

Margolis Advisory Group



Inside a Successful Investment Management Firm

Building a Premier Marketing, Sales and Client Relations Organization

Paper 3: Determine Product and Distribution Model, and Build Marketing, Sales and Client Relations Organization

- Willingness to **understand the role and importance of marketing** is critical.
- A **solid core competency** drives the product design and management process.
- Institutions now expect **tailored solutions rather than standard offerings**.
- An investment in a **strong marketing team** ultimately will yield large dividends.

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Executive Summary

The “new normal” environment, marked by increased competition and leaner profit margins, has redefined the key drivers of lasting success for investment managers. In the past, managers could survive—and even thrive—primarily on solid investment capabilities, with little concerted marketing effort. No doubt, times have changed.

A firm’s success is often dependent on its willingness and ability to adapt to change. This new landscape calls for a strong marketing team, strategy and plan. Managers that respond to the need for focused attention to marketing, and are committed to do the work necessary to develop a marketing team, strategy and plan are more likely to enjoy lasting success.

Inside a Successful Investment Management Firm is a three-paper series that presents the process to build a premier marketing, sales and client relations team (“marketing team”), and its role and importance to a manager’s long-term success.

The initial paper provides a macro-view of the process to build a team—a foundation—from which to delve deeper into the individual steps of the process. The second paper details the first two steps of the process: define capabilities and offerings, and develop marketing strategy.

This third and final paper in the series offers an in-depth look into the final steps in the process:

- ▶ **Determine Product and Distribution Model**
- ▶ **Build Marketing, Sales and Client Relations Team**

The process is a blend of discipline to provide logic and structure, and sufficient flexibility to accommodate both new and established firms. Whether a firm is seeking to build a team or evaluate an existing one, or develop a marketing strategy or ensure the veracity of a current one, the process is proven effective.

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PROCESS DISCIPLINED AND SYSTEMATIC

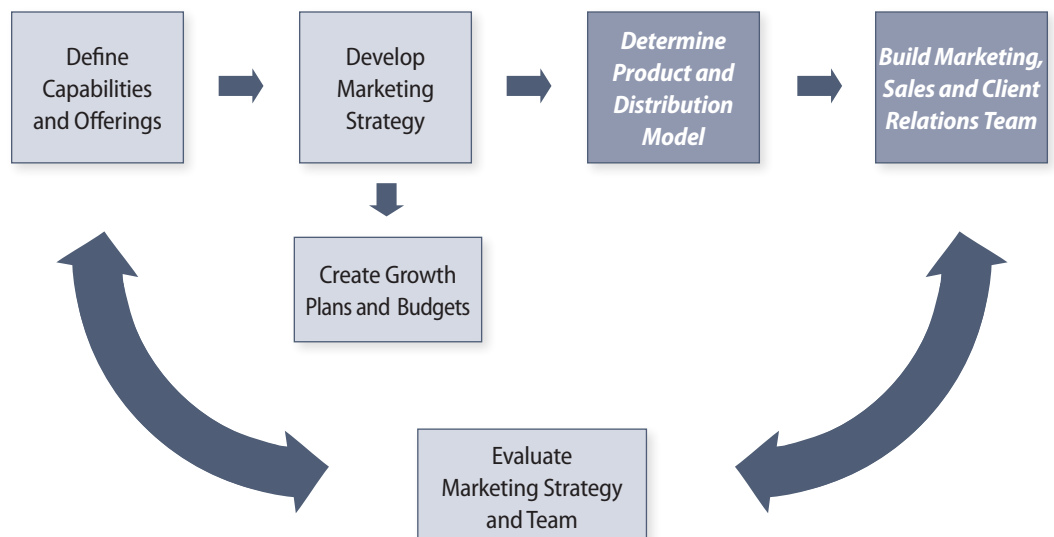
Recovery from the financial crisis that began in 2007 has started to take hold, albeit sluggish, challenging firms whose business models were successful in the robust pre-crisis environment. Against this “new normal” backdrop, managers—even those with a long history of success—are forced to examine and prepare their investment, marketing and client service functions to respond to increased and different demands from their clients.

The crisis exposed financial risks that were once—and often long—hidden, pressing managers to respond with solutions to investment risks, while generating adequate returns. Increasingly, firms are adopting a solution-based business model over the more popular product-based model. To achieve lasting success, investment management firms and their marketing teams, need to develop a fresh approach to address clients’ needs, and client-facing professionals must be able to articulate innovative solutions.

