

Excess Returns

Monthly insights for investment marketing and sales professionals



February 2014

Volume 4 | Number 2

It can be a foundation for outstanding marketing communications. Or a showcase of all the shortcomings that typify investment marketing. Its production can be a genuine team effort, bringing together the best of investment management, sales, marketing and client service. Or it is created in a ghetto where people rarely receive recognition and respect. This issue of *Excess Returns* asks defining questions about what is arguably the most important, least effective marketing document: the library of Request for Proposal (RFP) responses.

With best wishes,

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In This Issue

Beyond Cut and Paste

Opportunity or Necessary Evil?

A Plan Sponsor's Perspective

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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Beyond Cut and Paste

“Advisors who develop the same rigor of response that can marshal them successfully through the formal RFP game can use those same attributes to win business through other manager selection processes.”

— From [Marketing Institutional Money Management Services](#) by Philip Halpern

Once upon a time, an industry acquaintance asked me for some advice. He was working for a small investment firm with aspirations of building institutional assets from a base of mainly high-net-worth clients. I suggested that he consider building a relationship with a leading manager of emerging managers (MOM). The right MOM relationship, I explained, would take time, but would provide a high-quality entrée into the institutional market. He thanked me, but when I heard from him again several months later, he was downcast about the due diligence required to build such a relationship. “Gee, Liz,” he lamented, “I made some calls but those questionnaires they wanted me to fill out ... I mean, who has the time?”

I am familiar with such questionnaires and there is nothing unreasonably time-consuming about them. The questions focus on ownership and organizational structure, philosophy, process, track record, performance

attribution and patterns of performance. Rigorous responses to these questions not only fulfill RFP¹ requirements but also animate any robust investment marketing effort.

This fellow's response, however, exemplifies a shortcoming of many investment firms, from start-ups to multibillion-dollar global companies. Many small firms with mainly high-net-worth clients just want to pick stocks and quote Warren Buffett; they do not want to engage in the intellectual and creative heavy lifting required to develop a compelling set of RFP responses. And many large firms have automated the RFP process to the point where responding to major business opportunities has become nothing more than a gargantuan exercise in cut and paste.

10 Questions to Ask About Your Firm's RFP Library

To define an optimum role for the RFP in your own company's marketing initiatives, consider the following questions:

1. Does your team maintain a library of responses to frequently asked questions for use not only in responding to RFPs but also in preparing more effectively for meetings and in educating new team members?
2. Is your RFP boring, or does it capture the imagination of prospective investors with fresh examples of the investment philosophy and process?
3. Based on a review of competitor proposals, does your firm's response include an interesting, true, well-researched answer to the question, "What aspects of your firm's investment approach differentiate your strategy from that of competitors?"
4. Does the proposal communicate understanding of the goals of the investment mandate and an earnest desire to win the business?
5. Does the RFP reflect reality and can key assertions be proven?
6. Does it explicitly and fully address the questions being asked, or are some questions answered in a partial or oblique manner?
7. Is the RFP organized in a way that facilitates review?
8. Is the information provided consistent with information in other important documents such as the business plan and presentation book?

¹ For the sake of simplicity, this article uses the term "RFP," "proposal" or "RFP Library" to apply to any set of narrative responses with data provided to prospective investors and consultants. This may be in the form of consultant database content, a response to a Request for Proposal or Request for Information (RFP or RFI) or an intranet providing responses to frequently asked questions.

9. Are the members of your RFP team treated with respect and paid well, with the opportunity to participate in self-study initiatives such as the CFA Institute's [CFA Program or Claritas Investment Certificate](#)?
 10. How does your firm measure the success of its RFP team's efforts?
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Several years ago, while working with a company in Paris, I almost gave up on obtaining the information needed to create a cogent investment philosophy and process description. The RFP in English provided almost no detail and (like so many RFP writers) I was granted virtually no access to the investment team. Finally, I had an idea. I asked for the RFP response in French and ... Voilà! The French version provided a good foundation for our company's work. Because it included an in-depth, narrative description of this team's investment strategy, we were finally off and running. The RFP is the bedrock of any robust institutional marketing effort. That's why all of our firm's work in getting to know a company, regardless of the assignment, starts with a careful read of this document.

