Excess Returns

Monthly insights for investment marketing and sales professionals

September 2014 Volume 4 | Number 8

Clichés — words or phrases that have lost all meaning through overuse — undermine effective communication everywhere. At best, clichés convey a lack of original thought; at worst, they signal deception. Yet in the investment world, where companies want to be known for independent thinking and integrity, clichés abound. This issue of *Excess Returns* considers what clichés say about an investment firm and how investment companies can avoid them.

With best wishes,

Liz

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In This Issue

Alpha Partners is an investment marketing firm specializing in research and presentation strategy. Our goal is to create alpha (excess returns) by helping investment firms win, keep and diversify assets under management.

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What Clichés Say About Your Company

I recently happened to see two back-to-back press conferences with two police chiefs working different criminal cases. The first Chief of Police was calm and factual in his presentation; when he said his officers were close to an arrest, I believed him. The second Chief of Police, in addition to overemphatic speech and body language, used a lot of clichés such as "raising the bar" and "above and beyond." I immediately thought: "They're in trouble. They've got nothing."

Because that's what clichés communicate: a lack of substance. While researching this article, I did a spot check of 10 prominent investment company websites. Within 10 seconds (yes, I timed my search), I was able to find at least one of the following lethal clichés:

- Seasoned professionals
- Global footprint
- Proprietary research
- Unparalleled client service

- Singular focus
- Passionate commitment
- A comprehensive array
- A collegial team
- It's in our DNA
- In today's complex global markets

Clichés — especially those characterized by unnecessary adjectives and unsubstantiated superlatives — only dramatize an investment manager's inability to communicate true competitive advantages. Why then do so many firms rely on clichés to communicate? Why do they tell consultants and prospective investors that they are "unique" (itself a cliché) while using language identical to the language used by their competitors? Perhaps because they are not fully aware of the problem and its negative consequences.

How to Avoid Clichés

You can banish investment marketing clichés from your firm's lexicon if you put these rules into practice:

Develop awareness of the language used by your competitors. The reason why many investment firms say the same things using the same language is that they lack awareness of how their competitors communicate. Thirty years ago, this might have been understandable. Today, given the availability of competitor information via the Internet, it's inexcusable.

Avoid the urge to copy. The purpose of competitor awareness is to avoid imitation. So often, though, competitor awareness translates into copycat behavior. For more on the uses and abuses of competitor intelligence, see the November 2012 issue of *Excess Returns.*

Stick to facts — especially when describing your firm — and seek to provide regular weekend reading. The way I found all those clichés so quickly was by going straight to the sections entitled "Who We Are" or "Company Overview." There are thousands of investment companies and they all — from the smallest financial advisory firm to the largest global multi-asset manager — sell the same thing: consistent returns, risk control, experience, research, discipline and so forth. It is difficult to find different language to describe the same thing. Over the years, the smartest investment companies have learned to streamline descriptions of their firm, relying on facts (size and tenure of the team, for example), seeking differentiation instead mainly through the caliber and consistency of their intellectual capital (articles, research papers, investment process documentation, investment commentary that provides genuine insight). Intellectual capital does not lie. Either it exists or it doesn't and, if it does exist, its quality and frequency or lack thereof is evident. The firms that regularly produce high-quality research, essays and commentary are the firms that become weekend reading for investors, consultants and financial advisors. Clients and prospective clients thus experience your firm's competitive advantages directly instead of merely being told about them.

Hire from within — or work only with communications experts who specialize in investment marketing. If a firm has hired an outside marketing firm to create their marketing materials, I can always tell right away if that outside firm understands the investment world. When such understanding is absent, the clichés tend to proliferate because the marketing firm's cliché radar is less sensitive than it needs to be. Way back at the dawn of time, even I got excited when a firm told me that "research" was a competitive advantage; circa 10 years ago, I liked and used the phrase "It's in our DNA." The ability to identify and articulate original content — and the expertise required to dodge all the clichés — requires many years of experience in the field of investment marketing.

Write simply by avoiding unnecessary adjectives and superlatives. Simple language tends to be cliché proof. You can say, for example, that your firm is "focused" on something without saying that the firm is "singularly focused" or "laser-focused."[1] Whenever you use an adjective, ask if it is really necessary or if the message might be conveyed, minus the adjective, with more convincing simplicity and humility. Avoid unsubstantiated superlatives such as "unparalleled client service." I have yet to meet a firm making such a claim with any substantiation in the form of, say, a regular survey of its clients.

Be specific and provide proof. Clichés are ineffective not only because they are widely used, but also because they rely on generalities. Using a phrase such as "raising the bar," for example, has no meaning unless one understands what the bar is and precisely how it has become higher. A story rich with specific, concise, well-thought-out examples is a story unlikely to include a lot of clichés.

