Marketing To Sophisticated Investors column
by Bruce Frumerman, CEO, Frumerman & Nemeth Inc.

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A Test For Your Marketing Collateral: The Competitor Differentiation Challenge

Money managers who do not effectively differentiate themselves, and instead tell the same story they have seen competitors deliver, should rightly fear getting rejected by busy, skeptical, sophisticated institutional investors. This *Heard it all before* problem is the fund marketing brick wall your investment firm should seek to avoid. This is what my financial communications and sales marketing consulting firm refers to as the ‘So what?’ factor. This is the knee-jerk response from sophisticated investors when being marketed to with nothing but copycat content.

It is the rare portfolio manager who is both investing in an atypical asset class that most sophisticated institutional investors are not already actively allocated to, and who has uncommon expertise as a money manager.

Instead, the majority of portfolio managers invest in the types of securities to which institutional investors already have allocations. These portfolio managers do not tend to have hundreds of competitors, they more likely have thousands. Your money management firm probably fits into this majority. Further, the same family office, endowment, foundation, institutional plan sponsor, investment consultant gatekeeper or independent RIA firm your money management firm is seeking to introduce itself to and win over as an investor has already been pitched by tons of portfolio managers seemingly like you before you. These investors are pitched by so many money managers on so many products and strategies that they have learned to quickly separate what may seem to be intriguing from what seems to be the same old thing, not even repackaged.

To paraphrase what I have heard be one of the most common complaints by these institutional investors about the money manager pitches they get is *We are being pitched too many "Me Too" strategies.* So, what is going on?

The trend among many portfolio managers is that the time and attention given to creating and delivering the content institutional investors look for when conducting their due diligence evaluations is only twofold: they have their company's fund admin firm help produce a monthly performance 'tear sheet' for a product, and make a one-time effort to put together a flipchart pitchbook.

While a pitchbook is the right tool for giving data elaboration about performance, such as performance attribution and relevant risk related characteristics, it should never be used as the only tool for putting in print an explanation about how the strategy is run. Since paragraphs of extended copy cannot fit into a flipchart format, bullet points of a few words in length are used to 'telegraph' meaning and detail that goes beyond the bullet point phrases used. More often than not, no other written elaboration is ever provided. That is problem enough. But what rubs the frequently pitched, sophisticated investors the wrong way is when a money management firm copies the same generic phrases seen in hundreds or thousands of other pitchbooks these investors have received.

Such action by portfolio managers is not thought of by investors as following any best practices model. Instead, as one family office investor confided in me, "I feel like I'm a teacher having a grade school class taking a test while I'm standing in front watching kids lean over the desk next to theirs to copy what their neighbor wrote." This is how many prospective investors view the portfolio managers and salespeople who have unsuccessfully pitched them.

There is also a second problem with using the same generic phrases seen in hundreds or thousands of other pitchbooks. The money management firm's statements are perceived by the sophisticated, skeptical investor as being unsubstantiated at best, or evoke a 'Guilty until proven innocent' or 'I don't believe you' reaction in their minds. Unfortunately, institutional investors will tend not to tell you this; they just won't allow your firm to continue marketing to them.

A test for your marketing collateral

Re-examine the pages of your pitchbook that contain text about how you invest. Think about your competitors similar to you. If you can replace your firm's name on the page with that of one or more competitor you are highly likely to find yourself facing the 'So what?' fund marketing challenge.

To overcome this obstacle, you need to rethink how to explain your investment process and strategy implementation in greater detail. It is a firm's opinions about this that differentiates it from those with similar performance. You also need to rethink what marketing document should contain this vital content upon which your sophisticated prospects are going to be evaluating you. The flipchart pitchbook is not the answer.

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About the author

Bruce Frumerman is CEO of Frumerman & Nemeth Inc., a 31-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.