

# efm

european fund manager

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**A**s the military strategist Clausewitz remarks: "After the first shot all plans may have to be revised." This well describes a phenomenon observed after a foreign asset manager enters the German market. Germany is one of the choicest markets in Europe and is at the top of the list for many

concerning market entrance, products, target groups and other regulating factors. Based on personal experience in practical sales with a foreign firm and branch know-how, it was often possible to "support" one another (even including the experiences with successful and "lame" investment products). It is

**Does too much analysis lead to paralysis?**

Many foreign firms resort to various market research sources as their analysis base. These sources are firms that work in Germany, and use foreign sources of information or other openly accessible material. However, even the best figures and

# Letter from Germany

***Foreign asset managers entering the German market often seem to be reinventing the wheel, observes asset management consultant Markus Hill. Based on his conversations with investors and industry experts, he shares some thoughts on factors for success and stumbling blocks.***

foreign investors of fund products and alternative investments. It seems that some companies have done their homework and positioned themselves successfully – profitably or not. The attitudes of certain other fund companies can often make you wonder. Without naming these, one frequently has the impression that the wheel is invented all over again and again.

also helpful to talk to the investor side when writing an article since they value such a dialogue.

Some points that constantly arise seem worth thinking about. Without a claim to all-inclusiveness, there are subject areas in market entrancing which either bring opportunities or prove to be stumbling blocks. Here, then, are some brief and "unfiltered" factors discussed during the last

questionnaires are, in my opinion, no substitute for a direct talk with investors. It is remarkable that the decision to enter a market is often based purely on figures. One wants a certain piece of the cake without considering certain obstacles or draws the wrong conclusions. Pure marketing principles can often conflict with practical, hands-on sales thinking.

**Sales targets –wishful thinking?**

Based on personal experience and that of many top level sales managers, one can conclude that "dream" figures and bare reality mostly lie far apart. Being well-known in a foreign market says little about the prospects for success on the German market. German competition is strong and there is much "captive business" among the branch leaders in Germany. A foreign company or fund boutique should thoroughly research its chances before entering the arena. A failed attempt can lead not only to financial losses but also to a loss of reputation with investors. Unrealistic sales prognosis combined with a "lame" product are certain to lead to frustration for a fund company and the responsible sales managers in Germany. An example would be

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Since 2001 I have been in contact and discourse with various representatives of foreign investment firms with a focus on sales and business development – dependant and independent offerors (fund boutiques). Questions invariably arise

weeks, and a lot of feedback on the subject from experts in the field. It is interesting to note that most of these experts wish not to be quoted when it comes to the points mentioned – and "confidential means confidential" is an iron rule with me.

## *Being well-known in a foreign market says little about the prospects for success on the German market.*

the 333rd global investment fund found in the third quarter of the so-called hit lists.

Another interesting phenomenon: the firm that discovers – after entering the market – that legal regulations limit its sales potential in Germany because one wanted to save the costs of initial legal counseling. This leads to unending mail and telephone costs between the sales force in Germany and the foreign head office. In essence, country head Germany: “I need X and Y and Y if I want sales success in Germany”. Head office: “You won’t get X and Y until you’ve achieved sales figures A and B.” How often does one speak of “strategic aims” when one merely means the “fast ticket”?

### **Measures – how much helps a lot?**

One frequent pattern consists of inadequate market research paired with a lack of commitment. Flying in from abroad once a week to do business in Germany! Firms whose products can preferably be found in the first quartile are often on the lists of recommendation of every well-known consultant and may have some success although they fall short of their potentials by this. Many other firms have had bad experience with such methods. Even top products don’t sell themselves. Institutions or semi-institutional clients (fund of funds managers etc.) value personal contacts to balance and compliment professional bulletins and data banks.

Roadshows can be successful if the product quality, infrastructure (processing), and sales organization are all in place. Frequent invitations to such events (product choice) have confronted me with a wide spectrum of quality. Then there is the management of expectations. The fast Euro is rare. As a rule, it is a long and hard road to fortune. Entering the retail market often calls for large personnel force; market transparency is high with asset management products (mutual funds) but the management choice of institutional investors, (see consultants). Germany

also has enough foreign offerors who surpass each other in product performance – the ultimate catchword! No amount of calls to the investors can compensate for average or under-average performance in the long run. In the area of marketing and public relations it is “the pig stays a pig even with a golden collar”, too.

### **Opportunities for Foreign Asset Managers**

It was remarkable how often investors and top sales managers emphasized the importance of personnel. How do I find good sales people? How do I go about finding good services for marketing, sales, and public relations? Many foreign firms have had good experience here but have also paid a price for learning. The “purely salesman” is rarely the man with a concept or a vision. One is looking for the “wide-spectrum” abilities – the all-rounder with detailed product know-how. The institutional client in Germany also values the “solution provider”. A country head or even an only temporary external service is expected to be an ideal business developer: clear goals combined with long-term profitability – i.e. “tickets”.

You may be halfway down the road with good personnel, realistic and practice-orientated market research, and an excellent product. The other half should, however, be emphasized again and again. Investment in asset management products is often a long term venture. The stress of thinking in terms of basis points shows this aspect. It would be of great value if this thinking could also prevail in the working of the market. Hit-and-run market entrances are counter-productive. Foreign fund boutiques or owner-managed firms are living proof of this philosophy. Perhaps many foreign investment “salesmen” can cast a more friendly eye on the many successful domestic asset managers who have opted for a combination of qualified personnel and excellent products, i.e., investment concepts

and sales practices in accordance with the German saying “A steady drip can split a stone”. ■



*Markus Hill is an independent asset management consultant. His professional background includes, among others, the SEB Bank and Credit Suisse Management. His activities include management of mandates (for example: Arcturus/BG Funds) in the areas of sales, marketing, and public relations. He is also active in the areas selecting themes in the special areas of target funds with a multi-management aspect based on special tasks with special themes of fund boutiques and mutual funds for institutional investors. He is further actively engaged in the cooperation with the market-leading Private Label Funds Master KAG in Germany (Universal Investment). He is an initiator of such authoritative studies on the first all-German Consultant Questionnaire by RCP-Telos etc. Various publications here and abroad underscore his wide-ranging activities as branch networker.*

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