

Marketing Your Fund: a starting point

by Bruce Frumerman, president, Frumerman & Nemeth Inc.

There are still thousands of hedge funds in the marketplace; more than enough to clutter the competitive landscape. While some firms will prosper, many will not. Many, in fact, will close their doors. Not because their trading strategies blew up but because they didn't attract the AUM needed to fund ongoing operations and attract larger investors.

So, what is it that enables one money manager to grow and retain assets while a competitor cannot? 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.

As an institutional investor was quoted in the financial trade press as saying, "I am not going to buy a track record. I want to buy an investment process." Remember that comment. It lies at the heart of what you are selling.

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.

Many of your competitors are making a tactical error that you can turn to your advantage. While all budgeted for legal and accounting, for research and for securities trading services, many didn't budget for marketing! To them, marketing is an afterthought. So, here's a tip: you have to budget for marketing! Handling marketing right costs more than just money; it also costs you time and effort. So you need to budget for that, as well. But what do you have to budget for? Two sets of activities, not one.

Two parts to planning your marketing

I want to let you in on something that many hedge fund firm owners don't realize. 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 cannot 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 verbal sales presentations and marketing collateral to letters to investors and interactions with the press.

Most emerging managers begin by having investors who are friends and family; people who already thought well of them and trusted them. Once these money managers begin marketing to strangers, however, they often find themselves getting a much chillier reception.

As one boutique money management firm owner confided in me, now that he has seen how tough it is to interest strangers in his firm and convert them into investors he realizes that he could have talked Jabberwocky to some of his friends and family investors and they still would have invested. They knew him and, in their minds, that was enough. Selling to family offices, endowments and foundations, High Net Worth investors, fund of funds, institutions and financial planning and investment advisory firms that invest on behalf of their clients, however, is another story altogether.

So, as you are planning your prospecting for investors keep in mind that most money management firms are guilty of not putting in the time and effort needed on planning their efforts to sell strangers on investing with them. If you are willing to be a contrarian (as all good investors are supposed to be) you can use this to your advantage. First, build your storyline and the tools needed to communicate it. With that communications marketing content in hand you can then arm your sales person and initiate your sales marketing program.

It is going to take work to build your communications marketing content and collateral, much like when you were formulating your investing strategy. But the payoff is that you'll dramatically increase the odds that you will both stay in business and grow your business.

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About the Author

Bruce Frummerman is president of Frummerman & Nemeth Inc. (www.frumerman.com), a communications and sales marketing consultancy whose work for money management clients has helped attract over \$7 billion in new assets, yet Frummerman & Nemeth is not a third party marketing firm. Frummerman & Nemeth helps money managers to develop buyer-focused positioning strategies and storylines to differentiate them from their competitors; create more cogent and compelling sales presentations and marketing materials to better tell their story; and use media relations marketing and industry conference speaking opportunities to help establish a branded identity for their organization by generating third-party endorsement for the expertise of their people, the value of their services and the quality of their products. Bruce can be reached at info@frumerman.com.