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The Challenge Ahead

As we look toward 2009, there probably aren't many among us who can't wait to slam the door on 2008. We've seen storied investment firms collapse, others disappear, hedge funds close abruptly, two of the biggest investment banks in the United States become commercial bank holding companies for no other reason than to ensure their survival and the Fed continue to scramble for an appropriate response to the financial crisis.

We will, no doubt, continue to witness further consolidation and restructuring. Brands we have long assumed could survive anything - companies with platinum reputations and long life spans - may continue to fall by the wayside. Worse, no one has a comprehensive solution for this. In fact, we don't even know what to call it.

Some of you have been in the money management industry for years. Others are more recent arrivals. The challenge you both face is communication. If ever there was a time when an ongoing dialog between client and manager was needed, it's now. Even if your clients are sophisticated investors, there is no room for complacency. No one should be taking anything for granted in this environment. I'm not.

One of the most important things you can do now is stick to your core philosophy. Don't try to be something you're not or reach into an area you're not already an expert in. You don't want to be seen as flailing or unsure of yourself. Investors are asking, quite properly: Should we keep this manager? Should we continue to invest in this fund, this strategy? Do these guys really know what they're doing? What people want most now, is to see you stay the course. They want leadership.

That's not to say this isn't a time to be bold or creative. By all means, think outside the box. What other things can you do to show added value? What other services can you offer? What other solutions can you provide?

It could be something as simple as a conference call or a Webinar, where your clients can actually participate and ask questions. It could even be a monthly e-newsletter. Whatever it is, it's going to take time. Most things done well, often do. It may even cost you a few bucks. But who will your clients remember when we get through this crisis? The firm that took the extra step.

Here's something else you might want to consider: According to a new study from Spectrum Group, a consulting firm in Chicago, 90 percent of high net worth investors say that returning phone calls is the most important action financial advisors can take to develop loyalty. Conversely, failure to return calls is cited as the most common reason for high net worth individuals to part with their advisor.

The message here is simple: It doesn't make any difference whether your clients are mutual fund shareholders, pension funds or ultra-high net worth. If you don't treat them with the same degree of professionalism and courtesy that you would expect from them, your chances of hanging onto them in tough times are slim to none—and slim just left town. Return their calls.

Reach out to your stakeholders. Be prepared for investor queries with a relatively short, substantive and to-the-point response. The questions are obvious. In fact, the big question for a lot of mutual fund investors these days is whether they should hang in or move their money to cash.

Client-savvy investment firms are already doing a very good job of explaining why their investors should hang in and why market timing doesn't work. And they're not waiting for their investors to ask the question. They are out there proactively sharing that insight via email, telephone outreach, and posting it on their Web site.

Stay focused on client care and its heartbeat: communication. When it's all over, investors will place value on the people who stayed in touch with them, whether it's a money manager, a financial advisor or a mutual fund complex. If you don't give them what they want, they won't walk, they'll run.

And don't stop marketing or looking for ways to build equity in your brand. As I have said before, the media is not only looking for experts, they're looking for leaders. If you have something to say, some insight to offer, now would be a great time to speak up. Lastly, take advantage of the inevitable holiday slowdown to sharpen your competitive edge. How? Well, if the upsurge in calls we're getting for finals coaching and executive presentation training is any indication, you might want to start there.

After the year we've had, there aren't likely to be many public or private pension fund, foundations or endowments that won't be reviewing the past performance of all their money managers in anticipation of re-balancing institutional portfolios, re-allocating assets or possibly making fund management changes in the New Year.

By investing in your investment and sales teams today, you will not only help make their performance reviews more convincing, credible and persuasive, they will also be better prepared for the kinds of questions they are likely to get in the context of demanding client and consultant expectations. Projecting confidence when you're standing front and center before a pension fund is no small thing.

If you're a forward-thinking manager and planning on staying in the business, you have to be optimistic. It may be some time before we see the outsized, extraordinary outperformance we've experienced over different periods in the past. But they will return. Focus on what you do best and don't forget: client retention is as important as client acquisition.

In the meantime, best wishes for a happy, healthy and prosperous New Year!

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