

July 25, 2013

“A profound change is taking place in the way goods and services are advertised, promoted & sold. Yesterday’s hit- or- miss “shotgun” approach of mass marketing, directed to anonymous consumers, is giving way to a new more accountable, more cost effective more personal mode. *A rising tide of technological change has brought this golden moment of opportunity.*”

Stan Rapp & Tom Collins, *Maxi Marketing*

“Trying to wholesale today without 21st century tools is like sending infantrymen armed with muskets into a nuclear war. To effectively “do battle,” wholesalers must be equipped and proficient with modern and effective CRM, business intelligence and sales automation tools”

Rochelle Lamm, The Twenty First Century Wholesaler

Horses & Plows Give Way to Tractors for Mutual Fund Distributors

One of the keynote speakers at a Schwab Impact Conference a couple of years ago drew an analogy about technological innovation in colorful metaphor. This high profile, high tech entrepreneur, who founded a company that has literally reshaped the very fiber of interpersonal communications in our generation, suggested in his remarks that the microchip has “extended the human mind in the same way that the tractor in its time extended human muscle”.

Frankly, to his point, and to that made by Stan Rapp & Tom Collins in their must- read marketing primer, *Maxi Marketing*, asset management companies who do not recognize that “a profound change is taking place in the way goods and services are advertised, promoted and sold”, and do not accordingly embrace the technology tools that define industry leaders, are destined to fail. It’s that straightforward.

One of the pioneers of asset management wholesaling, whose mutual fund sales career started with the Oppenheimer Funds in the mid-1970s, likes to describe his first wholesaler orientation & training session with his new national sales manager, who flew from New York to Denver to deliver him a shoe box full of financial planner and broker business cards, and 6 packs of crisp new 3 X 5 cards. The shoebox, which he was admonished to “safeguard with his life,” represented the sum total of prospect and client sales and activity records for the region he would be representing. With great pride the Sales Manager boasted that he had invented “Dan’s shoebox system”; which he touted as a leading-edge territory sales recordkeeping system, designed to keep wholesalers organized and ahead of the game.

The then-rookie wholesaler was instructed to staple each business card to a colored 3" X 5" index card; each color representing one of the states in the Northwest Territory. Using rubber bands, he was to sort and bundle his index cards on a city-by-city basis. With delight his boss described how, as he arranged his appointments each week, he was to take the appropriate piles of cards with him on the road. Each appointment, sales meeting and telephone contact was to be concisely noted on the index cards. He was also instructed to record each individual trade (purchases and redemptions) made by a planner or advisor on the appropriate card, using the sketchy hard copy sales reports that would be provided from time to time. Dan’s “shoebox system” was deemed so important to Dan, the national sales manager, that part of each wholesaler’s subjective year-end bonus would be determined by how meticulously his/her shoebox was maintained.

It goes without saying that this labor-intensive pen-and-pencil file card system is a far cry from the sophisticated, fully-integrated contact management and sales reporting systems that industry-leading organizations now count on to support their sales teams.

All Things Being Equal

All things being equal, if two wholesalers have the same level of sales and relationship-building skills (that is, they each have an in depth knowledge about their products and services, and are each able to communicate effectively with financial professionals), the wholesaler who is proficient in technology has the best shot at coming out on top. That's because today's contact management, sales automation and activity tracking systems have given wholesalers unprecedented control over their territory and business management activities.

Being able to instantaneously access prospect and producer profiles, combined with the ability to custom tailor personalized, just-in-time communications, to just the right segment of advisors or brokers has absolutely and positively moved wholesaling into the 21st century. Without it, distributors don't stand a chance.

Out of Sight, Out of Mind

As a distributor in today's fiercely competitive marketplace, small and fast growing organizations simply can't afford to let their products and services "fall off the radar screen" of the financial professionals who are your prospects and customers. That's where CRM technology becomes an indispensable tool in supporting an organization's overall sales, marketing and communication strategies.

