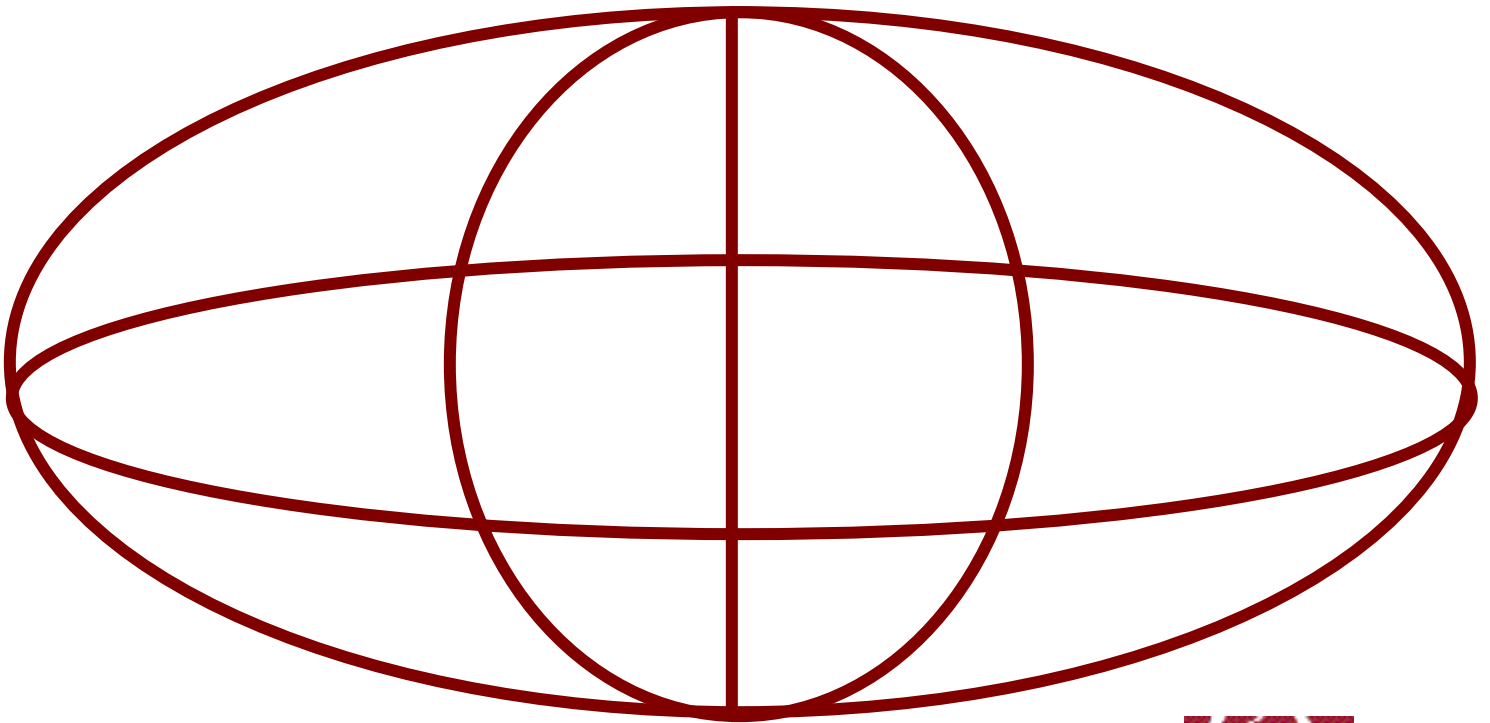


# AMERICAN DIVERSIFIED FUNDS, INC. MARKETING PLAN



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Version 4.0

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this is the mission:

**American Diversified Funds**

plans to **acquire**

over **\$4.55 Billion**

**in total assets under management**

**in less than five years.**

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this is the plan:

**RJ Lauren has created and**

**will implement a**

**revolutionary**

**marketing campaign designed to**

**achieve the goals of American**

**Diversified Funds.**

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this is the prediction:

