

Excess Returns

Monthly insights for investment marketing and sales professionals



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Institutional investment firms have intensified their target marketing efforts — developing white papers and website modules, for example, focused on public pension plans or endowments and foundations. These same firms, however, often fail to aim at the target when the target is sitting right in front of them. This issue of our newsletter examines the true meaning of “target marketing.”

With best wishes,

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Why Target Marketing Often Misses the Mark

I'm scrolling through my emails one fine morning, marveling as usual at the misguided nature of the solicitations that have made it through our company's junk filters (Viagra! The Latest Nigerian Investment Opportunity! Cheap Canadian Drugs!), when I spot something unexpected: “Give Minnie a Balanced Diet” says the subject line. Hmmm ... The name “Minnie” rings a bell so I open the email to find the photo and message on the right.

It takes me a second, but then I get it! *That's our dog*, I realize with pure delight. We adopted “Minnie,” now named Foster, from [Friends of Animals](#). This is her intake mug shot snapped shortly after she arrived at the shelter. An online pet store, [Petango](#), has embarked on a target marketing initiative and I am the very happy target. Over the next few weeks, looking at Foster's photo, I begin to wonder why institutional investment firms aren't better at this sort of thing. After all, **if purveyors of pet supplies can customize their sales campaigns, why can't institutional asset managers?**



*Shop for Minnie now.
Give Minnie an extra nutritional boost!*

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Alpha Partners is an investment marketing firm specializing in research and presentation strategy. Our goal is to create alpha (excess returns) by helping investment firms win, keep and diversify assets under management.

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Investment companies, I have learned through a professional lifetime of hard experience, spend big bucks on target marketing and then, when it matters most (during a finals, for example), lose their aim. **The typical in-person presentation is all philosophy-process-people — with very little, if any, deference paid to the identity, preferences and goals of the audience. In fact, some of these presentations are so relentlessly self-referential that they unwittingly defy the most basic rules of common courtesy.**

Here's what I mean by a *professional lifetime of hard experience*: the sales manager who refuses to put new business prospect logos on his firm's presentation books; the portfolio manager who says, "Oh Liz, who has the time?" in response to my few humble suggestions for customizing his book to a specific audience; the insurance asset manager who rejects as being too difficult my suggestion to develop before-versus-after case studies. **I have found this aversion to customization to be almost universal among institutional asset managers** — even among firms selling to high-net-worth individuals, where target marketing is even more likely to get results.



Target marketing requires steady, consistent aim — from the email marketing initiative that generates a lead all the way to the finals. But during in-person meetings, many investment firms lose focus on their target.

serious nature of institutional investing, many firms wisely wish to avoid creating this impression. Selling too hard is never good. But how about selling just hard enough — with a few selective references, say, indicating that you understand audience goals and preferences?

Reason #3: There is no one-size-fits-all. Getting this right requires skill in reading your target. In some cases, for example, any form of customization would be inappropriate. During a finals, certain audiences only want the information they need, packaged in a precise way, so as to make a swift, informed decision. (Even these efficient souls, however, are likely to respond favorably to a presentation indicating some awareness of their identity.)

Our world is filled with smart, competitive, hard-working people. Surely they don't intend to screw up key business opportunities on a regular basis. There are several reasons why so many firms fail to take target marketing to its logical conclusion. Understand these reasons and you are on your way to becoming a successful exception to the rule.

Reason #1: Many salespeople do not include customized information in their presentations because they are afraid of getting it wrong. "The consultant won't give us any information," they often tell me. But there are other sources of information — the typical RFP, for example, yields nugget after nugget of target market intelligence for those who know how to pan for them.

Reason #2: Some are legitimately concerned about appearing to oversell. I recently participated in a phone call with someone interested in selling me something. He referred to my personal interests to the point where, skillful as his approach was in many respects, I felt, just the tiniest bit, *as if I were being played*. Given the

Reason #4: Investment companies produce sales materials in such high volumes that they lack the time and resources to customize. Many firms do not have the infrastructure to produce customized books. Still, skilled professionals should know how to customize their delivery to the audience without the benefit of a tailor-made sales document.

Reason #5: Increasingly, investment firms operate in a culture of specialization where investment management is divorced from marketing, sales and client service. The product specialist model — whereby marketing professionals become experts in specific products and serve as portfolio manager proxies — allows investment professionals to stay home and focus on their clients' portfolios. This is a good thing that some firms take too far. At some investment companies, the people who generate the returns almost never interact directly with the real-life target of their efforts: the clients who need those returns to live better lives (see related article below, "Funding What?").

On February 23, 2011, I received another email from Petango with the same adorable photo of Foster (née Minnie). "Hi Liz," said the email, "Can you believe it's been one full year since you adopted Minnie?" Once again, I was surprised and delighted. I had not realized that this was our one-year anniversary of doggie companionship. And so, filled with gratitude, I ordered some new dog toys.

I almost used to believe it when people told me, "No, we can't." But I persisted in suggesting customized sales approaches and many of our long-term clients have started taking this advice and getting results. And every once in a while, I get an email about a big win or a big winning streak — and that's even better than getting a cute photo of my dog.

Funding What?

A new church. A groundbreaking exhibit for a museum. An early retirement. Special education for a disabled child. A regular monthly check for a pensioner after a lifetime of hard work. The ability to provide for more scholarship students in the class of 2015 ... The list is endless. Yet the investment industry as a whole is mainly mute on the topic of how investment returns are used. **Our industry talks about "funding ratios," but everyone involved in the process of generating and selling investment returns should spend more time thinking about what we are funding** — i.e., understanding how strong or weak returns can enrich or impoverish the lives of the people who pay our fees.



Clean, safe public beaches are one of the countless ways that strong investment returns enhance life for everyone. During past financial crises, some cities were forced to close their beaches to the public.

Selling Snake Oil

New business presentation books typically are called “pitch books.” Think about that for a minute. Do you really want to be making a pitch when you meet with a potential client? Do you really want to be a [pitchman](#) or pitchwoman? Like one of those loud people on television selling a new way to chop vegetables or one of those turn-of-the-century snake oil salesmen peddling false remedies from the back of a cart? **True target marketing requires an acute ear, an earnest desire to understand and the ability to engage in an informed dialogue — it’s not about making a pitch!**