Managers must understand the necessity of a premier marketing team, strategy and plan to their success. Then, armed with this knowledge, they must follow the process to position the organization to thrive.

The process to build a new team or evaluate an existing one is designed to accommodate firms in all phases of maturity from start-up to expansion. Disciplined yet flexible, the process serves as a logical guide driven by the firm’s skills, resources, and stated goals and objectives.

This paper offers detail and direction on the final two steps of the process.



DETERMINE PRODUCT AND DISTRIBUTION MODEL

START NARROW THEN EXPAND

Investment firms focused on a specific product and distribution strategy tend to be more profitable than managers with a broad focus. While firms can be tempted to cast a wide net across product and distribution channels in the hopes of capturing market share, an intentional strategy is most advisable. Managers that hone in on a specific market or investment discipline before considering expansion are more likely to achieve both short- and long-term success.

Firms should define core investment competencies and stay committed to those strengths in the product design and management process to establish a sound reputation and track record.

Distribution channels should be selected carefully for a natural, easy fit. For instance, the firm should focus on distribution channels that are best suited to its culture and investing style, or are aligned with leadership's industry connections and expertise.

While expansion into other investment disciplines or distribution channels is not discouraged—and can even be both encouraged and effective if executed logically and carefully—timing is critical. Expansion should only be considered after the firm has established and proven its core competencies. Importantly, an expansion should be understood in the marketplace, such as the addition of a complementary investment discipline or a move into a similar distribution channel.

Generally speaking, firms are driven by:

- ▶ a specific investment expertise, in which case it will likely stay narrowly focused on that particular investment capability, or
- ▶ sales strength in a specific channel, in which case it will typically remain narrowly focused in that channel

In the first case, it may make sense to broaden distribution of investment capability into as many channels as possible. Whereas, in the second scenario, it may be logical to thoughtfully expand the product menu.

Firms often expand by broadening their product menu and/or distribution, reasoning that diversification can be particularly beneficial as asset classes and distribution channels cycle in and out of favor. However, this approach can be faulty in that developing a favorable reputation and brand can be more challenging when a firm's focus is diluted.

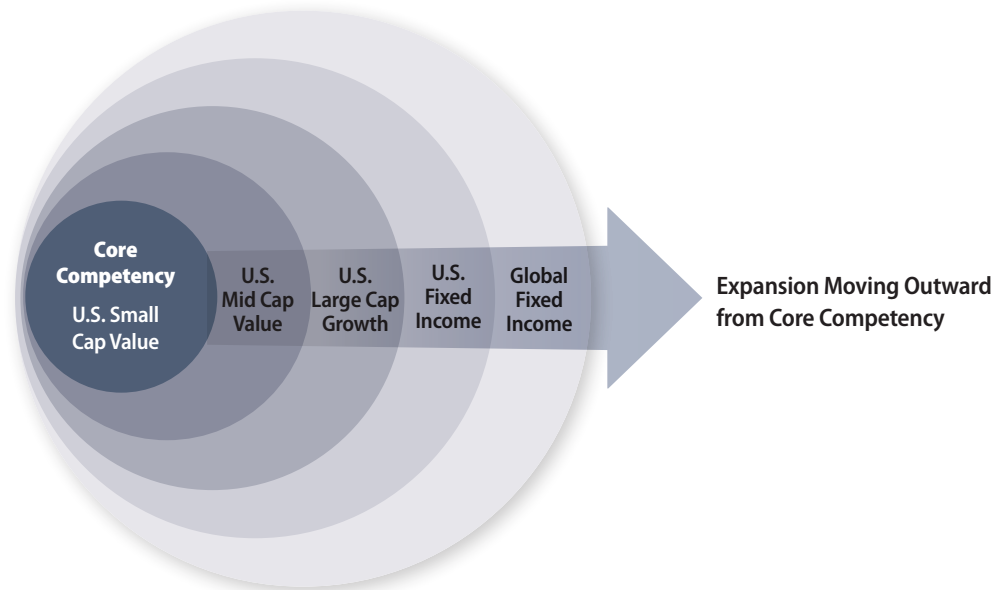
In the diagram on page 5, the innermost circle is a firm's core competencies. Each successive circle advancing further from the core represents an expansion beyond the stated competencies. The outermost circles illustrate capabilities that are not

“Managers that hone in on a specific market or investment discipline before considering expansion are more likely to achieve both short- and long-term success.”

correlated closely to their core competencies. When considering expansion away from the core, investment firms should move gradually rather than leap to outer circles in which they are unlikely to have competitive experience.

