Excess Returns

Monthly insights for investment marketing and sales professionals

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Inspired client service can delay terminations due to poor investment performance — possibly long enough for performance to turn around. Yet in their client presentations investment firms make the same mistakes they often make in new business presentations — with a few extra gaffes thrown in for good measure. This issue of *Excess Returns* looks at how investment companies can improve communications to their most important audience: existing clients.

With best wishes,

Liz

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In This Issue

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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What Clients Want

The first time I ever heard a client service presentation, I thought it was a mistake. Approximately five minutes into the presentation, I leaned forward and asked, “You know this is supposed to be a client meeting, right — not a new business presentation?” “Oh yes,” the presenters assured me, “we know …” and on they went enthusiastically telling me about their philosophy, their process and all the new additions to their team. Where, I wondered, was the discussion of investment performance, top contributors and detractors, new purchases and sales? And when might they get to the rationale for current portfolio positioning?

This presentation team did finally get to the point … just as their time was about to run out. But it was too little too late, particularly as their performance at the time was weak. The entire presentation, in fact, seemed designed to delay focus on the real issue at hand: disappointing numbers.

Subsequently I have learned that this mode of presenting to clients is not at all unusual. Just as often occurs during new business meetings, performance and the portfolio are routinely sacrificed on the altar of philosophy, process and people.

Best Practices for Client Presentations

It doesn't have to be this way. Here are a few key best practices for conducting effective client meetings:

Cut to the chase. Open with investment performance and the portfolio. Describe what went right, what went wrong, what changes your team has made to the portfolio and why. Then you can briefly touch on the investment strategy and any important news about your organization, always allowing extra time for questions before closing with a description of how the portfolio is positioned for the future.

Resist the urge to sell yourselves all over again. In our business, one often is advised that it is necessary to "resell the relationship" by reminding clients why they hired your firm. This certainly is good advice. Based on the many client presentations I have witnessed, however, investment companies follow this advice to a fault, in effect acting as if no prior relationship exists and reeducating clients from scratch every time they meet. A logical response is, "We know all that. We hired you already, remember? But what have you done for us lately?"

Reinforce your investment strategy — in the context of the client's portfolio. Every client meeting is an opportunity to build fresh understanding. For example: "This is a classic holding for us as we invest in companies that meet three important criteria ..." Or: "This recent underperformance can primarily be attributed to our underweighting of X and Y sectors. As you may recall, we avoid X and Y because performance is dependent on interest rate fluctuations and commodity price movements." When performance is strong, remind your clients why it might not always be strong. When performance is weak, remind them why it is likely to turn around given the nature of your strategy.

Understand when exceptions are necessary. In certain exceptional cases, it will be necessary to resell the relationship. The arrival of an important new decision-maker, for example, may necessitate a synopsis of your firm's identity and investment strategy. Providing such a synopsis will build understanding of performance patterns that may prove critical at some point in the future.

What clients want, ultimately, is straightforward commentary about what is going on in their portfolio. You should remind them why they hired you — but always in the context of what you have done for them lately.

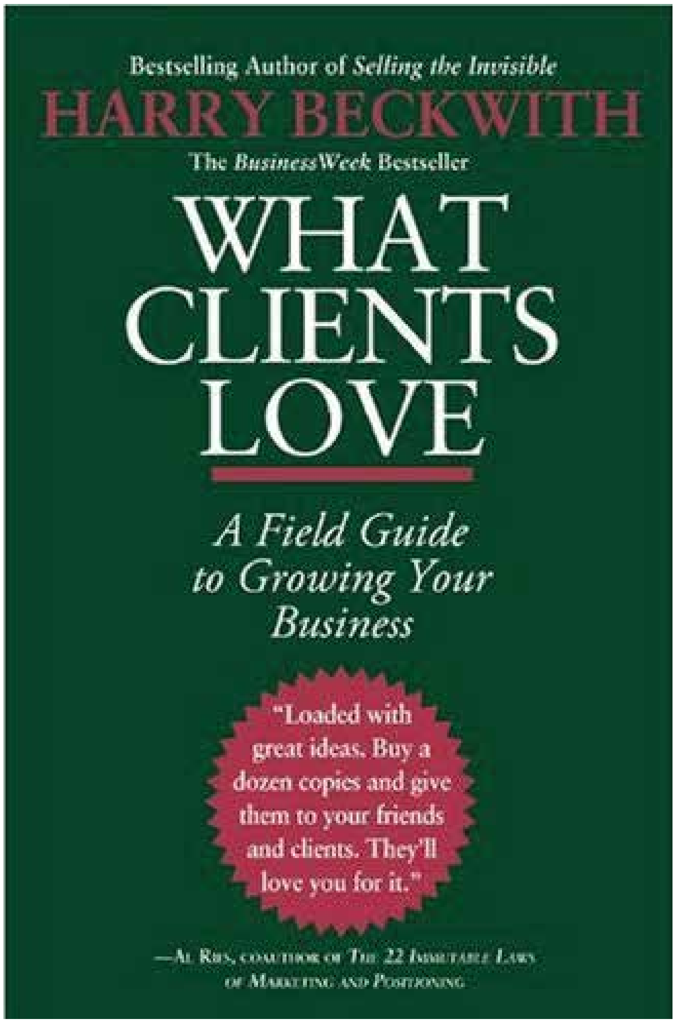
It Matters

In planning this month's newsletter, I researched the topic of client service on the Internet. What struck me is the number of current articles and research papers that still pose the question, "Does client service matter — or is it really all about performance?" Long on data and short on insights, many researchers with impressive credentials seem to have spent a great deal of time and ink providing the obvious answer that yes, it matters. Oh good, so glad we got that established. Now let's reconsider the many commonsense reasons why it matters:

Time to turn around when performance is subpar. Depending on the asset class, you may only have a few quarters to turn performance around prior to termination. Strong service generates understanding of the investment strategy, which in turn can create a climate of tolerance around performance disappointments, at least for a while — and a while may be all you need to get back on track.

The fan factor. Strong service can make the difference between clients who are card-carrying fans and thus will tolerate a few seasons of disappointment and — at the other end of the spectrum — clients who loathe your organization and will jump on any excuse to see the back of you.

Cross-sales and referrals. Fans also generate cross-sales and referrals. By contrast, clients dissatisfied with service are unlikely to refer your firm or buy another product — even when you have hot dot numbers. And how many managers outperform with such unfailing consistency that they can afford to deemphasize service? Precisely. Yet investment firms continue to commission research proving the need for compensation programs rewarding client service professionals. This represents a huge opportunity for companies that innately get it.



What Clients Love *is a classic filled with wisdom for investment company marketers and client service professionals.*

A Field Guide

What Clients Love: A Field Guide to Growing Your Business, by Harry Beckwith, is a classic filled with inspiration for marketers and client service professionals. I keep it on a reference shelf and refer to it as I would a dictionary — or a bible. Mr. Beckwith's pithy approach (a typical chapter is one or two paragraphs long) makes this book a highly desirable alternative to the many tomes written on the same topic by Ivy League PhDs who, sadly, cannot write a clear sentence. In a chapter entitled "Ask Questions Like a Priest," for example, Mr. Beckwith writes, "To get the truth, use phone interviews by independent third parties. Like the priest behind the screen, those third parties will get candid answers and you will get more accurate insights into your customers and prospects. **To get the truth, get on the phone.**" To which I can only say, Amen!

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