

# Excess Returns

Monthly insights for investment marketing and sales professionals



December 2013

Volume 3 | Number 10

Where are the Apples and Starbucks and Whole Foods of the investment world? Companies you know you can count on to deliver what you want consistently? That's the essence of a brand, right? Standing for something consistent in the mind of the consumer. Given that investment companies are charged with delivering a product that is, by definition, inconsistent — investment performance — one might pose the question that is the topic for this newsletter, “How can investment companies brand effectively?”

With best wishes,

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*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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## Standing for Something Different

This happened over 10 years ago and only now can I bear to think about it without a frisson of self-loathing. I had been hired by a European hedge fund manager to give a presentation during the company's annual off-site and I found myself in a beautiful sylvan spot surrounded by fresh-faced new hires eager to learn about marketing as well as a few obviously skeptical veteran fund managers eager to be done with all this touchy-feely marketing stuff and get back to managing money.

I somehow let the topic drift away from the prearranged focus of the meeting — branding in general for investment companies — to the specific, thorny theme of branding for this particular hedge fund manager. To spark some audience interaction, I posed the question, “What does your company stand for? When people in the market think of your firm, what ideally should spring to mind?” After a really long silence, one of the new hires said, in a small, timid voice, “innovation?”

That's when I knew I had lost control of the meeting. I soldiered on boldly anyway, still seeking answers to this big branding question, “What does your company stand for?” People said things like “integrity,” “a global footprint,” “research,” “risk awareness” and the like.

The reality is, most investment companies have not developed enduring brands. Some have tried and given up. Some never even bothered to try. Some succeeded for a short time, then drifted back into the sea of clichés that still characterizes so much of investment marketing. But a few inspired companies have created enduring brands — despite the complexities inherent in branding an intangible, volatile product that by law must wear the warning label, “past performance is no guarantee of future results.”

Here are five essential components for success in investment company branding:

- 1. Define what you are branding.** The firm, the investment strategy or both? For start-ups, the strategy and the company often are the same, but start-ups should consider their brand in light of likely growth opportunities. For investment conglomerates representing diverse global asset classes, the challenge of branding can be significant precisely because of this diversity.
- 2. Stand for something different.** Investment companies that say they stand for “in-depth fundamental research” or “a long-term view” concern me. Surely they know that all of their competitors make the same claims. And if they market their companies with zero regard for competitive realities, I reason, it’s also possible that they make investments with a similar lack of perspective. In all the years I have helped investment companies with branding, I have encountered only two firms without any source of competitive differentiation. Beneath the surface, there almost always is some compelling aspect of an attribute such as “in-depth research” that genuinely defines an investment firm’s competitive advantage in generating alpha.
- 3. Verify external perceptions.** Standing for something different is important, but it has to be something different that matters to your clients. Why did your clients hire your firm and why do consultants recommend it to their clients? If your answer is “performance,” that’s partly right. But what about how you generated that performance appeals to the market relative to approaches available from competing managers? What stories did you tell during a preliminary meeting and what ideas did you share in a finals that caused your firm to be selected for a competitive mandate? Interviews with clients, consultants, prospective clients, funds of funds, registered investment advisors and other consumers of a company’s investment products should be a required part of any investment company branding initiative.
- 4. Create a brand that guides the actions of the firm.** An effective brand isn’t just about logos and tag lines and advertising campaigns. It’s about how a company acts on a day-to-day basis, especially when the going gets tough. The brand might affect decisions such as where to cap assets under management, when to close an investment strategy, whether to avoid or pursue a certain type of investment, when to sell, the need to report malfeasance and if it makes sense to merge with a given suitor. One of the biggest compliments Alpha Partners ever received was a private wealth management company that told us the brand identity we helped it create ultimately steered the company away from a potentially disastrous merger.
- 5. Execute broadly and be consistent.** The key elements of a brand (see box, next page) are straightforward. But consistent, inspired execution is challenging; successful execution requires persistent effort by people who understand what the brand means and care about it. One of the biggest challenges to effective brand

execution, I believe, is not lack of money or time; it is the human desire for diversity and change. Sticking to a brand requires commitment. You can't have two brands and you must be faithful to your brand. ("No," I assured the CEO of a mid-sized investment firm recently, "your company cannot have two tag lines. For maximum market impact, you must select just one.")

