

# Emerging Manager monthly

A Publication of  
Financial Investment News

## 3PM: Pathway To Success

Ask the trailblazers and they will tell you about a time when at most there were a handful of third-party marketing firms and it took five minutes of a ten minute conversation to explain what they did.



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“People would say, ‘who are you, why are you calling me’ ... Within a couple years, it became, ‘ok now I understand who you are and what you do,’” said **Charles Eaton**, founder of **C.P. Eaton Partners**, which opened its doors in 1983.

Fast-forward to today and third-party marketing has grown into its own industry, with over 100 firms and new ones constantly opening.

“I think that the acceptance by the marketplace has been significant for third-party marketers,” said **Ron Oldenkamp**, president of **Genesis Marketing Group**. “The market is realizing that third-party marketers bring good ideas to the table,

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## **The Third Party Marketers Association**

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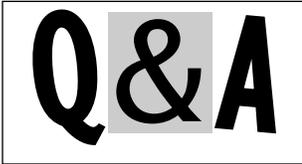
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Founded in 1998, The Third Party Marketers Association consists of more than 40 member firms that provide sales and marketing support to investment managers. The goal of the Association is to enhance our profession's standards, integrity and business practices. Our members are among the top in the industry, having collectively raised billions of dollars for their clients.

**To find a Third Party Marketer  
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**[www.3pm.org](http://www.3pm.org)**



*Donna DiMaria, president of The Third Party Marketers Association (3PM), answers some common questions about her organization and its offerings.*

**Q: What is 3PM?**

**A:** The Third Party Marketers Association (3PM) was formed in 1998 to promote standards of excellence in our industry and to offer members a forum in which they could share information and ideas.

As an organization, 3PM tries to cultivate relationships and business opportunities among our members. The Association also strives to provide information to managers, investors and financial intermediaries who work within the investment management industry regarding the important roles we play in raising assets for our clients.

The Association is focused on enhancing our profession's standards, integrity and business practices. We believe that there is strength in numbers and organizing as a group is the best way for third party marketers to gain credibility. The Association also actively pursues ongoing agendas in the areas of regulatory compliance, adherence to the highest standards and best practices utilized throughout the financial services industry

Today, 3PM consists of 45 diverse member organizations across the United States.

**Q: What types of firms are members of 3PM?**

**A:** The general answer is that any firm offering sales and marketing support services to investment managers is qualified to join. Included is the term marketing support services, as recently we have had some new members join the Association who focus on support services such as completing RFPs and questionnaires, populating databases and preparing marketing materials. Unlike the traditional "3PM" firms, these organizations do not raise assets, but rather support the process and are employed by many of our member firms.

Regardless of the specific services a 3PM firm offers, the consistent theme across all member firms is the experience level of its Principals. The "typical" 3PM member-firm consists of two or more full time, senior-level sales or marketing professionals with an average experience of 15-20 years, many of whom came out of large investment management firms.

For the most part, firms also have some type of specialization either by asset class or by the distribution channels they focus on. In terms of asset class, member firms may represent long-only traditional investment products, alternative strategies such as hedge funds, private equity, and real estate or some combination of the two.

In terms of distribution channels, some of our members prefer to work with high-net-worth individuals, family offices and RIA platforms while the vast majority focus on institutional investors such as public funds or financial intermediaries like investment consultants and emerging manager platforms.

**Q: What are the benefits of joining 3PM?**

**A:** The benefits of joining the 3PM Association are immense. As with any industry, third party marketing has its own unique set of business issues. Our Association gives its members a forum for collaboration where different, yet effective and cost-efficient, approaches to common issues are often uncovered.

The Association usually holds two meetings per year where all of our members meet in person for a series of open discussions that create dialogue among professionals with a wide range of experiences. We just held a successful Spring Meeting a few weeks ago in New York City.

Discussions regarding regulatory and compliance issues are often cited as the primary benefit of membership in our Association. Most 3PM firms face the same challenges as internal marketing teams, however, they don't have a full-time, dedicated staff of compliance professionals on call to address these issues. The dialogue among members often helps 3PM firms to obtain a better understanding of changes in the regulatory environment and industry-wide best practices.

Another benefit of the organization is manager referrals. We have investment managers who begin their search for a third-party marketer by visiting our website ([www.3pm.org](http://www.3pm.org)). From our member list some managers will contact a marketer directly to start a relationship. Other times, managers will contact Steve Rubenstein, former president of 3PM, or myself seeking recommendations for a member firm that focuses on a particular area.

To make that process more equitable, one of the things we have done is to have each member fill out a survey describing the types of referrals each one is interested in and applying that to a manager's specific criteria, helping to ensure a good match is made.

Another source of referrals is directly from other member's who, in order to avoid potential conflicts-of-interest, will not represent managers within the same asset class. It's a very tight-knit community and member firms will first turn to other members in these instances.

The 3PM Association also works to supply its members with negotiated discounts from several leading vendors. Currently, members receive discounts to industry newsletters and publications, performance measurement systems and analytical tools, third party databases, advertising opportunities as well as discounted admission to conferences. One of the goals for the organization is to dramatically expand this list over the next several years.

