

ARK Market Leader Education Series

Marketing ABCs

Market Making: Buy vs. Build

Buy vs. build is an age old question that crosses into many areas of our professional and personal lives. Should we buy or build our next house? Should we outsource or build our next product line? Buy vs. build is also a critical question in regards to establishing your marketing and sales solutions for your firm. Often firms focus solely on the costs associated with ‘buying’ the capabilities through an outsourced provider, vs. ‘building’ the capabilities in house. We believe this is the wrong area of focus. Your firm’s culture, desired results and capacity to create them efficiently internally may be a better basis for a buy vs. build decision. Also, it is important to understand that marketing and sales are two different functions. While marketing and sales may be provided by the same organization and often are, a distinct set of capabilities and deliverables are required for each to be successful.

Are you trying to determine whether building your marketing and sales efforts internally or outsourcing is best for your firm? You may be surprised to hear an outsourced sales and marketing firm acknowledge that buying is not always best. In fact, for many firms building internally is unequivocally the right answer.

Before determining what direction is best for your firm, we suggest formally addressing the following questions internally, ensuring buy in from all firm constituents including your operations, investment management and any existing marketing or sales staff:

Considerations	Questions	Team Feedback
Culture	What is our firm culture? How does our organization view marketing? Sales? Do we have an ‘in-office’ culture or a disperse work environment? What are our expectations for activity levels and ‘contact’ between co-workers?	
Expectations	What are the firm’s expectations for marketing and sales? How will we define success? What time frame do we have for this to work? How does the investment management team want to/expect to participate in the sales effort? Have we had positive/negative/neutral experiences with marketing/sales solutions (internal and external) in the past?	
Product(s)	Which product(s) are we looking to market and sell? Is it/are they sellable in this environment? Who do we believe is the target market?	
Ability to attract and retain talent	How successful have we been in the past as a firm in attracting in-house talent? How successful have we been in the past as a firm in retaining in-house talent? Do we have the right compensation structure in place to attract and retain qualified sales and marketing talent?	
Support structure	Do we have the infrastructure in place to support a dedicated sales effort? Do we have staff to assist in	

	the creation and dissemination of high quality marketing materials on a timely basis? Do we have management in place that knows how to engage, monitor and manage marketing and sales professionals?	
Regulatory oversight	Do we have the necessary compliance infrastructure in place to evaluate and monitor marketing and sales activities?	
Outsourced experience	What have we outsourced before if anything? Was it successful? What did the team like about it/not like? How did we manage the outsourced professional/partner? What made this experience successful/not successful?	
Budget	If we want to build an internal solution do we have a sufficient budget to do so? How much running room do we have: for how long can we invest in an in house solution while it 'ramps up' and what AUM do we need to raise in what period of time to offset this expense? If we want to engage a senior level external solution do we have a sufficient budget to do so? Are we prepared to trade off lower overhead for a greater pay out over the long term? How much do we have to spend and over what period do we want to spend it?	

As with all decisions, there are tradeoffs. Here are some broader considerations when evaluating buy vs. build in regards to a marketing and/or sales solution. These considerations may help you to define your market making plan and to more efficiently engage in conversations with both in house and third party solutions:

Considerations*	In-House Solution	Third Party Solution
Focus	Dedicated	Diversified
Fixed Cost	Salary; Benefits; Overhead; Regulatory; Bonus/Commission	Retainer/Draw; Commission
Scope	Individual	Team
Term	Indefinite; Employment Contract	2-3 Years; Vendor Agreement
Offering Diversification	0	2-5 primary strategies on average
Experience	Resume specific	Generally broad in defined channel(s)
Function	Firm defined	Third Party defined

**The particular considerations, in-house solution profile and third party solution profile are designed to provide a basis for comparison. There are other considerations you may want to factor in. Additionally, in-house solutions and third party solutions will vary widely.*