

How To Better Communicate Investment Processes & Philosophies

by Bruce Frummerman, Frummerman & Nemeth Inc.

Rising competition among money managers is one of the key topics covered in Boston Consulting Group's recently released ninth annual study of the worldwide asset management industry, *Building On Success: Global Asset Management 2011*.

In today's marketplace there are "virtually limitless investment choices," Boston Consulting Group (BCG) observes. Good news for investors but a bigger competitive challenge for asset management firms.

Investor demands keep toughening, BCG says, with institutions "probing into managers' investment processes and philosophies." In order to pursue growth, "asset managers need to review what they do best, make it distinctive, and market it powerfully," the report advises.

"More than ever, asset managers need to have a tight, compelling investment proposition," BCG says. "A crystal-clear value proposition can be a true differentiator."

What can be gleaned from the Boston Consulting Group study's insights and recommendations?

For one thing, the comment that institutional investors are "probing into managers' investment processes and philosophies" is telling in more ways than one. It reaffirms what has been written in previous investor studies since the market crash by organizations such as Prequin, SEI and Morningstar: understanding and buying into how a money manager thinks and invests continues to be a key focus in the due diligence vetting by institutional investors of asset management firms. Yet, institutions are still having to probe to get that investment process and philosophy information out of the money managers. That means the communications efforts of institutional asset management firms are not getting the job done. As a result, they are losing opportunities to attract assets and grow their firms.

Next, consider the call to have "a tight, compelling investment proposition." Too many money managers are coming across to prospective investors as being commodity-like in their generic sounding descriptions of what they do. And when non-rehearsed portfolio managers are put in a room with prospects and asked to educate and persuade those investors to understand and buy into what they do too many may be drifting off message because they haven't put in the time and effort to figure out just how to tell their stories in a tight, compelling and crystal-clear manner.

To overcome these challenges in an ever more competitive marketplace asset management firms need two communications tools to be more distinctive and market more powerfully: long and short version storylines about their investment processes and the philosophies that drive them.

The content to be communicated in the long and short version storylines is the "evergreen" part of an asset management firm's story for educating and persuading people to understand and buy into how it invests: the process behind the strategy. Copy should focus on explaining the investment opportunity and the product's place within an investor's total portfolio, communicate how the portfolio is structured and managed, and promote the soundness of the investment process followed by the investment advisor.

In crafting a money management firm's storyline it is important to determine what should be the buyer-focused key selling messages and set the priority in which they should be presented in order to communicate a linear storyline. Money management firm owners need to determine what sales language to use, with consistency, in verbal and written sales presentations and in marketing materials.

Long version storyline copy should serve as the content to apply to marketing tools such as a brochure about the investment process, flip chart presentations and the website. The copy content will also serve as the basis for in-person verbal presentations about the product.

Additionally, the key selling messages about the investment beliefs and process behind managing the product should be used as secondary themes in quarterly or monthly letters to investors. (This content will remind investors of reasons why they invested with the firm in the first place. Also, it will help turn the IR letters into marketing documents that can serve to demonstrate that the firm does stick to its investment process for the product.) These key selling messages can also serve as the guidelines for what points to seek to address later on in conference speaking opportunities and with the financial trade press.

Short version storyline copy often serves as the firm's "elevator pitch". The content can also be applied to a backgrounder/fact sheet type document to distribute when seeking to convince a prospect to schedule an in-person meeting and as copy points to use in sales letters of introduction.

Building a storyline about investment process and philosophy that satisfies institutional investors and differentiates an asset management firm from its rising competition requires thought and content that goes beyond a few bullet points on one or two pages of a flip chart pitchbook.

It's obviously tough enough for emerging managers in having to dedicate more attention and dollars to having in place institutional quality, arms length and transparent operations and administration; something that is no longer a firm differentiator and that many portfolio managers consider to be one step away from their day-to-day task of managing the portfolio. Yet, for those asset management firms that don't also heed the call to devote more attention and resources to communicating more detail about how they invest — and what sets them apart from the competition — they will find their ability to survive and thrive becoming even more difficult.

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