



## Fund Marketing Shifts to Intermediaries

By [Suzanne McCoy](#)

Ad budgets are drying up. Remaining dollars fund ads with somber messages. Current shareholders are weary.

But firms need to sell funds, and they must hold the clients they have.

So they're marketing more to the front line of the industry. Through beefed-up websites for advisors and brokers, firms are suggesting sales tactics, supplying downloadable marketing materials and outlining jargon-free reasons why investors should buy specific funds.

With this assistance, firms are hoping brokers will do some of the heavy lifting of selling funds and keeping clients in a bear market. In fact, after years of channeling dollars into investor sites, some shops now have equal budgets for retail and intermediary marketing, according to consulting group **kasina**.

Advertising and marketing consultants confirm the shift. John Picard, a marketing exec at **Picard & Co.**, estimates that budgets for intermediary marketing and customer education and retention have increased 30% to 40%, while ad budgets have sunk by 25%.

"Many efforts are less transaction-related now," Picard says. "By supporting and educating brokers online, and co-sponsoring events with them, firms are finding ways to help them build trust with investors, which is an important part of sales right now."

**Franklin Templeton** is one firm expanding efforts to market through brokers. In the early 1980s, the firm launched a co-op, though which brokers share the cost of advertising with Franklin. Those efforts have expanded in recent years, says co-op coordinator Monica Barnett. Simultaneously, Franklin's ad budget leveled off last year after increasing 5% between 2000 and 2001.

Franklin's site features scripted sales pitches for members of the co-op. One suggests touting the level of experience among Franklin's portfolio managers compared with that of other firms' managers. Another provides a checklist for brokers selling municipal bond funds, giving them tips on comparing munis with other bond investments.

Meanwhile, Franklin helps brokers host seminars, another effort that's increased lately. Bob Geppner, a director of sales at Franklin Templeton, says the message in those seminars has changed to focus more on asset allocation, diversification and planning for specific goals, as with 529 plans.

"I truly think investors are looking for advice," says Geppner. "A lot of our seminars today have a lot to do with communicating with current clientele — talking to them about being underweight globally."

Additional marketing to current clients stands in stark contrast with the slash in ad dollars in the last two years. According to advertising researcher **Competitrack**, total industry spending in 2000 was \$356 million. Through November, ad spending last year amounted to \$133 million.

The shift in emphasis toward client retention makes sense if you calculate the cost of obtaining and retaining clients, says Jim Atkinson of **Orbis Marketing**.

For every sales promotion, Atkinson says, he usually forecasts a 10% conversion rate from each lead. If a seminar costs \$1,000 to put on and results in 100 leads, it costs \$100 to acquire each customer. According to his calculations, if an average account holds \$10,000, it takes two years to recoup the cost of that acquisition.

“We are at a point now where firms are paying more for account acquisition than they’re getting over the life of an account,” Atkinson says.

But some big shops are holding their ad spending steady or even increasing it. **Vanguard** isn’t changing its tune, says Dan Weiner, editor of *The Independent Adviser for Vanguard Investors*. Based on Competitrack’s count of individual print and broadcasting advertisements, Vanguard ranked 12th in 2000 and 2001. At the end of November 2002, it ranked first.

**Oppenheimer** has remained near the top of the list every year, and officials say they don’t have any plans to substantially change budgets or messages in their campaigns.

For his part, Daniel Gangemi, vice president of market research and analysis, says he sees an emphasis on understanding customers better. Instead of focusing heavily on holding current clients with current products, smart firms are looking toward creating products that fit their needs.

“There’s a lot of people focused on slicing and dicing the customer base,” Gangemi says.  
“Understanding your customers’ goals and attitudes is proactive. Simple retention tends to be reactive.”