**We will exceed all goals  
of the business plan.**

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# MARKETING OBJECTIVES

The marketing plan is designed to accomplish the following objectives:

- Build American Diversified Funds into a powerful, recognizable national brand among investors in the US.
- Attract tens-of-thousands of new accounts through a high-profile, high quality national direct response advertising campaign.
- Develop long-term strategic alliances with third party distributors to aggressively sell and recommend American Diversified's funds so as to increase consumers' exposure to them at point of purchase.
- Differentiate American Diversified Funds from competitors on the basis of value, with strong positioning and heavy advertising.
- Generate increased interest in American Diversified mutual funds in the media by communicating favorable information about the funds to the press and to potential customers.
- Raise the perceived value of the American Diversified brand in consumers' eyes through continuous marketing.
- Increase American Diversified's assets under management (AUM) according to the following goals:
  - This Year - \$500 Million in new AUM
  - Year 1 - \$540 Million in new AUM for a total of \$1.05 Billion
  - Year 2 - \$1.1 Billion in new AUM for a total of \$2.15 Billion
  - Year 3 - \$1.2 Billion in new AUM for a total of \$3.35 Billion
  - Year 4 - \$1.2 Billion in new AUM for a total of \$4.55 Billion

### The Most Important Objective

Marketing programs generally have many components, and they often pursue multiple objectives as well. By prioritizing these objectives, we are able to focus the plan and obtain a greater return on the marketing investment as a result of this greater focus.

The analysis of the situation indicates that one particular objective is more important than the others. We have identified the most important objective as:

**Increasing American Diversified's assets under management to \$4.55 Billion in less than five years.**

This plan emphasizes the pursuit of this objective over all others.

JANUS	63.5	48.2	63.7
KAUFMANN	54.2	32.5	46.3
KEMPER	24.5	29.4	33.4
MAINSTAY	NR	NR	NR
MERRILL LYNCH	29.0	38.7	48.2
MFS INVESTMENT MANAGEMENT	40.5	41.6	42.2
MONTGOMERY	39.4	27.3	38.4
JP MORGAN	22.2	26.3	39.8
MORGAN STANLEY	31.2	26.5	43.7
NATIONS FUND	NR	NR	NR
NEUBERGER & BERMAN	58.7	38.5	47.5
NICHOLAS-APPLEGATE	47.2	32.6	37.1
NUVEEN	36.5	35.1	45.5
OPPENHEIMER	42.0	35.6	42.9
PAINE WEBBER	22.7	29.9	33.4
PIMCO	55.8	33.7	42.3
PRUDENTIAL	17.8	22.1	20.1
PUTNAM	53.4	41.9	55.0
ROBERTSON STEPHENS	44.4	35.2	42.6
CHARLES SCHWAB	36.2	48.4	51.2
SCUDDER	36.6	40.8	46.0
SMITH BARNEY	26.1	41.2	40.6
STEINROE	34.0	30.6	36.8
STRONG	48.9	42.9	44.3
T. ROWE PRICE	56.0	53.1	60.0
TWENTIETH CENTURY	59.1	43.7	57.1
VANGUARD	69.8	59.8	71.0
VAN KAMPEN/AMERICAN CAPITAL	31.7	32.2	37.2
WARBURG PINCUS	42.8	23.9	44.0

Source: Wall Street Journal Mutual Fund

Base: Mutual fund owners “very” or “somewhat” familiar with listed companies. Bases vary for each business.

NR = Not rated; due to unstable “familiarity” base

The research indicates that the top mutual fund firms usually have a large familiarity among mutual fund owners as well as high scoring attributes. While a good product and a brand name create a strong formula for success, advertising effectiveness can vary widely. The following table is an example of the volatility of advertising “effectiveness.” RJ Lauren plans to counter this volatility by implementing a marketing program that focuses on increasing net sales once the consumer has been reached by the advertising.