## Key Investment Brand Elements\*

### Internal Brand Components

- A brand manifesto
  - What the brand means
  - How to act consistent with the brand
- Execution of the investment philosophy and process
- The infrastructure required to execute
- Culture
  - How clients are treated
  - How employees are treated
- Growth strategy

### External Brand Components

- Name, logo and tag line
- Description of the firm and specific investment strategies
- Client communications
- Research, articles and white papers
- Website and social media
- Email marketing initiatives
- Advertising, public relations & sponsorship
- Presentations and road shows

\* This chart was initially presented by Alpha Partners at the 2001 Schwab IMPACT conference.

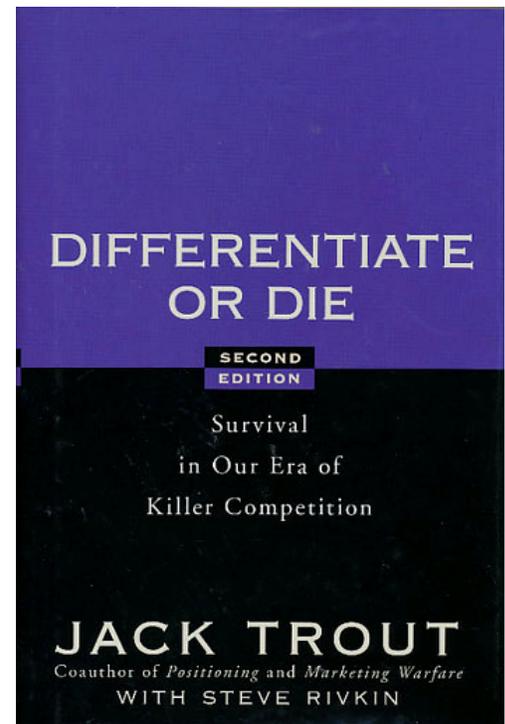
Through experiences such as that long-ago off-site, I have learned that "What does your company stand for?" is a question that must be answered from the outside in and the inside out, from the vantage point of competitor analysis and a clear understanding of diverse client views. Answering this question as a foundation for action requires the drama of a grand rollout combined with behind-the-scenes negotiations worthy of Machiavelli. It should not be broached casually when all people want is a few marketing tips before they hit the golf course.



## Differentiate or Die

For inspiration, I recommend this classic on branding, *[Differentiate or Die: Survival in Our Era of Killer Competition](#)*, by Jack Trout with Steve Rivkin. One of the lessons I learned recently while reading this book is that “you can’t overcommunicate your difference.” Many people, myself included at times, often find the consistency required for effective branding to be hokey or somehow overdone. As in, “Do we really have to have some branding element on our holiday card?” But the realities of intense competition and short client attention spans argue for erring on the side of too much repetition rather than too little.

Another classic in the field of branding is *[Brand Warfare: 10 Rules for Building the Killer Brand](#)*, by David F. D’Alessandro with Michele Owens. Mr. D’Alessandro, the former CEO of John Hancock, accurately portrays the joys and frustrations of getting branding right for a large financial services firm and the obstacles along the way.



## The Enemies of Effective Branding

A successful brand can define your company’s competitive advantage, impart a sense of mission to your employees, facilitate expansion, make it possible to charge higher fees and, if applicable, ultimately sell for a higher price. According to Interbrand’s *[Best Global Brands 2013 report](#)*, “CEOs are placing greater emphasis on their companies’ brands in investor communications,” taking their brands seriously enough to report on their value over time to investors.\*

But there are many forces aligned against effective branding. In addition to inconsistent and sporadic implementation, there is fear of commitment, absence of useful market research, the tendency to imitate, the problems always associated with too many cooks in one branding kitchen and still, even today, the erroneous belief that the value of the brand cannot be measured. Of course all these obstacles only magnify the opportunity for companies that are able to build a strong brand and reinforce it consistently.

\* Interbrand’s Best Global Brands 2013 report provides a look at the financial performance of the brand, role of the brand in the purchase decision process and the strength of the brand. Every year Interbrand applies its brand valuation methodology to rank the 100 best global brands. Interbrand does not rank investment management firms. But in 2013 eleven financial services companies were included in the top 100, including American Express, HSBC, J.P. Morgan, Goldman Sachs, Citi, AXA, Allianz, Morgan Stanley, Visa, Santander and MasterCard.