marketer route enables you to outsource some (notice I do not say *all*) of the sales function to a person or outfit who may possess a list of prospective investors to pitch your fund to. Their "rolodex" may contain contacts who you would not have been able to identify on your own. Or, it could be a list that you *could* have complied yourself, had you the time and money to put into doing the research.

Speaking of the "who you know" factor. Don't make the misguided assumption that just because a Third Party Marketer "knows" some investor that he will be able to get that investor to invest in your fund. Unless that prospect perceives the specific value that your fund could provide as an addition to his portfolio, *and* he sees investing with your firm as being a defensible decision, then it doesn't matter how well the Third Party Marketer knows him.

Also, consider the job of the Third Party Marketer. She may represent one or two handfuls of hedge funds. When the Third Party Marketer is out selling, she can earn a commission whether a prospect agrees to invest in fund #6 or fund #1. So how can you nudge the Third Party Marketer not to neglect you, and maybe even favor you?

Well, here's the valuable secret: The easier you make the Third Party Marketer's job of telling and selling an interesting story about your fund, the greater the odds are that her contacts will be hearing about your fund before they hear about the others on the Third Party Marketer's roster.

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There is another important point to consider if your firm is thinking of working with a Third Party Marketer. A Third Party Marketer may have a ready list of investor prospects to pursue, and they can do the sales marketing legwork of telling and selling your story to those prospects. But are all Third Party Marketers also skilled enough to craft the money management firm's story? While some are, a great many are not.

Let me tell you what principals of three different Third Party Marketing firms have said to me. One said, *"Look, while we say we offer hedge funds help in putting their stories together to explain how they invest, this isn't really where our expertise lies."*

Another said to me, *"Every time we had to begin our working relationship with a hedge fund manager by trying to get the story about how he invests out of his head and into marketing materials, we found ourselves thinking that we never got to the bottom of exactly what that manager's investment process was; and we were always less successful in our selling efforts for these hedge funds."*

A third said, *"I can sell a hedge fund that has an acceptable story, but figuring out how to* create *an acceptable story when it's not already there isn't something I really have much practice in. I'd rather not spend my time trying to figure that out. I'd rather spend my time out there selling."*

Having selling experience in *telling* a money management firm's story is not the same thing as having the expertise to *create* how your firm's story should be told.

To get the most out of salespeople, be they Third Party Marketer or in-house hires, it's your job to give them direction and ammunition for telling an effective story on your firm's behalf. While feedback they later give you based on their observations from selling your product can help you refine the story your firm has to tell and sell, you're the one who must lead the effort in creating a cogent and compelling explanation about how you think as a money manager and about how you manage your portfolio.

Build a cogent and compelling story. Easy to say, but not so easy to do. Just ask some investors. There are thousands of money managers out there who are doing a lackluster job of telling and selling people on how they invest. As an emerging manager your ability to survive and thrive is as dependent on your ability to get people to buy into your product as it is on your ability to deliver acceptable performance.

In my next column we'll delve into this marketing challenge of yours.

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