PRODUCT DISTRIBUTION AND CHANNEL EXPANSION

Example: U.S. Small Cap Value managers should expand logically to similar strategies (inner circles) rather than stretching too quickly—if at all—to notably different strategies (outer circles).



A manager must demonstrate an advantage, in terms of investment capabilities, over a period of time to make a solid footprint in the marketplace. By targeting specific products and distribution channels, a manager is better positioned to penetrate the crowded marketplace and accomplish objectives. A firm's product and distribution model must also align with its resources, both availability and the nature of its expertise.

In terms of size, start-up firms often have limited resources for distribution, underscoring the need to be focused. More mature firms, with the ability to add resources, have the option to:

- ▶ add resources to existing distribution channels for greater penetration, or
- ▶ allocate resources to other distribution channels to expand beyond their original target client base

In all cases, expansion should be sensible, considering the concentric circle concept, correlated with investment and distribution capabilities. Ultimately, a natural extension of capabilities will be better understood—and accepted—by the marketplace than a radical change or addition.

As illustrated in the graphic above, an established small-cap value manager may, at some point, consider expanding its product lineup. The most logical expansions, and the ones closest to the core of the concentric circles, would be to stay within the value style: micro cap, mid cap, or smid. Expanding into large cap

would be a reach, and moving into a growth strategy would be an even greater stretch. Clearly, a move into fixed income or other asset classes beyond public equity would be a distinct departure from its core. Bottom line: the further the firm moves from its core, the more difficulty the marketplace will have accepting the firm's competency in new areas.

Likewise, an attempt to expand into new distribution channels without expertise can be difficult. Consider a firm that has been successful on a platform distributing to high net worth individuals. Charging the same personnel to also service institutions is an unrealistic expectation. However, a firm focused on a segment of the institutional marketplace, such as endowments, can rely on its existing personnel to service foundations.

Expansion of investment products or distribution channels can also be accomplished through the addition of experienced talent. In the case of investment products, a team can be lifted-out from another firm, although team lift-outs can cause organizational disruptions. Adding experienced sales personnel to expand into a new channel is often logical and less susceptible to marketplace objection. In both scenarios, the firm must be careful to ensure seamless integration, without disrupting culture or collegiality.

DEFINE DISTRIBUTION MODEL

A firm's distribution model is a platform from which to operate and expand, when and if desired, and as appropriate. The typical distribution channel consists of three components: channel, segment and focus. Two major channels in the industry are institutions and intermediaries, which are characterized by distinct segments. In terms of focus, firms typically organize staff by geography or specialty.

Following is the framework on which to establish a distribution model for the institutional and intermediary marketplaces.

CHANNEL	Institutional	Intermediary
SEGMENT	Such as Defined Benefit, Defined Contribution, Endowments, Foundations, Taft-Hartley	Such as Defined Contribution, Variable Annuity, Bank Trust, Subadvisory
FOCUS	Geography vs. Specialty	Geography vs. Specialty

CHANNEL AND SEGMENT

To determine target channels and segments, a firm should identify those markets in which its products are a rational fit. Managers often target one channel, and one or more segments. However, larger firms may choose to service both the institutional and intermediary channels—a practice that has become common in recent years, as the due diligence and selection processes of the two channels have increased in similarity.

“The institutional and intermediary channels are defined by distinct product needs, buying behavior and client service requirements.”

It’s important to note, however, that there are significant differences between the channels, so managers should be thoughtful in deciding to target both.

The institutional and intermediary channels are defined by distinct product needs, buying behavior and client service requirements. To successfully cater to both channels, firms need to understand the nuances of the different clients, and be staffed to offer tailored investment and business skills, and services.

For instance, when an institutional firm expands into the intermediary channel, it must provide not only investment services directly to a client, but also arrive at a business arrangement with an intermediary that will then market the firm’s investment capabilities to its client base. This arrangement involves compensation to the investment manager, an agreement on potential distribution support for the intermediary, and perhaps, marketing and branding considerations.

