

**2003 AIMSE Conference**  
**Director of Marketing Roundtable Discussion**  
**May 6, 2003**

**Panelists:**

John H. Seiter, Executive Vice President – *Capital Guardian Trust Company*

Mark Gibello, Executive Vice President – *TCW Group*

Jeffrey J. Miller, Vice Chairman – *Provident Investment Counsel*

**John Seiter – *Capital Guardian Trust Company***

John Seiter joined Capital Guardian in 1980, and has built the firm's marketing/sales department. Currently, there are approximately 6,000 people in the company – roughly 5,000 of whom work with the mutual fund company and 1,000 of whom work for the institutional investment company. During a period of cutbacks for most, CGTC is in a growth-mode. Interestingly enough, Capital is still growing its employees group as evidenced by the fact that the firm added 200 people in 2002, and 150 YTD 2003. The institutional investment company has \$150 billion in AUM, with approximately 160 people involved in marketing, sales, client service and consultant relations. 29 people are relationship managers, 33 are assistants, 70 are in communications services, and there are about 29 paralegal-type marketing associates (who work with relationship managers) as well. Capital Guardian's separate account institutional business is focused on institutions having approximately \$500 million in total fund assets; however, they are particularly focused on the group of 111 organizations with more than \$100 billion in assets. The firm's commingled fund service focuses on plans down to \$100 million.

At CGTC, relationship managers do both sales and client service work. Right now, most of the experienced relationship managers spend more time involved with client service work than sales. Client service professionals also handle cross-selling, which represents about 50% of Capital's business. The amount of time a relationship manager spends on client service versus sales is dependent upon individual circumstances (e.g., number of current clients versus number of current prospects). Whether for client service or sales, it is essential to have a good CRM tool not only to keep track of clients/prospects, but also for management to review the effectiveness of the relationship manager in both areas. For instance, they have three face-to-face meetings a year with their clients, monthly client phone contact, as well as a quarterly call to review the portfolio (walk through the attribution package). Another part of this menu is that Capital Guardian does an annual "discovery meeting" with every client, and uses a template to conduct these meetings. Objectives of these meetings are: identifying key contacts; learning what clients are trying to accomplish; and developing both a servicing and cross-selling game plan. This information is documented and is a key to understanding the client. Something new is



that Capital Guardian now sends their clients a one-page questionnaire, asking them to comment on how well Capital is servicing them. It only takes clients 5 to 10 minutes to complete and the response rate has been 65%.

### ***Mark Gibello – TCW Group***

Mark Gibello joined TCW 15 years ago. The firm's assets total \$80 billion, and include relationships with 47-48 of the top 100 plans. Mark inherited a well-structured marketing services organization. To stay aware of client trends and issues, he maintains a half dozen client relationships. TCW has 140 people in their marketing/communications group, which includes 10-12 people in the private clients and managed accounts groups. TCW has four consultant relations people, two of whom are in-field consultants. This effort has been in place since 1994. They have tiered the consultants into three groups:

A = Top 10 to 12 firms

B = Regional firms

C = Everything else

The consultant relations people work closely with the marketing and client service people. Coordination of their collective efforts is important.

TCW has divided the market into three categories, and servicing is different and defined for each level:

Over \$10 billion – the most revenues and fewest clients

\$200 million to \$10 billion – average 20-35 client relationships per rep

Under \$200 million – the highest number of clients

The number of client relationships per senior client service rep ranges from 15-20 on the low side to 35-36 on the high side. Sales professionals cover 50 to 150 prospects each. Mark likes to see senior relationship managers in touch with clients 3-4 times a year.

At TCW, Mark is emailed a note every time the firm receives an RFP. He checks the system and confirms whether there is a consultant involved or a previous contact, and there is immediate internal coordination. Lou Ann Dolan sets up her calling/meeting plan for the whole year at the beginning of each year. Mark reads all the call reports.

### ***Jeff Miller – Provident***

The firm has 8 full time senior sales and client service professionals, and 6 support people. Client service professionals have 25 to 30 relationships each. Sales people have a region and are responsible for consultants in that region as well as prospects. Compensation is structured to avoid competition.

Once Jeff receives an RFP, he calls the appropriate consultant rep and turns the RFP over.

## Q&A

*What percentage of investment firms' total expenses is allocated to marketing and sales?*  
According to a recent CRA study, it was 12% for firms with AUM \$75 billion and greater. 8% of this represents marketing and sales; 4% represents client service. The percentages vary by size of firm.

*What is a reasonable annual new business sales target for sales professionals?*  
The average annual new revenue target per sales professional is \$1.2 to \$1.5 million.

*How do CGTC and TCW achieve consistency of key messages across all their sales, client service and consultant relations professionals?*

This is a challenge and is accomplished by internal meetings, discussions and continual communications via conference calls and email.