Opportunity or Necessary Evil?

Marketing professionals and new business development executives frequently tell me that their firm seeks to move away from RFP-driven searches. The RFP process required in public fund searches is perceived as excessively bureaucratic or rigged against smaller companies. This may be true in some cases and, depending on the nature of the opportunity, it may make sense for your firm to bow out of certain searches. But this desire to avoid RFPs still misses the point. Even if your firm never needs to submit a formal proposal, everyone involved in building new business and servicing existing clients will benefit from access to an inspired set of narrative responses to frequently asked questions. Viewed in this way, the RFP is always an opportunity, regardless of whether one chooses to participate in a given search.

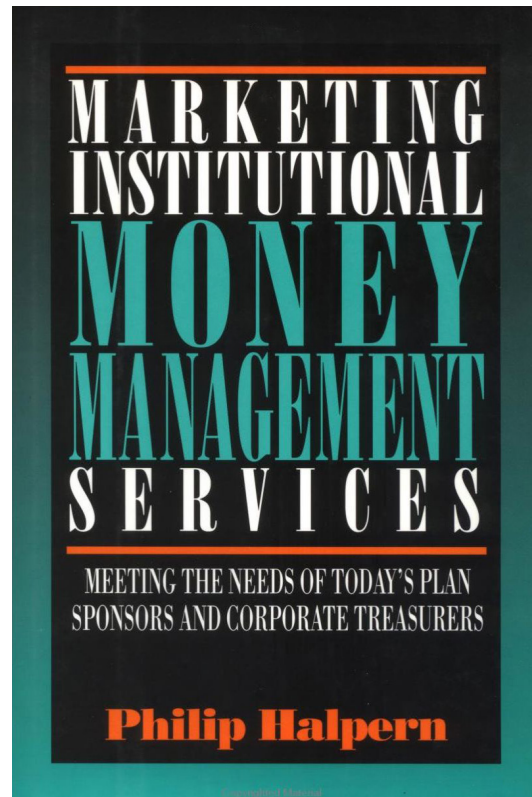


A Plan Sponsor's Perspective

Often embedded in the belief that RFPs are to be avoided is the belief that institutional investors and their consultants do not really read RFPs. But of course they do. For an interesting tour of a plan sponsor's take on diverse RFP responses, there is no better source than Philip Halpern's book, *Marketing Institutional Money Management Services*. Mr. Halpern currently chairs the advisory board of Edgeline Capital Partners, a boutique private placement firm, and participates actively on a number of industry boards and investment committees. He previously led as Chief Investment Officer the endowments at The University of Chicago, Caltech and The Washington State Investment Board. I read his book when it first came out in 1995 and I still refer to it often. The chapter entitled "Request for Proposals and the Search" offers incisive commentary on diverse answers to frequently asked RFP questions.

Based on real RFP responses,² Mr. Halpern shares his views on what resonates and what repels. "The focus on top-down," he notes of one company, "provides a consistency and discipline that most stock pickers do not have." Regarding another firm's philosophy statement, he comments: "Wyeth believes this and believes that, but why? For all the meaning that is conveyed, Wyeth might as well substitute the terms 'apple pie,' 'mom,' and 'baseball' for their descriptors ... Introducing 'value catalysts' without explaining their significance is sloppy. There is no philosophy imparted here, only gobbledy-gook."

² Mr. Halpern provides real RFP responses but fictionalizes the companies using the names of famous artists — for example, Bierstadt, Inc. or The Wyeth Company.



Philip Halpern's book makes it clear that key decision-makers read RFP responses carefully — and they also read between the lines.