**Q: How do I become a member?**

**A:** Any one interested in joining the Association should visit our website at [www.3pm.org](http://www.3pm.org) and complete a membership application. Annual dues are \$300 per year for a single membership or \$600 for a firm membership, up to 3 individuals.

If anyone has any questions about the organization they can also contact me directly at 212-209-3822 or via e-mail at [donna.dimaria@tesseractcapital.com](mailto:donna.dimaria@tesseractcapital.com) or Mamie McNeal, who handles the Administration for the Association, at 804-744-4100 or via e-mail at [support@3pm.org](mailto:support@3pm.org).

## Third-Party Marketing Offers Managers Immediate Experience

Small- and mid-sized asset management firms are consistently turning to third-party marketers to help grow their business for two main reasons--cost and experience.

“We are able to take a manager and basically jumpstart their marketing relatively quickly,” said **Chris White**, managing director of **Cedar Partners**.

For traditional products, the typical fee structure for a third-party marketer includes a retainer, plus a percentage of the fees generated on assets raised over a fixed period of time.

White points out that most firms do not charge for additional expenses, such as travel and entertainment.

“You just can’t beat that. There is no way,” he said.

“It’s a very cost effective way for managers to build their business,” said **Bob King** of **King Associates**.

“It is a good way for smaller to mid size firms to be able to access fairly senior marketing individuals at a lower cost and be able to leverage those relationships,” said **John DeLuna**, president of **DeLuna Partners**.

DeLuna said that beyond gaining access to senior marketers, third-party marketing firms can also provide a different perspective on the marketing strategy of a firm, from writing effective presentations to strategic placement of the firm in various sectors.

**Mark Meyocks**, president of **Perseides Partners**, said the instant industry contacts and knowledge a third-party firm can provide, along with cost effectiveness, is the reason smaller firms have been attracted to this sector of the market.

“If you hired a brand new marketing guy, it might take 3-5

“  
We are able to take a manager  
and basically jumpstart their  
marketing relatively quickly  
”

years to develop relationships that my partner and I developed over the last 20 years,” he said.

One main area of growth in third-party marketing has been the alternatives field, which most marketers agree has different ground rules, expertise and industry insight than the traditional world.

**Alex Bentley**, co-founder of **Coronado Investments**, said the difference between alternative marketing and traditional marketing is how business is garnered.

“Traditional marketers are filling out RFPs, going through the classic manager bake-off when they are trying to fulfill some mandated allocation,” he said.

“A hedge fund marketer is a lot different. You don’t really do that type of thing. You have to understand who the audience is and narrow it down to people who are interested.”

That can be differentiated even further in the private equity space, says **Daniel Levinson** of **Augmentum Advisors**.

He said marketing for private equity firms can create a 10-year commitment for third-party firms, all the way from the lock-up to the liquidation period, which means marketers must conduct extensive due diligence before taking on a firm.

“It’s a marriage,” he said.

**Julie Cochran**, managing partner of **XT Capital Partners**, said one reason marketing firms have been drawn to the alternative space is alternative firms are reluctant to hire internal marketers because most funds have a limited capacity that would only span a few years time before the marketer would be rendered inefficient.

The growing interest in third-party marketing has also grown with industry acceptance of the practice.

“What we find is that consultants really like third party marketers because they find undiscovered managers,” said **Gretchen Schmetter**, co-founder of **Schmetter & Associates**.

Part of that acceptance comes from the nature of the business.

“Our credibility is on the line,” said **Peter Pavlina**, founder of **Hamersley Partners**. “We want the consultants to be impressed and satisfied with the managers we bring to the process. We would like to be invited back to meet with the consultants when we have a new manager.”

“I think the overall theme is this has gone from a very small informal business to one that is more professional. The people that are successful in it are the ones that follow that path,” said Bentley.

“If you think about it, the way we are structured, you better be good at what you do or you aren’t going to survive. By definition we have the crème de la crème or best of breed,” Meyocks said.



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## 3PM: Pathway To Success

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don't waste a client's time or a customer's time and we tend, I think, to have a higher level of credibility than other distribution channels."

Steve Rubenstein said that when he opened **Arrow Partners** in 1995 he would get two questions: what did you do before? and who else do you represent?, while now the question has become 'how do you differentiate yourself from the other marketing firms.'

Side-by-side with the growth of the third-party marketing industry has been the establishment and maturation of **The Third Party Marketers Association (3PM)**, which was founded in 1998.

"One of the original goals of the association was to raise the bar and present a centralized platform to the institutional world that third-party marketing firms exist," said Rubenstein, one of the founders of 3PM.

The organization, now with 45 members, runs conferences and offers a network that can be invaluable to new firms or established firms looking to broaden their horizons.

"I think it's a great organization for people who are trying to understand the industry," said **Gretchen Schmetter**, founder of **Schmetter & Associates** and a member of 3PM since its founding.

Along with the benefits of being a member, having an established association that can help raise the individual voices of marketers into a booming, singular chorus helps.