*How do you make the transition from a successful sales person to becoming Director of Marketing/Sales/Client Service?*

- John Seiter: John began as a “hunter” – in sales/client service; as his career progressed he became a “shepherd” – more management responsibilities. As these skills grew, he transferred them to leading an entire team. The key is to balance your role: 80% management, 20% client service/sales/marketing. By continuing to focus part of your time on the role you knew and loved (client service/sales/marketing), rather than giving it all up, you can create a balance and continue to have credibility with those associates who are dealing with these responsibilities on a day-to-day basis.
- Mark Gibello: Mark moved from sales/client service/marketing into a management role by suggesting ideas to management on how to improve areas within each team. Since his ideas were good, he was told to implement them. At the same time, he requested that he maintain a number of client relationships while becoming a manager. Again, keeping some key client relationships keeps you in touch with the client issues and allows you to empathize and interface better with your team.
- Jeff Miller: Jeff has been with Provident for 31 years and has worn many hats. He's moved from being an analyst and portfolio manager, to sales/presenting marketing plans, to client service efforts. He currently leads Provident's portfolio management/servicing unit; he has kept some clients as well. Roles transition often, and you are always a player and a coach.

*What is the optimal organization structure as it relates to sales, marketing, client service, and dealing with consultants?*

For TCW's marketing/sales group, which has 14-15 professionals in New York and Los Angeles, they created a Sales Associate position for someone who is right out of school or has one-to-two years of experience. The Sales Associates are trained to help support the senior sales team. Among other things, this person can take care of client problems immediately. Other groups include client relations (covers RFPs/RFIs and databases) and consultant relations (heads up communication efforts and production for marketing group).

*How do you convince management that marketing and client service add value?*

It is difficult, as value added can't be measured easily. Suggestion is to become an advocate for the marketing department, especially because the investment/portfolio group drives many decisions/directions for the organization. Use the marketing department as a resource for client service; it's a tremendous advantage. Exhibit what good client service is by using examples. Also, using a survey helps you measure – sets the bar and then you aim to rise above it. TCW's asset gain in 2001 came from 60% new clients and 40% contributions; in 2002, 40% came from new clients and 60% from contributions. You can attribute this to the marketing/client service group.

*What metrics (benchmarks) would you use to decide the number of accounts per sales person?*

Provident is organized geographically and each sales person has 25-30 relationships. At TCW it varies; 20-25 relationships is typical; professionals with bigger relationships have fewer accounts.

*How can “true marketing” work with client service and sales groups?*

At CGTC, they have an individual who works as a liaison between client service and portfolio management teams. One responsibility is to ensure consistency in written materials (to make sure all writers work within his group.) He also works with sales management and relationship managers to help determine/identify new business product priorities. He helps to create tools that will assist in new business efforts. At TCW, 5-6 years ago they formalized a New Product Development Committee to take the place of having portfolio managers telling them what to sell. This committee includes a chairperson, someone from sales/marketing, a senior portfolio manager and someone from senior management. The process for all new ideas on what products to sell includes submitting a one- to two-page summary, vetting among your group and then bringing the analysis to the committee – after presenting the analysis, the committee votes. Jeff Miller added that one of the best “true marketing” campaigns he has ever seen work was “a shop



within a shop” that Mike Fisher created when he was with Chase. It was a creative, strong, institutionally driven branding campaign that was very successful.

*What is the compensation structure for consultant relations group?*

For TCW, the compensation structure for the marketing and sales group is base plus commission; for the consultant relations group it is salary plus a subjective bonus (base salary is higher for consultant group, but total compensation is not). Components reviewed for each consultant individual to determine subjective bonus include:

1) success ratio of efforts; 2) calling program; 3) tiered consultants; 4) quarterly contributions of consulting group. The hardest measure for them is the contributions of the marketing group versus the consultant relations group. For CGTC, they look at all compensation for all professionals across the entire company. Then they ask the question, “Does it ‘feel right’ as to where the individual consultant relations person’s compensation falls within a specific quartile?” Peer evaluations of both peers and support people impact the bonus of a consultant relations professional. This peer review is conducted on a confidential basis by a senior person in the Human Resources group. Interestingly enough, they’ve now been able to put surveys on-line, which is very effective and efficient.

*What do you do, in terms of expected compensation, as overall sales opportunities decrease?*

For teams that perform combined sales and client service, consider changing compensation structure for the team. Balance the new business (including cross-selling), which could be 15% of their time, and client service activities, which could be 85% of their time. Then, compensation favors level of client service. Some opinions are that client service compensation should be higher than sales compensation. At Provident, client service professionals’ salaries are based on variables such as revenues, new business and cross-selling.