



COVER STORY



**BRAND
OR COMMODITY:
WHICH WILL YOUR FIRM BE?**

Asset Gathering

Brand Or Commodity: Which Will Your Firm Be?

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

In a recent survey by Cerulli Associates, financial services firms ranked the ability to acquire and retain clients as their number one business challenge in 2008. Additionally, the top firm watchwords chosen by poll participants were *sales* and *relationships*, followed by *brand awareness*.

As a money manager your ability to survive and thrive is as dependent on your capability to get people to buy into your product as it is on your ability to deliver acceptable performance.

You face a marketing challenge: Will you take the action needed to turn your firm into a Brand or will you allow it to be thought of as a Commodity?

The typical money management firm is only known for two things: the pigeonhole category its product is in, whether it's correctly classified or not; and its most recent performance. These firms are perceived to be no more than commodities, and you don't want to be one of them.

What enables one money manager to grow and retain assets while a competitor can't?

Is performance the sole answer? Of course not. If that were so there would be but a fraction of the number of money management firms there are. While performance is a significant ingredient in the formula for success in attracting assets, it is just part of the equation.

Is access to distribution channels the key to success? That's important, too, but just because a money management firm's products are available through a distribution channel doesn't make demand pull exist for those products or mean that the channel is proactively soliciting for investors in the firm's products.

Marketing is the other major factor that impacts a money management firm's ability to grow and retain assets. Marketing does more than "get the word out". It's what gives a firm its identity and positions it in the eyes of the marketplace of investors, advisors and the media. When marketing is given short shrift by a money management firm, its ability to attract and retain assets suffers.

Two parts to your marketing

There are two parts to marketing: sales marketing and communications marketing. Sales marketing is about the process of selling to prospects and their advisors. A salesperson or team, whether in-house, third-party marketers or broker/advisors, is identifying prospects, making contact, giving face-to-face presentations and managing follow up throughout the selling cycle for turning prospects into investors. But what is it that the target audiences are told? That's communications marketing.

While good communications marketing can't help improve your investment performance, it *can* help you have higher impact selling.

What does a firm's communications marketing consist of? The storylines and language it uses in its verbal and written contacts with clients, prospects and those who influence them.

Communications marketing is what is used to get people to buy into the investment products the firm is selling and the process it uses to manage money. This includes everything from sales presentations and brochures, to letters to investors, to interactions with the press.

How good is your firm's storyline?

How good is your firm's storyline for convincing people about the validity of your investment process and the intellectual acumen of management? (Keep in mind that the main thing you are selling is brain power.)

Different firms face different challenges when it comes to how to best tell their story. However, the most common communications marketing error I see is telling an incomplete story.

While all money management firms say something about performance, portfolio and people at the firm, most of them underemphasize, don't explain clearly, or leave out, explanation about place and process.

Place is the context in which the investment should be viewed, shaping people's perceptions about the roll or function the allocation could play within their total portfolios. **Process** addresses *how* you invest.

I'm sometimes asked, what if you're a start-up firm with no track record, what then? All the more reason to have a good, and consistent, explanation about investment process, I respond.

How you invest is the primary thing you're selling!

As a High Net Worth institutional investor was quoted as saying in the financial trade press, "*I am not going to buy a track record. I want to buy an investment process.*"

When prospects and those who influence them can talk about *how* your firm invests, you have a brand identity. So, your firm needs a great storyline if you're going to beat out competitors who have similar performance.

There is a good reason why a storyline is so important. It's because a money management firm's brand identity is not based on a list of disparate facts. You never hear "That's the money manager with the R-Squared of this and the Alpha of that." Instead, people remember storylines.

So, you need to determine what should be your organization's buyer-focused key selling messages and the priority in which these points should be presented in order to communicate a linear storyline.

This is easier said than done, however. While money managers are experienced in analyzing securities — something they've done time and again — most lack the experience and perspective to be able to reexamine their firm with the eyes of their ultimate target outsider: the interested and experienced but skeptical prospect. What about at your firm? This requires more than just a cursory think and jotting down whatever first comes to mind. Think instead about what makes your firm different from the competing managers out there. Don't sell yourself short by just telling about your past performance numbers. Instead, think of how you got there, the decisions that you made, and the discipline that was followed and let your unique narrative emerge.

#

For more information:

Frumerman & Nemeth Inc.

212-529-3373

www.frumerman.com

info@frumerman.com