### Advertising Effectiveness Review

#### Long Term Funds Only

Rank	Complex	Total advertising (thousands)	Net sales per \$ of Adv
1	Schwab	38,411	26
2	Merrill	31,582	(10)
3	Fidelity	30,079	123
4	Dn Witter	19,819	14
5	Franklin	15,308	453
6	AmEx	15,261	110
7	T. Rowe	13,830	378
8	Dreyfus	13,846	(4)
9	EvrgrnKystn	13,420	(55)

10	Amer Centry	12,093	(12)
11	Prudential	11,186	(63)
12	Janus	10,875	424
13	St St Research	10,362	31
14	Oppnhmr	7,186	539
15	Scudder	6,468	110
16	Smth Brny	6,105	26
17	Aetna	6,008	8
18	ZurichKemper	5,744	82
19	Edgemont	5,177	10
20	PnWbbr	4,929	11
21	J Hancock	4,814	190
22	SunAmer	3,933	(0)
23	Strong	3,892	266
24	Alliance	3,745	255
25	AIM	3,727	748
26	Mass Fncl	3,309	663
27	Nuveen	3,109	25
28	Berger	3,027	(109)
29	INVESCO	2,886	58
30	Vanguard	2,802	6,744
31	RbrstnStephns	2,619	(11)
32	Warburg Pincus	2,602	(20)
33	CGM	2,588	37
34	KeyTrustCo	2,544	27
35	Nbrg&Brm	2,336	271
36	Fleet	2,323	113
37	SunTrustBanks	2,086	214
38	AARP	2,002	86
39	Putnam	1,973	5,780
40	MainStay	1,928	353
41	LifeUSA	1,405	0
42	GT Global	1,400	(765)
43	MontgmAstMgt	1,268	130
44	SteinRoe	1,193	(80)
45	Founders	1,097	189
46	Citibank	1,077	166
47	Munder	1,069	349
48	Brntt Bnk	906	53
49	Bnc One	882	2,458
50	Nations Funds	775	(252)
51	Gabelli	762	(243)
52	Federated	747	382
53	M&IInvMgmt	709	103
54	Nationwide	645	(19)
55	Cigna	597	0
56	Calvert	548	(80)
57	Frst Amer	531	191
58	Transam	506	19
59	Colnl/Librty	327	(1,717)
60	Chase	312	16,039

Source: Financial Research Corporation, 1997  
Complexes ranked by YTD Total Advertising Expenditures for the first half.

Among firms that spent at least \$10M for advertising in the first half of the year, Franklin Templeton had the greatest net sales per dollar of advertising (\$453); Janus (\$424) and T. Rowe Price (\$378) placed second and third, respectively. According to Competitrack, 50 individual fund companies spent more than \$2M each on advertising in the first half of the year.

While the cost of advertising is low, the potential benefits, especially during boom periods such as 1995-97, can be great. Industry advertising statistics indicate the median for every dollar spent in advertising by top mutual fund companies results in an astounding \$190 in assets produced. These statistics are distorted to a certain degree by companies who have already developed substantial brand equity.

**According to industry research from FRC about asset retention and market appreciation, each dollar of advertising must generate a minimum of \$35 in net sales to justify the expense.**

**This is a maximum threshold of 2.9% of new AUM allocated to advertising expenses.**

### Indirect Competition

In addition to direct competition, there is always a certain amount of indirect competition from products that fill consumers' investment needs in other ways. In the financial services market, sales of alternative investments such as money market accounts can result in indirect competition for American Diversified Funds. Specifically, consumers can substitute money market funds, bonds and US Treasury Bills for a lower risk mutual fund. Because of the threat of indirect competition, the marketing program needs to include an investment in educating consumers about the relative advantages of using American Diversified's products, rather than their indirect substitutes.