"The membership is growing, the services are growing and it seems more people know about the organization," said **Peter Pavlina**, founder of **Hamersley Partners**. "People knowing about the organization is a plus for us because we get more visibility."

### Adapting To An Evolving Industry

**Donna DiMaria**, president of 3PM and ceo of **Tessera Capital Partners**, said the association has also established three new committees to focus on various aspects of the organization. The Membership & Events Committee will focus on increasing the number of members and establishing the location and content of future meetings and events.

The organization has already begun working to strengthen the conferences it runs, including surveying members on how many meetings they would like to have each year and where the meetings should be held. DiMaria said 3PM would like to have at least one conference per year that is professionally organized and allows different constituencies, such as consultants and money managers, to come together and discuss various topics while enhancing their networks. "That, to us, is a perfect outlet," she said.

Many members have already found a benefit in the conferences. **John DeLuna**, who joined 3PM in 2002 after opening **DeLuna Partners**, said he found the association provided helpful insight into contracting and the regulatory environment.

The second committee, The Membership Benefits Committee, will work with vendors throughout the industry to get discounts on conference attendance, insurance and publications, among other things.

Lastly, the Web site committee will work on the content of the 3PM site, including automating certain features, members-only sections and creating a code of ethics and industry best practices section.

**Continued on Page A8**

## Support Service Firms Offer Specialized Back Office Expertise

The growth of the third-party marketing sector has led to the development of support service firms that offer back office support to both money managers and third-party marketers themselves.

**Rick Gagnon**, founder of **Compass Institutional Marketing**, a firm that specializes in RFPs, databases and presentation creation, said his firm knows how to approach these areas more effectively than other firms that provide broad marketing support.

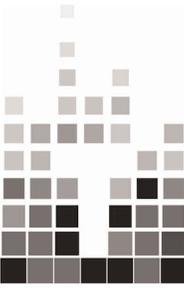
“I see myself, in a lot of cases with a lot of these managers, acting almost as a consultant or an expert in these areas,” he said. “They are coming to us for guidance.”

**Darien Gould**, founder of **DG Analytics**, offers auditing, compliance, RFP completion and presentation consulting. She said the need for a firm like hers has grown in the past five years as data sharing has evolved in how it is requested and delivered. She said now most information is delivered electronically and there is very little hard-copy documentation.

“I think that (specialization) is a natural evolution because there is often a differing timeline in the need that a client might have for data entry versus sales,” she said.

Gagnon sees the support services industry as a potential growth area. “I’ve talked to people at other firms that have had similar ideas that just couldn’t take that leap of faith, but I see more people that are going to try to penetrate the market,” he said.

“Outsourcing is becoming a larger and larger component of every business,” Gould said, adding that specialized firms can allow managers and marketers to focus on their core-competencies.



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# 3PM: Pathway To Success

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Rubenstein said the Web site, launched in 2004, received over 10,000 hits in March.

“It is a great place for money managers to increase their knowledge about the association and its members as well as the basics of working with a third party marketer and a placement agent,” Rubenstein said.

He said one change the association plans to make in the next few months is segmenting the member’s firms so that it is easier for money managers to discern which marketers work in which asset classes.

### Benefits of 3PM

Both the seasoned veterans and newcomers in the third-party marketing world see the willingness to help one another as an important aspect of 3PM.

One marketer praised the ability of would-be competitors to come together, discuss issues and not have to worry about “being

stabbed in the back.”

“I think 3PM created an environment where there is an honor code there. You are not worried someone is going to steal your clients or vice versa. It’s kind of a zone where you can go and talk to your competitors,” said **Alex Bentley**, co-founder of **Coronado Investments**, who has been a 3PM member for three years.

**Greg Reid**, president of **Greg Reid Associates** and an original in the third-party marketing world, is always open to speaking with new firms.

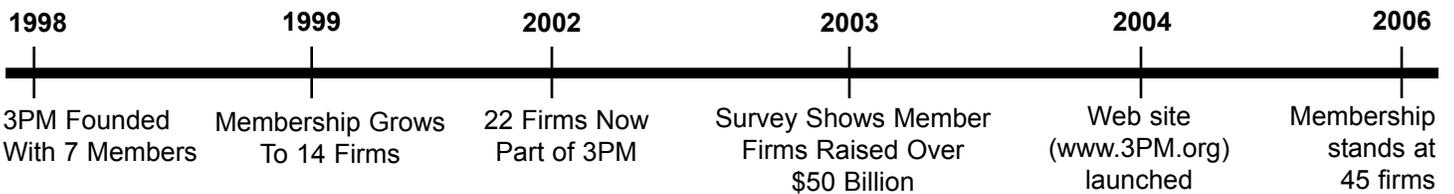
“If a young third party marketing guy just starting up has some questions, a lot of people helped me and I’ll be willing to help them,” said Reid.

That is one of the aspects that attracted Pavlina, who opened **Hammersley Partners** in 2004.

“3PM is an opportunity to pick the brains of seasoned pros and learn from their experiences,” he said.

“I think what has always been the core of the association is the exchange of information and ideas, especially the passing down of information from the senior members to the more junior members,” Oldenkamp said.

## The Evolution of 3PM





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