Defined contribution is an area that spans both institutional and intermediary. In this space, the institutional plan sponsor selects managers to be included in its plan; however, only the manager’s products on the intermediary recordkeeping platforms can be considered for the plan. Large plan sponsors, in particular, benefit when the investment manager markets its capabilities to both the platform (intermediary) and the plan sponsor (institution).

Institutions

Institutional clients can be categorized as corporate pension funds, public pension funds, endowments, foundations, Taft-Hartley and insurance companies. Each of these is a distinct segment, although endowments and foundations are often combined. Insurance companies represent a relatively new and growing area, commonly accepted as a distinct institutional segment. Overall, growing an institutional client base requires patience to cultivate relationships with, and gain the confidence of, potential clients over time.

Investment consultants influence the asset management decisions of a large number of institutional clients. Institutional clients, with the possible exception of insurance companies, use consultants extensively. Therefore, a consultant relations team can leverage long-term business growth.

To ensure the credibility of a manager’s capabilities, consultants conduct in-depth due diligence for an extended period of time. Among the most important factors in the due diligence process are:

- ▶ successful management of one or more products
- ▶ consistent performance
- ▶ adherence to stated investment strategy, which is derived from a reasonable investment philosophy
- ▶ clear description of investment process
- ▶ a stable team

Earning a solid reputation with consultants is necessary to be considered for the numerous new client mandates awarded each year. These same criteria are also used for evaluation by sophisticated institutions directly, and increasingly, intermediaries.

It's often most effective to market to both institutions and their consultants. While consultants augment the direct plan sponsor connections, marketing directly to the plan sponsors is still necessary since a number of large sponsors don't use consultants, making decisions on their proprietary research or knowledge of the asset management universe. Also, a sponsor that uses a consultant may still be inclined to select a manager based on a personal relationship, and they often introduce their consultants to new managers.

Intermediaries

Intermediaries hire investment managers for further distribution of products to their clients. In the past several years, intermediaries began conducting due diligence comparable to that of consultants and institutions. At the same time, intermediaries are emphasizing the importance of business partnerships with managers, placing a premium on growing assets at a mutually beneficial price point. Distribution strength is also an important element in the hiring decision.

In fact, intermediaries often require distribution support from managers. Intermediaries prefer to partner with managers that enhance their reputations as financial service providers because brand recognition and compatibility can significantly impact the success of manager/intermediary partnerships.

FOCUS

A firm's focus informs the final step in the process, which is to actually staff the team. Establishing a distribution organization typically requires a trade-off between effectiveness gained through specialization and efficiency gained through geographic focus. Both are viable approaches when the realities of a firm's product menu and staff are considered. The structure of a distribution model is based on a variety of factors including:

- ▶ Business goals
- ▶ Resource availability
- ▶ Quality and strength of existing personnel
- ▶ Supporting Infrastructure

Specialization

A firm's ability to specialize in a segment depends primarily on the size of the firm and staff, with larger firms generally better equipped to specialize. Understandably, a small or start-up firm with only a couple of sales people does not have the capacity to specialize.

While a firm does not necessarily have to move to a specialization strategy as it grows, it can facilitate greater distribution expertise and credibility to

“Sales professionals must understand specific objectives of each client then marry their firms’ investment capabilities to those objectives.”

the marketplace. Specifically, client-facing professionals will appear more knowledgeable about a particular segment’s investment needs, therefore, garnering more credibility with prospects in that segment.

Institutions in the current marketplace are increasingly expecting investment managers to provide tailored solutions to their needs rather than simply offer a standard product. To be effective in this new environment, sales professionals must understand specific objectives of each client then marry their firms’ investment capabilities to those objectives. This means that sales professionals will need greater expertise about their clients’ businesses than in the past, therefore, influencing firms to be specialized.

Specialization often begins with positioning products in the consultant community. In fact, many firms with limited distribution capacity that want to target institutions choose to cover consultants before they call on institutions directly. Since consultants track managers and their products for an extended period of time to determine suitability for client mandates, it’s important to gain exposure in the consultant community as early as possible.

The strongest strategies are not necessarily in the highest demand within the consultant community. For instance, the market is typically saturated with large-cap domestic strategies, while small-cap offerings are in short supply. With this in mind, firms should consider the supply/demand balance in the marketplace when positioning strategies with consultants. This analysis should extend to the entire target market.