## MUTUAL FUND ADVERTISING RESEARCH PROJECT

Advertiser	Position	Phone Rings	Minutes On Hold	# of days to receive materials	Comments
Advest	Broker	2	0	Never Sent	Very courteous and helpful. Offered good information and his direct line.
AIM Distributors	Marketing Specialist	2	0	Never Sent	Well staffed; prepared to answer questions
Alex Brown & Sons	Broker of the Day	1	0	Never Sent	Broker not available, told me to call Schwab - told me he couldn't help me
Alex Brown & Sons	Broker of the Day	2	0	Never Sent	Gave me # to LA brokerage
Alliance Fund Distributors	To Another Number	1	0	4	Gave me another phone # to call - line to literature department
Alliance Fund Distributors	Current Service Assistor	1	2	Never Sent	Took info to send literature
American Express	Assistant to Certified Planner	1	1	Never Sent	Told me to go with more aggressive funds, told me to see planner
American Fund Distributors	Representative	2	half-min	4	Told me to talk with broker before investing with him
American Skandia		2	1	Never Sent	Answering machine 1st try, answering machine 2nd try
Cadaret Grant & Company	Compliance Officer	2	2	Never Sent	No brokers available; gave me local rep's #
Randy Brazzet Brokerage	Broker	2	half-min	Never Sent	Good information, knowledgable
Calvert Asset Management	Marketing Specialist	2	0	4	Ready to answer, smooth operation
Fidelity	Product Specialist	1	0	2	Very informative
Chase Manhattan Bank	Broker	2	8	4	Automated; transferred call 3 min. wait to get to brokerage area
Conseco Marketing	Broker	8	3	3	Automated; transferred call 3min wait to get an answering machine, rep called back next day
Colonial Management	Registered Representative	3	1	4	Took info. to send literature
Cowen	Transfer Agent	2	1	Never Sent	Took info. to send literature
Dain Bosworth	Broker	2	half-min	4	Transferred to broker 2 min. wait, then helpful
Delaware Distributors	Client Services	1	half-min	4	Automated line; very helpful
Dreyfus	Registered Representative	2	0	4	Automated line; Broker talked my ear off - told me more than I wanted to hear
Eaton Vance	Support	1	0	Never Sent	Friendly
Edward Jones	Broker	1	1	2	Helpful, responded quickly to my needs
Evergreen Funds	Broker	1	0	Never Sent	Gave good information about funds

## MUTUAL FUND ADVERTISING RESEARCH PROJECT

Advertiser	Position	Phone Rings	Minutes On Hold	# of days to receive materials	Comments
Federated Investors	Client Services	0	0	3	Must go through broker
Ferris Baker Watts	Broker	1	2.5	17	Transferred 3 times, rep was finally helpful
Fidelity Distributors	Representative	1	1.5	2,4	Automated line; helpful
Financial Network Corporation	Broker of the Day	1	0	Never Sent	Automated line; rep's voicemail, rep called back, transferred 3 clueless people, to call another #
Financial Service Corporation	Broker/Dealer	1,3,	8	5	Disconnected me, transferred to mail room, financial services, sales dept., operator, rep's voice mail
Fortis Investors	Sales	1	1	5	Literature dept
Franklin Templeton	Broker	1	0	1	Very helpful, quick
Goldman Sachs Asset	Registered Representative	5	half-min	3	Automated line, answering machine, rep called back, assistant finally took info
GT Global	Representative	1	1	Never Sent	Automated; on hold for next rep.
Investco	Registered Representative	1	0	5	Mike was informative and efficient
John Hancock	Customer Representative	1	0	3	Automated; on hold for next rep.
John Nuveen	Representative			7	Helpful, quick to the point
Keystone	Representative	1	1		Very informative about specific funds
Legg Mason	Representative	1	0	4	Efficient, helped me to figure out what to send
Lord Abbet & Company	Literature Department	1	0	4	Quick and friendly
Mackay Shields Mainstay	Sales and Marketing	1	half-min	4	Helpful, cheerful, quick, to the point
Merrill Lynch	Account Management	1	1.5	Never Sent	Automated; pleasant and helpful
MFS Fund	Customer Service	1	0	4	Automated; pleasant and helpful
Morgan Stanley	Customer Service	2	half-min	Never Sent	Friendly and efficient
Nathan & Lewis	Mutual Funds Department	1	0	Never Sent	Automated, Mutual Fund dept., ran out of info. to send, told to call in a month
Nations Bank	Investment Department	1	1	Never Sent	Recorded mess, on hold w/screechy music, gave me another # to call
Nations Bank	Customer Representative				Took info.

