MARKETING ETFS VS. MUTUAL FUNDS - IS THERE A DIFFERENCE?

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Marketing a mutual fund is like marketing a piñata... all the yummy pieces are jostling around inside. Crack open the piñata and a hundred pieces of candy tumble out for everyone to catch. Crack open a mutual fund's portfolio and its chock full of great stories about the companies it holds.

With a passive Exchange Traded Fund (ETF), all the "candy" inside is stuck to the papier-mâché. It's hard to find the appeal. After the fact that they are cheap, it's seems like it might be tough to find much more to say. The industry however, is growing rapidly with over 280 ETFs launching in 2017 alone.

Pitching the actively managed mutual fund

Let's take a look at the many ideas available to develop when pitching an actively managed, open-end mutual fund to the media.

Every stock or bond in its portfolio has its own story – how the company has prospered, what obstacles its overcome in its past and what potential the researchers see in the long run. With a broader view, you can also explore how a specific security jibes with the manager's view of the world, and finally what place it holds as it interacts with the other securities in that portfolio.

How a manager designs a fund portfolio is often the differentiating factor from one fund to another. Then, how that security fits the unique investment process and meets the manager's specific criteria enriches that story.

Of course, a manager doesn't select stocks by grabbing them as they tumble to the ground like a breaking piñata. The manager is more like the shopkeeper who filled the ceremonial container. The candies are selected for myriad reasons like size, flavor, brand names, colors and more – all to make an appealing array in totality.

So, if a mutual fund has a hundred stocks, you have a hundred stories. A portfolio manager knows each one of those stories and selected it for its merit and synergies with the overall portfolio.

Journalists and investors are likely to be intrigued by many of these stories.

Compelling stories for passive ETFs

Market trends constantly ebb and flow and ETFs that reflect those trends make the news. As we closed out 2017, stories were plentiful about ETFs invested in companies profiting from the legalization of marijuana. Here's just three:

- Nasdaq: Rush for Marijuana ETFs Getting Stronger
- Investopedia: NYSE Gets its First Weed Fund
- CNBC: A New Market High: First ETF to Target Marijuana Stocks

Coverage can be significant when an ETF represents an asset class or sector that is in the news. As energy prices fluctuate, or the tech sector booms, an energy ETF can emerge as a poster child for market opportunities. Nasdaq: Oil & Gas ETF Industry Outlook

A good news story is going to attract investors

The media and shareholders are interested in unusual strategies, especially when they are working. In December 2017, Zach's reported the 10 coolest New ETFs of 2017 in their Market Edge Podcast, which included New Tech and Media ETF (FNG), Small Cap Cash Cow (CALF) and Founder Run Companies (BOSS). At the time of the broadcast, 5 companies had filed for Bitcoin ETFs.

With universally appealing or timely angles like these, even a new ETF without performance can attract the interest of the news media if it truly seems to be different or superior to something already established.

Perhaps the biggest challenge for the passive ETF marketer is that there often is no manager who must to be knowledgeable on the specific holdings or even the market. It's a machine that's launched that then predictably tracks the market segment.

Without a spokesperson to talk about an ETF and its holdings and why its behaving the way it is, its place in the overall market or in an investor's portfolio, that ETF is going to sit on the curb as everyone walks past with their hands in their pockets.

However, if an ETF firm does have a knowledgeable spokesperson who can speak about the holdings and why the ETF performs the way it does, that information is sellable to the news media and investors.

This kind of thought leadership is a foot in the door with the media. Executives can speak about the industry – flows, history, trends in new products, and how investors and advisors are using various types of ETFs. Offering a snapshot of compelling ETF data that's packaged simply can shape the conversation. This approach ties your expertise and brand to the topic by leading with ideas and information, not product.

Are they really so different?

Unlike most mutual funds, ETFs rely much more on market niches and a specific group of investors. An SRI ETF would target a specific category of investors. By utilizing fund flow and market size data, it is possible to identify the niche market, and legitimized it through the use of research-based white papers and other content. With spokespeople trained not only to speak about the market, but all aspects of the trend to SRI investing, the media is likely to be attentive.

There are stories to be told for both funds and ETFs. By digging into the holdings, asset classes and market trends, both can be successfully marketed.