Distribution can also be organized by strategy, although this structure should be considered only with highly specialized products in which expertise is necessary to be effective. This is most often the case with alternative offerings such as hedge funds, private equity funds and real estate. However, in a multi-product firm with generalists covering traditional offerings, coordinating client and consultant relationships with product-focused sales personnel can be challenging. In all situations, client communications is important, particularly in describing the client relationship model; specifically, clients should have one primary contact.

Geography

Firms focused on either the institutional marketplace or the intermediary channel can consider organizing a sales team entirely by geography, in which case each individual covers all segments within a specific region. Generally, firms that choose this model have small sales teams that prohibit specialization. However, some larger teams are organized in this manner, especially if the firm does not target many different segments.

While organizing by geography—within the U.S.—is considered an efficiency strategy, when targeting clients on a global basis, this strategy becomes a specialization. Clients around the world are characterized by different cultures, languages, investment objectives, regulatory environments, and buying

behavior. A local presence to focus on clients within a particular country or region may provide tremendous advantage. In this sense, when constructing a global distribution model, organizing by region or country may be considered a specialization strategy.

The key to a successful specialization strategy is both the local presence and the external awareness of specialized expertise. With notable differences in investment needs around the globe, country or regional specialization can be a smart team structure.

BUILD MARKETING, SALES AND CLIENT RELATIONS FUNCTION A STRATEGIC, THOUGHTFUL PROCESS

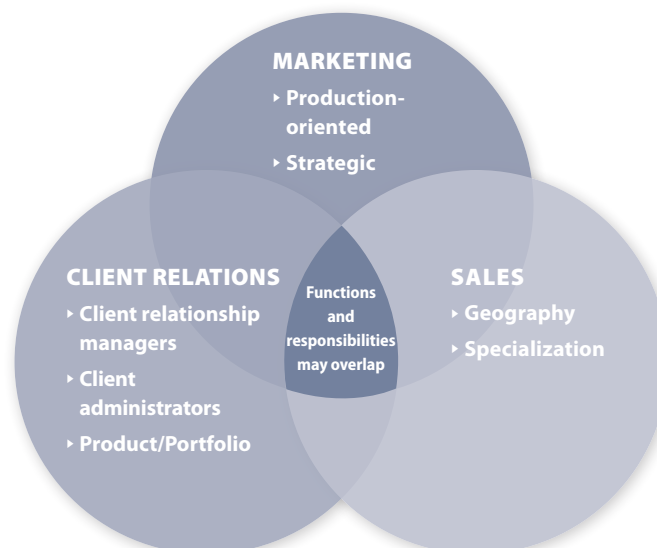
Firms should carefully staff the marketing, sales and client relations organization for maximum effectiveness and efficiency.

While marketing teams across the gamut of firms will perform the same function, they vary in size and structure. A firm may have a one-person department, with the one individual performing all functions, while another firm may have a 50-person staff organized by distinct divisions and sub-divisions. Still another firm may have a large, functionally integrated staff. Regardless of structure, the firm must clearly define the responsibilities of each individual. Perhaps most importantly, the team should be organized and encouraged to operate as a cohesive, collaborative group.

Following are the three primary functions in the overall marketing area, as well as the hiring process:

- ▶ **Marketing:** Execute the firm's marketing strategy and supports sales.
- ▶ **Sales:** Distribute the products and solutions according to the marketing strategy.
- ▶ **Client relations:** Manages the relationships with clients gathered by the sales team.

MARKETING TEAM HIRING PROCESS



“Marketing is the process of creating, communicating, delivering and exchanging offerings that have value for a firm’s clients.”

In the initial building stages, it’s wise not to build out all three functions in advance of bringing in clients. After all, a client relations function is not necessary until there are clients to service. However, a firm must balance this reality with preparedness to service clients as soon as they come on board. Therefore, at inception, a firm may have an integrated team in which sales personnel are also prepared to service clients. It’s likely that a firm may have staffed marketing personnel at this point; however, small firms may charge sales people with the marketing function.

Generally speaking, multi-functional individuals are more sensible from a financial and operational perspective. Then, as the business grows, the functions can become more distinct, with specialized individuals.

MARKETING

What is marketing? Firms across the industry are challenged by this question. Simply stated: marketing is the process of creating, communicating, delivering and exchanging offerings that have value for a firm’s clients.

A well-designed marketing group within an investment firm will perform two primary functions: production-oriented and strategic. Most individuals are best suited for one role or the other, in terms of skills and interests, as the functions are distinctly different.