In the past, maximizing eyeball-to-eyeball face-time with financial professionals was the surest way to distribution success. Asset managers with large nationwide wholesaling organizations had a distinct advantage. Not so any more. For many kinds of information and communiqués, getting wholesalers in front of financial professionals to deliver "boiler plate" investment briefings, or interpret a portfolio manager's current take on the yield curve, won't be the most practical or cost effective communication strategy. And more important, it may

not be the most impactful or preferred communication approach for many of the financial professionals with whom you want to do business. In today's digital world, keeping track of and accommodating *how* your customers and prospects prefer to receive information and "talk to" you, *and targeting your communications on a segmented basis (to increase the relevance of each communication)*, is every bit as important as how frequently you meet with them in person. Without CRM technology, *which is designed specifically to enable mass- customized communications, targeted on a segment by segment basis*, it's likely that your communications efforts will be hit or miss, and your scarce distribution resources misallocated.

Even in a digital relationship, there will always be information and situations where nothing but person-to-person contact will be called for. That said, these days, when time is so precious to everyone, you can strengthen ties with advisors without camping out at their office door, or overwhelming them with meetings that may or may not add value. The notion that personal contact necessarily means sitting across the desk in a client or prospect's office is no longer valid. We live in an increasingly wired world, where more and more people, including financial professionals, consider certain types of digital information to be a true value-added service and support.

CRM...The Must-Have Tactical Weaponry for Executing on the "P" Component of Strategy. ..

Ask a business school graduate, at either the undergraduate or MBA level about the 4 P's of strategy and you'll quickly appreciate that the 4 P's are as rudimentary to the study of business as 1, 2, 3 is to the study of mathematics or the ABC's are to the study of language.

The 3rd "P" in the strategy equation, *Placement*, (distribution) is frequently the marketing variable which trips up small and fast growing

asset management companies. Getting *placement* right has everything to do with how well and with what level of rigor an organization *targets* and *engages* with prospects and customers. It goes without saying that before an organization can plan its communications, promotional and marketing activities, much less deploy a high cost wholesaling team to cultivate relationships with advisors and brokers, every company needs to thoughtfully consider which advisors and brokers represent the highest potential for business development. More about that follows.

A thoughtfully- construed “plan of attack,” important as it is, is only half the battle, however, when it comes to gearing up an asset management distribution effort. As any seasoned and successful sales and marketing pro will attest, *executing* a sales and marketing strategy has everything to do with *delivering the right information, to the right people, in the right way, at the right time*. In today’s marketplace, if you don’t know *who, what and where* your true prospects are, or if you fail to go after them as *individuals*, you will lose ground to competitors who do. A drastically changed marketplace demands a basic shift in thinking about advertising, promotion and all other steps in the selling process.

Lacking CRM technology, which enables the ability to mass-customize “personalized” information that is relevant, timely and valued, according to differentiated segments of a large database of advisors and brokers, is a virtual impossibility... and a losing proposition in a distribution “war” against competitors who have equipped themselves with a technology tool that has become a vital tactical weapon in 21st century sales and marketing execution.

Using Your CRM To Dialog with Prospects & Clients

Even the biggest, most carefully-segmented database doesn't generate revenue by itself. It must be used in active communications, sales and marketing programs that are targeted specifically to cultivate interest and enthusiasm for your products and services, to build retention and loyalty to your company, and to increase sales. But remember, database marketing will be successful only if the financial professionals on the receiving end benefit from it.

That's why it's important to make sure your marketing strategy offers clients and prospects a continuing dialogue of information, updates and services that they need, value and want more of.

A cookie-cutter approach to strengthening relationships with advisors and brokers doesn't do the trick anymore. In this hyper-paced business environment, where time is an all-too precious commodity, and wholesalers often find themselves marketing to an "audience of one," you have to figure out how to meet your clients "where they are," both literally and figuratively. And that means you need to be crystal clear about who your customers, prospects and centers of influence are, and what they need from you in order to do business.

Then, once you're clear, CRM technology will enable you to deliver the "right information, at the right time, in the right way, to the right people."

Considerations in Constructing a CRM Database

Building a CRM database—at least conceptually—is not rocket science. Although database marketing is very scientific (a fascinating mix of art and science, actually), the construction of a database is not that complex, if it is done thoughtfully.