## MUTUAL FUND ADVERTISING RESEARCH PROJECT

Advertiser	Position	Phone Rings	Minutes On Hold	# of days to receive materials	Comments
New England Funds	Customer Service	1	0	9	Courteous and friendly
Nicholas Applegate	Customer Service	0	0	Never Sent	Automated line, friendly
Northstar Distributors	Customer Service	1	0	6	Very cheerful
Oppenheimer	Service Representative	1	0	2	Quick and efficient
Paine Webber	Customer Service	2	half-min	9	Automated line, friendly
Pasadena Funds	Customer Service	1	1	Never Sent	Took info
Phoenix, Duffs and Phelps	Fund Headquarters	10	half-min	2	Took info
Pimco	Representative	0	0	3	Quick and efficient
Pioneer Funds	Representative	0	0	3	Quick and efficient
Piper Capital	Representative	1	0	9	Automated line, very helpful
Princor	Supplier	1	half-min	2	Automated line, sent to supplier
Prudential	Representative	0	0	4	Quick and efficient
Putnam	Representative	0	0	3	Quick and efficient
Scott & Stringfellow	Broker	0	0	13	Broker informative, offered to call back
Seligman Financial	Literature Department	2	0	3	Automated line, literature dept friendly and helpful
Sentinel Financial	Representative	1	0	Never Sent	Automated to rep
Sierra Capital	Representative	2	0	12	Automated to rep
State Street Research	Literature Department	2	1.5	3	Automated to literature department
Sun America	International Distributor	1	half-min	4	Automated to rep, friendly
Thornburg	Representative	2	0	2	Quick and efficient
Van Kampen	Representative	0	0	3	Informed and friendly, knew all materials
Wheat -First-Butcher-Singer	Mutual Fund Desk	5	0	Never Sent	Operator to answering machine
Zweig Securities	Representative	1	0	3	Friendly, giggled a lot, pleasant

Source: RJ Lauren Mutual Fund Survey

Based on this analysis, we plan to emphasize strong relationship-building strategies and follow-up to both the consumer and third-party distributors of the product through a sophisticated, repetitive marketing program in the coming year. This means we plan to institute significant changes in the current sales and distribution patterns within the mutual fund marketplace.

RJ Lauren proposes the development and implementation of a targeted marketing program that combines the strengths of all marketing components and entities and eliminates the weaknesses.

American Diversified provides the product and advertising support. Third party distributors provide the distribution and sales support. RJ Lauren provides the management and coordination of the advertising, marketing and distributor programs.

The consumer receives a premium (offer) and information on the funds quickly. They also have the opportunity to purchase shares from three sources:

1. Direct from company (information is included in all packages)
2. Third party distributor (contacts them)
3. Their own financial advisor or broker

A primary weakness of current mutual fund and direct response marketing is the follow-up. It takes an average of 7-8 contacts before a consumer purchases a product. Most marketers give up after only a few contacts. The American Diversified relationship-building strategy will be designed for multiple contacts.

### ***Lead Distribution Flow Chart***

Day 1	Consumer responds to advertising Telemarketing service captures information
Day 2-3	Literature Fulfillment #1 Broker Partner "A" receives lead
Day 3-10	Consumer receives Fulfillment Package #1 Broker "A" makes 1-2 outbound calls
Day 21-28	Literature Fulfillment #2
Day 24-30	Consumer receives Fulfillment Package #2
Day 30-37	Broker Partner "B" receives lead and makes 1-2 outbound calls
Day 55-60	Literature Fulfillment #3