Production Oriented

Production-oriented functions are most commonly considered marketing support. In reality, these functions support the sales and client service processes. These functions include: RFP production, presentation creation, portfolio reporting, and market commentary development. A high-functioning production team can add tremendous value to the organization through both improved sales effectiveness and client service. This area is also a powerful training ground from which talented staff can grow.

Production-oriented marketing functions are particularly suitable to outsourced solutions. When building these functions, management should always evaluate the option of hiring versus outsourcing specific positions. The financial crisis forced most managers to downsize, leaving them to operate with lean staff and budgets.

As managers are re-staffing, many are outsourcing the marketing function due largely to the increase in skilled and experienced consultants combined with the cost efficiency relative to hiring a full-time employee. Many firms also rely on outside resources, specifically for reporting services, or graphic and web design, for a quick ramp-up or rebuild, with less expense and long-term commitment.

Strategic

Strategic marketing looks beyond immediate circumstances, in the process clarifying long-term goals. Again, this function is largely underdeveloped at investment managers, often garnering only cursory attention from senior

management. Managers that thoughtfully develop and execute a strategic plan rather than rely on spur-of-the-minute decisions are more likely to achieve lasting success. Strategic marketing develops a sophisticated view of the firm's positioning, the competitive environment and marketplace trends. Important components of a strategic marketing plan, designed to shape the direction and growth of the firm, include promotional campaigns, Internet marketing, advertising and public relations.

SALES

A common question among managers is how to organize a sales team for maximum effectiveness and production. Virtually all managers believe they should be able to squeeze more out of their sales function. A firm may sense that production is sub-optimal, without being able to pinpoint the cause. In fact, the reasons are often outside the sales function, such as weak or inconsistent investment performance or processes, poor leadership or culture, or unfocused marketing. Still the sales function must operate at top form for the firm to be productive.

While there are general guidelines for sales structure, it's important to recognize that a number of different structures are effective. A successful sales team is built from the ground level, with the design and structure fitting the overall firm.

A general rule that is applicable in most cases is the practice of organizing a sales team around the client, not the product. Organizing around the client is outward looking and sensitive to client needs, while organizing around the product is inward looking and focused on the firm's own investment group rather than the client. This is especially important in today's environment in which institutions expect asset managers to understand their businesses and offer thoughtful solutions to their investment needs.

Single-product firms or those with highly technical products sometimes organize around the product successfully, since extensive product knowledge is vital. However, exceptions to the client-focused structure should be carefully analyzed before implementation. Organizing by product may leave a client confused and frustrated with multiple firm contacts, and a sense that the firm is pushing products rather than responding to specific needs.

Firms should consider that with the increase in products comes the need for specialized information and resources to equip the sales personnel with sufficient knowledge in all product areas. Product specialists, discussed on page 15, can satisfy this need.

Geography

At a small firm, or during the early stages of staffing a U.S.-based sales team, it often makes sense to organize geographically. If the firm wants to cover the country broadly—across one or more segments—the most sensible

“A multi-channel focused firm—those targeting both institutional and intermediary clients—must understand and respond to the unique needs of these clients.”

way to do so, with limited resources, is to segment the country such that each sales person covers a region for all segments. An alternate structure is to organize professionals by segment, such as endowments or Taft-Hartley prospects. However, charging the professionals to cover the entire country within their respective segment is inefficient from a travel, cost and productivity perspective. The travel required by this arrangement can be particularly taxing on the staff, which can lead to a high turn-over rate.

The primary reason for considering this approach is a situation in which the firm feels that its positioning is quite different between segments, warranting specialists for ample coverage. In this scenario, the manager may also consider a hybrid structure if there is a particular segment that requires specialization, or if there is a sales person who is notably strong in a specific segment. For example, one segment may be organized in a specialist structure, while the rest of the market is segmented by geography. Once again, sales structure is not a one-size-fits-all solution.

The broader the target client base, the sooner the manager is likely to move to a specialist structure. This is true because a geographically organized team is often unprepared to service a broad range of clients, especially in the current environment which demands deep client knowledge.

A multi-channel focused firm—those targeting both institutional and intermediary clients—must understand and respond to the unique needs of these clients. Representing the firm to these different types of clients requires somewhat of a different knowledge set and sensitivity to the culture and needs of these different client bases. Requiring the team to cover multiple channels can exert undue strain on the staff, resulting in inadequate client service, which may negatively impact client retention and growth. However, if the firm is focused on one channel, or even more specifically on one or two segments within a channel, a geography-based structure can remain effective for some time, perhaps indefinitely.