If you are in a *start-up* situation, you should ask questions such as:

- Is your product likely to be “taken on” by any of the major New York Stock Exchange wirehouses? Will you have a chance with regional firms? If so, which ones? With which national or regional firms do you have any existing business relationships to get you started?
- Who will find your product most attractive—independent RIA’s, financial planners, insurance agents, or investment advisors affiliated with a broker dealer?
- Are you selling to an experienced distribution group or to advisors and planners with little or no knowledge or experience of your particular product line at all?
- What is your overall channel strategy? Are you going to distribute through the major custodial supermarkets or not? Do you want to distribute through pension consultants or the bank channel?

Some firms will focus exclusively on one or two channels and build wholesaling groups with responsibility for each channel. Other groups will have one or two wholesalers in every region who can have at it in every distribution channel.

As you can see, you’ll need to understand your own product line and product “character” as well as the product line preferences and business strategies of the firms with whom you have had *past* relationships and those firms with whom you would *like* to do business.

If you are *expanding* your distribution effort, the more appropriate questions are likely to be:

- Where should your company's time and resources be most effectively spent? In maintaining *current* sales levels or in due diligence efforts and *new* business development programs?
- What is your firm's overall channel strategy? Fee-based advisors, broker/dealers, or both?
- How is your existing selling group structured? Do you need to identify new firms to work with or simply expand your existing selling group's sales?
- Why might a particular broker/dealer be receptive to adding new products or services like yours...because they need products like yours? Is the firm's strategy compatible with your firm's business style and philosophy?
- Has your firm identified focus firms, or high potential firms for exclusive or greater focus? If not, should you within your region?

To get a handle on the strength or weakness of your distribution potential it will be imperative that you dig through your sales reports year to date for the current year, as well as make an assessment (compare and contrast) where your business has come from at a rep by rep and advisor by advisor level, this year compared to previous years.

The questions you will want to ask yourself include things like:

- How many financial professionals have done business for your firm this year? Is your business concentrated with a few big producers, or spread out across a lot of producers?
A decile analysis is very insightful here.
- What percent of the total number of advisors or reps in your database did any business with you this year? Do you have a significant market share penetration? Or, do you have a

significant market share penetration or a small share of the total potential in your region?

- Are you getting repeat business? Are the same financial professionals doing business with you this year that did in previous years?

The achievement of your organization's business development and marketing goals will be made possible in part by the effectiveness of the marketing, promotional communications and sales activities your company implements and the very specific *tactical* promotional activities you deploy.

CRM Can Do So Much More

In much the same way as a smart fashion model can and should boast, "I'm far more than just a pretty face," so too can today's advanced CRM solutions boast of doing so much more. Without in any way diminishing the huge value of the role a CRM can play in supporting database marketing, sophisticated, yet cost effective CRM solutions have been designed for asset managers that:

- Seamlessly integrate daily sales and asset reports at advisor, branch and dealer profile levels, providing wholesalers and sales managers with real time snapshots of prospect and producer activity. Yes, say goodbye to "the good old days" of toggling between hard copy sales reports and an electronic rolodex to determine who are your highest potential prospects and best clients.
- Stage, automate and schedule reminders, follow up communications, and next steps in the sales and marketing processes throughout the sales cycle. Yes, say goodbye to "the good old days" of dozens of scribbled post it note reminders, affixed to monitors, chair backs and telephone monitors.

- Track contacts, marketing activities, promotional campaigns and correspondence, building an invaluable archive of prospect and client communications on an individual advisor level. Yes, Dan’s “Shoebox System” has been relegated to the dustbin of history!

Recognizing that strong and deep customer relationships are at the heart of *any* successful business, the stand-out companies in virtually *every* industry, leading asset management organizations in particular, build their entire sales, marketing and service strategies upon the foundation of a robust CRM; Customer Relationship Management System. Originally thought of as just “another type of software”, CRM, for world class organizations, has evolved into a customer-centric “philosophy” that distinguishes winners.

For more information about how to navigate the complex landscape of asset management industry data, call us.

Contact: Gary Maradik, Managing Partner
Celera Systems LLC
10325 N. Port Washington Rd.
Suite 100
Mequon, WI 53092

Phone: (262) 834-0080, ext. 201
Fax: (262) 834-0079
gmaradik@celerasystems.com

