Guest Column

Making Your Marketing Plan For The New Year

Keith Danko is the managing partner of Witherspoon Partners. Witherspoon provides business development consulting to asset management firms, and raises capital through its Witherspoon Capital Partners subsidiary. Keith draws upon broad expertise in both allocating to and marketing asset managers, through prior roles including executive director of Goldman Sachs, ceo and cio of ACAM Advisors, and ceo of CQS US. Keith is a graduate of Duke University and Harvard Business School. www.witherspoonpartners.com

By Keith Danko, Witherspoon Partners

Eat more kale. Exercise more. Clean the junk drawer. New Year's resolutions rarely stick, but January is an ideal time for managers to make concrete (and realistic) strategic plans for the coming calendar year.

Among every manager's practical considerations—compliance, service providers, business continuity, cybersecurity to name a few—there is one vital function that is too often overlooked by many managers (and it's not the fee structure). The importance of planning a marketing and business development strategy is woefully neglected by managers of every stripe, despite marketing being the main driver of growth in virtually every other industry.

If the acronym "CAC" is unfamiliar to you (or you think it stands for an index of the largest equities listed in France), Marketing 101 may have eluded you. The Customer Acquisition Cost (CAC) is essentially the financial resources a business must spend to acquire a customer, or in the asset management world, an investor. CAC is an actual formula expressed as a ratio: dividing the total spend by the number of additional "customers" brought on board by the effort. In short, making an investment to build your business is equally as important as spending money on other aspects of the business, and managers should proactively allocate a significant portion of resources toward this effort.

One of our favorite marketing war stories involves a manager who initially indicated he did not want to pay for the retainer and expenses of a marketing consultant because, "That amount could be used to pay for another Bloomberg terminal subscription." Such short-sighted responses make an apples and oranges, and invalid, comparison. Another manager believed he had marketing "covered" by the firing of his marketing person and the hiring of a new one, with a nine-month deadline to raise money. In our view, that is not a marketing plan; it's simply a poor HR plan.

Instead of this approach, we recommend managers, both emerging and established, estimate their working capital needs for the year, and allocate a meaningful part of that to a comprehensive marketing effort.

Marketing your strategy involves articulating and broadcasting your message—what makes you unique. Ironically, managers often do not truly understand what their edge is and, in many cases, don't understand the real value-add of their strategy or even why exactly their strategy works. A manager may genuinely aspire to excel at a specific skill or investing style, but that skill or style may not be their true strength, nor even necessary to their strategy. For example, a long-short fund we worked with claimed that they were excellent market timers. After delving into the strategy and examining the daily returns, we found that the PMs were poor market timers. However, we discovered that they had unique skills in entirely different areas, ones which truly differentiated them from other funds.

More than ever, an effective, concise, and consistent marketing message is vital. Before you make plans to reach out to more investors this year, be sure you can distill your strategy's description down to 1-3 sentences. How is your strategy unique and differentiated from the pack? Your pitch must withstand the "telephone" test, to prevent mistranslations between constituents: can the investor effectively and accurately relay to his or her investment committee what is special about your fund? Your message should be consistently carried out across all marketing media, including the presentation, monthly tear sheet, website, and any social media.

Most importantly, question your beliefs about what makes you attractive to an investor. Plenty of managers believe they have identified their edge and tout it throughout their pitch. But many "competitive advantages" that managers claim to have are simply prerequisites to staying in business as an asset manager. A manager, especially an alternatives manager, would not keep its doors open long if the firm lacked an experienced team, strong track record, or uncorrelated returns. To say you have those elements does not give you an advantage; it just means you have met the minimum requirements.

Once you craft the optimal message, grab the microphone. There are many opportunities to be seized for both discretionary and quantitative-focused managers. The era of "me too" is over: managers that claim to be following trends or offering no differentiated value-add from the next fund will have an uphill battle finding capital. Right now, discretionary managers are almost shortchanging investors through the fact that they are overlooking valuable data that can enhance performance. There is a real opportunity for the non-AI, non-quant managers to punch back against "the machine." Similarly, there is a line of attack for non-passive managers to make an argument for active investing.

A new year provides fresh opportunities to throw out bad habits and proactively make plans that will grow your business. Putting resources, both time and financial, into marketing can have the most significant payoff for fund managers large and small. Seek access to marketing expertise; managers need to focus on what they do best: portfolio management, not likely marketing. After all, it wasn't a kale farmer that created and marketed the famous "Eat More Kale" T-shirt...