Specialization

From a specialization standpoint, firms should maximize each employee's strengths and specialties. An employee who brings extensive public fund experience to the table should focus on that area. At the same time, an individual with established relationships with institutions or intermediaries outside of an assigned region might stretch beyond that region to cover those firms. Overall, the team structure should clearly define responsibility and accountability, with flexibility for adjustments and modifications that are in the best interest of the firm and its clients.

As mentioned previously, a firm with global reach has somewhat of a different geographic/specialist dynamic than a firm solely focused on U.S. distribution. In the U.S., there is little difference in buying needs and behavior across geographic regions.

A local sales professional, or agent, who is knowledgeable of local needs, cultures, and proper business behavior of their respective geographical location can significantly advance the firm's sales effectiveness. Therefore, when operating across countries, a firm may be better served to organize geographically to capitalize on the local knowledge. In this sense, a geographic structure actually becomes a specialist structure when the specialty is defined as country-specific knowledge.

Just as the firm should initially establish a narrow focus on products and distribution and expand gradually, the sales and consultant relations teams should be built purposefully as the business grows. Managers are often tempted to add sales people as the firm gains even slight momentum; however, business development in the investment industry typically takes longer than management expects, and managers should resist the urge to staff too early. On the other hand, managers need sufficient resources to build a sizable product pipeline. While striking this balance can be challenging, it's both necessary and possible for a firm's success.

CLIENT RELATIONS

The client relations staff is primarily responsible for ensuring a consistently positive client experience. While the team structure varies among firms, the bottom line is the same: when properly managed, clients can be a valuable source of recurring revenue, through the retention of current business, cross sales and referrals for new clients. The client relations function is generally not as high profile as the sales function. However, if firms consider the cost of losing clients relative to the years of effort attracting them, the value of client relations is more understandable. Further, the cost of losing a client extends beyond the actual revenue loss, often resulting in damage to reputation, as well.

Generally speaking, there are three roles in the client relations area:

- ▶ Client relationship managers
- ▶ Client administrators
- ▶ Portfolio/product specialists, sometimes called client portfolio managers

Client Relationship Managers

At many firms, sales personnel serve as relationship managers for clients, functioning as the "quarterback" for the firm's relationship with the client. Other firms separate client relations from sales, with different personnel serving this function. Either structure can be appropriate, based on the skills of the staff, and the communication among the client-facing colleagues.

This role is particularly important in the case of complex relationships in which the client may be invested in several different products. An experienced client relationship manager can harness the various resources necessary to provide

“A strong client relationship manager can pay large dividends by providing differentiated service relative to the competition, and by gaining insight, which is useful for retention and new product development.”

customized client service, and coordinate streamlined client interaction. Over time, a strong client relationship manager can pay large dividends by providing differentiated service relative to the competition, and by gaining insight, which is useful for retention and new product development.

Client Administrators

Firms often add client administrators—individuals who support the “quarterbacks” with a variety of functions, including coordination with the client’s custodial bank, clarifying reporting and accounting issues, responding to ad hoc questions, and leveraging the time of the sales people and client relationship managers. A staff of competent client administrators can greatly enhance overall client service, increasing the firm’s productivity. In terms of staffing, both relationship managers and client administrators should be added in tandem with the firm’s growth.

Portfolio/Product Specialists

Portfolio/Product specialists (or client portfolio managers) can be considered when the firm is positioned to cover the additional costs. A valuable resource to the firm, portfolio specialists are able to attend client and sales meetings in lieu of the portfolio manager. In fact, they are often more skilled in these meetings than the portfolio managers. An ideal portfolio specialist blends investment knowledge and client relationship building skills.

While these specialists are closely aligned with the investment department, they serve a client relationship role rather than a portfolio management function. Often they play a critical role in both sales and client presentations, demonstrating the investment expertise of the firm. Ideally, portfolio specialists will relieve portfolio managers of responsibilities that distract from the task of asset management. Many firms have one portfolio specialist per strategy or group of closely related strategies; therefore, firms generally add strategies and associated portfolio specialists in tandem.

From an organizational perspective, portfolio specialists may be part of the overall marketing area or the investment team. In either case, it’s important that they are viewed as tightly linked to the investment team. Multi-product firms often develop portfolio specialists linked to specific products or asset classes. In some situations, these professionals take on a business management role for their specific product or asset class.