Sometimes an investment company professional will preface a statement of competitive advantage with "This may sound like a cliché, but …" The person then proceeds to launch a whopping cliché with a follow-on along the lines of "but we really do an exceptionally good job of understanding and monitoring the risk in our portfolios." Don't do this. Don't give up so easily. Relying on clichés tells the world you lack original thought when the facts and details that define your business probably tell a much more interesting story.

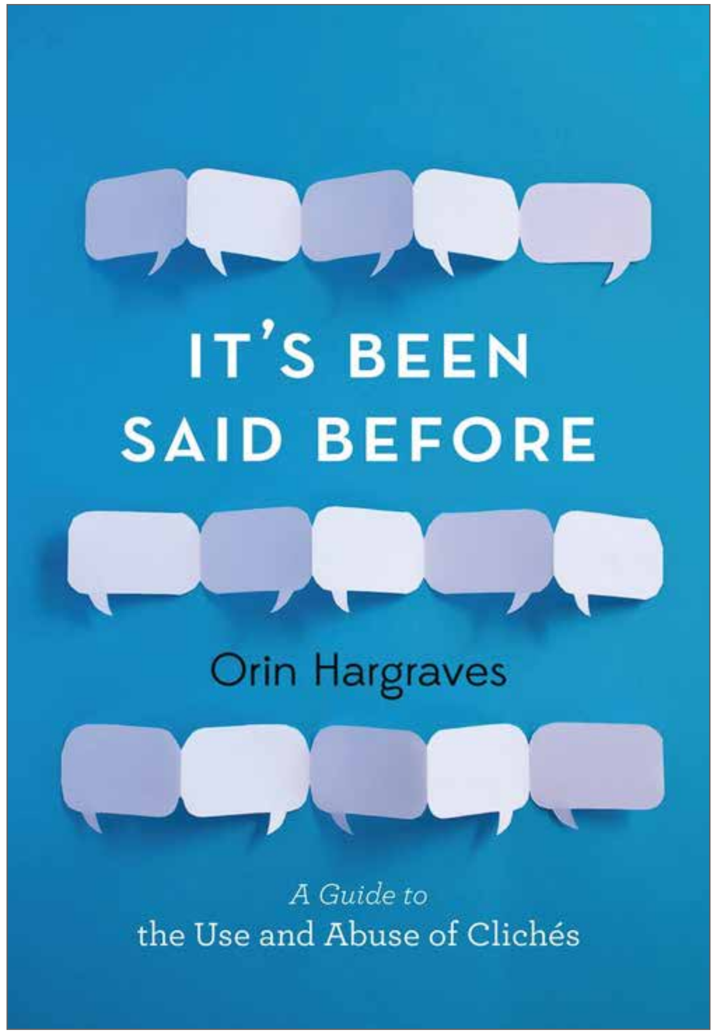
Clichés and Deception

Investors increasingly are using linguistic analysis as a research tool, seeking to identify language that signals conviction, uncertainty or deception. There also is a growing body of academic research on the subject. When executives "start using a lot of jargon, it makes you wonder about believability," says David Larcker, a professor at the Stanford Graduate School of Business who has studied deception on investor conference calls. Professor Larcker's 2012 paper, "Detecting Deceptive Discussions in Conference Calls," analyzes language clues to deception in the Q&A section of earnings calls.[2]

In her excellent book, *Investing Between the Lines* (profiled here in May 2014), L.J. Rittenhouse points to "six popular CEO clichés" in the 2000 Enron letter to shareholders: *talented people, global presence, market knowledge, financial strength, leverage competitive advantages* and *significant value for our shareholders.* "Not only do these clichés fail to inspire trust," writes Ms. Rittenhouse, "they should cause a prudent investor to wonder what the company might be hiding."

It's Been Said Before

Consistent with its subtitle, A Guide to the Use and Abuse of Clichés, *It's Been Said Before* by lexicographer Orin Hargraves addresses the distinction between frequent usage and cliché. Mr. Hargraves explains that he "scaled back his ambition as a cliché killer" early during his research based on the realization that some clichés facilitate understanding based on familiarity and also that the definition of a cliché is highly subjective.



"Significant value for our shareholders," for example, noted in the prior article, might be considered less a cliché than a simple phrase essential for communication. Professor Larcker's research paper, noted above, found that deceptive CEOs and CFOs were *less* likely to reference shareholder value: "We speculate that shareholder value and value creation words may be used less when deceptive executives are concerned about future litigation associated with their actions."

Mr. Hargraves' book serves as a well-researched, definitive reference guide for careful writers. Before you next use a phrase such as "strike a balance" or "stay the course," you may wish to consult *It's Been Said Before.*

1. As documented by Bloomberg in the September 11, 2013 article, "'Laser-Focused' CEOs Proliferate as Jargon Infects Speech."
2. Written with Anastasia Zakolyukina of the Stanford Graduate School of Business and published in the *Journal of Accounting Research.*

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