A benefit of having both sales and client relations teams in the field is that they can harness valuable and current feedback from the marketplace through direct conversations with prospects, clients and consultants. This information should be continuously incorporated into the firm’s strategic thinking and planning through both informal and formal communications such as a client relationship management (CRM) system.

EVALUATE MARKETING STRATEGY AND TEAM

ENSURE THE FIRM, TEAM AND STRATEGY ARE ALIGNED

A firm's success correlates directly with its ability and willingness to carefully review and evaluate its product menu and distribution, marketing strategy, and marketing team on a regular basis. Successful firms are nimble, making necessary adjustments, rather than operating on autopilot. The evaluation process includes the following exercises:

- ▶ **Analyze plan and budget** to make sure the firm is functioning efficiently and effectively. A common mistake: put a plan in place then leave it, with no formal reviews or checks and balances, assuming it's working. Given the dynamic nature of the markets, firms should consider current information gathered by sales and client-facing professionals to make timely adjustments.
- ▶ **Review assets and clients under management** considering the rate of growth relative to stated plans. If asset growth is below target, research the situation to determine the possible reasons for the shortfall then develop and implement solutions to improve growth. In the event of higher-than-expected growth, make sure the client-to-personnel ratio is sufficient to provide high quality service. In either case, analyze whether the trend is short-term or likely to be sustained, and whether adjustments to the plan or even the organization are necessary.
- ▶ **Evaluate product menu and distribution** to determine if expansion is an option for the firm. Expansion should always be considered carefully before action is taken, and should usually be incremental, moving gradually out from the core of the concentric circles. Many successful firms remain focused; expansion is optional.
- ▶ **Monitor marketplace trends and competition** to make certain the firm is properly positioned based on the most current information. Managers should analyze their situation relative to their competitors for an accurate assessment.
- ▶ **Implement a client relationship management system (CRM)** to capture real-time market and client feedback. Of course, the quality of the information is only as good as the way in which it's organized and communicated. Internal communications is particularly important, as a way of ensuring that the entire organization is aware of higher-level opportunities and challenges.
- ▶ **Consider management structure** to streamline reporting to senior management and to ensure that all distribution people are working toward common goals. Firms should institute a management structure within the group, distinguished by channel then by function, to make sure the various groups communicate regularly. For example, a firm servicing institutional clients should ensure that sales, service and consultant relations collaborate and share insights from the marketplace.

During the three-decade run of unprecedented profit margins, many successful managers were lulled into a sense of contentment, and even a false sense of belief, that its strategy and organizational structure are as efficient and effective as possible. While the strategy and structure may be working, routine check-ups will reveal strengths and weaknesses, allowing even the most prosperous firms to make timely adjustments.

CONCLUSION

The current, post-financial crisis environment presents an opportunity for managers to evaluate their organizations, and to make adjustments necessary to weather the inevitable ebbs and flows of the market.

First and foremost, managers need to understand both the role and importance of marketing, which succinctly stated is the process of creating, communicating, delivering and exchanging offerings that have value for a firm's clients. Next, firms that are committed to and execute on building a premier marketing, sales and client relations organization will be best positioned to enjoy lasting success.

The evaluation, building and review process guides firms to define core investment competencies and commit to those strengths in the product design and management process, which will build and reinforce their brand. Importantly, managers that exercise patience and resist the urge to expand their investment capabilities prematurely are more likely to build a solid foundation to withstand all market conditions.

In the process of building the team, managers should consider staff in a deliberate manner to effectively and efficiently promote their offerings and service clients. The up-front investment required to build a talented, skilled staff will pay healthy dividends in the long-term.

The bottom line: firms with a strong marketing, sales and client relations organization combined with solid investment skills—that expand gradually (and as desired)—tend to achieve more rapid success and greater, sustainable profitability than less focused firms. ■

NOVEMBER 2010

VOL. 2 • ISSUE 2

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About Margolis Advisory Group

We work exclusively with the investment management industry to enhance sales growth and retention through people, product and process improvements and practical solutions.

With extensive industry experience raising billions of dollars for investment firms, from start-ups to large organizations, we work with executive management teams, and sales and marketing staff to achieve desired results.

While our expertise assists investment managers in thinking through problems and analyzing the marketplace, our clients benefit most when we help them in translating that thinking and analysis into execution.

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