

# Excess Returns

Monthly insights for investment marketing and sales professionals



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At every step along the path to asset growth – from introductory consultant meetings to client reviews – smart investment managers seek to communicate one set of consistent messages about their identity. But consistent communications fall under the heading of “easy to talk about, difficult to do.” This issue of *Excess Returns* considers how to avoid behavioral biases that compromise consistency.

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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## Consistency and Customization

A few years ago I attended a presentation by a consulting firm during one of my client’s annual investor conferences. What immediately struck me about this presentation was that line for line, joke for joke, page for page, almost word for word, it was exactly the same presentation as the one that this same firm had given at this same client conference a year ago. I looked around the room and saw many of the same faces in the audience that I had seen the previous year – the same people, smiling and listening intently. Either this is really happening, I thought, or I am trapped in some awful déjà vu experience, a sort of [Groundhog Day](#) all my very own.

But it was really happening. I later checked the packet of conference materials from the prior year and the consulting firm was indeed giving the exact same presentation. And yet no one seemed to notice or, if they did notice, they didn’t seem to mind. I have thought about this experience for a long time and I still don’t know what to make of it. I do know, though, that it says something important about the delicate connection between repetition, sameness and consistency.

## Behavioral Biases That Compromise Consistency

Everyone in the investment world agrees that consistency is a good thing. Consistent investment process implementation begets repeatable results and consistent communications beget loyal clients who understand the investment strategy. But there are inherent behavioral biases that make consistency difficult to achieve. Here are three that I constantly confront in working with investment firms as well as in communicating about my own company:

- 1. The urge to start all over again.** “There’s a big piece of business on the line! Let’s take a fresh look at our presentation and revise it ... Let’s reconsider the key points we want to make about our competitive advantages.” The more important something is, the greater the human tendency to overcomplicate it. But the urge to work harder because the stakes are high often compromises consistency. In such cases, repetition is perceived as being stale and dull. But most often repetition is desirable, particularly when a firm already has defined a concise, truly differentiating set of marketing messages. Especially in a marketing context, repeating those messages in the same way, over and over again, is more beneficial than constantly trying out new messages or trying to communicate the old messages in a new way. Many people in the audience I describe above most likely had forgotten the main messages from that same presentation a year ago, just as you or I might likely forget the plot of a movie we loved and saw only, say, a few months ago. Instead of taking a fresh look at everything, a presentation team should rehearse customized delivery of the existing story.
- 2. A misunderstanding of what it means to customize.** When I say “customized delivery,” I mean that key parts of the same core presentation are customized to a specific audience, paying deference to their identity and their specific investment goals. It took me years to understand that by “customize” some investment firms meant customize the presentation to the personal preferences of different presenters within the same firm. I asked about this once: “You keep saying that you’ve ‘customized’ the presentation and yet there is not one page or even one bullet that addresses a specific audience?” “Oh, no,” I was told, “by ‘customize’ we mean create different versions of the presentation consistent with the preferences of individual presenters.” “Oh,” I said, too dumbfounded even to get on my soapbox and explain why this is such a bad idea.
- 3. The inability to be concise.** Verbosity makes it impossible for consistency to happen. Someone recently gave me a new business presentation for an investment firm that genuinely fills a niche. But the first page, rather than simply describing this firm’s singular competitive advantage, instead presented 6 bullets and 15 sub-bullets. Such visual and verbal clutter makes consistency impossible. To be consistent, one must first be able to answer the question, “*Consistent about what?*”

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So is the consulting firm giving the exact same presentation practicing a desirable form of repetition, the kind of sameness that creates consistency? Or is it being lazy by repeating the same canned presentation? A bit of both, I suppose.

I do know that I tried giving the same Alpha Partners presentation to an existing client recently, reinforcing up front a set of key messages about our firm. It didn't work. Or rather, it started off weak because we ultimately did get the business. But at first my client was bored. I salvaged the presentation by picking up on this quickly and shifting gears to focus on his specific project. But I should have customized a few more key pages of the presentation in advance so that it more directly addressed his needs, his experience and exactly what he was looking for ... then and only then should I have briefly reiterated how Alpha Partners is different from our competitors.

Will I ever again give exactly the same presentation to the same audience? Tempting as it is, given a demanding schedule, the answer is no. I still believe it is critical to find just the right balance between consistency and customization.

## The Penalty Box

The slightest sign of inconsistency – in investment process implementation, for example – and an investment firm might find itself in the penalty box with a given consultant for several years. In my experience, there are several areas where an investment firm may be vulnerable in this regard:

- **Inconsistent marketing literature.** The RFP response, for example, might describe the investment process in terms that vary from the description provided by the presentation book.
- **Inconsistent responses during the Q&A.** One member of the investment team might reveal a different intellectual slant relative to a teammate (e.g., a growth bias in a value firm or a different approach to portfolio construction). Such diverse perspectives may in reality be healthy for the investment process, but your firm still needs to present a consistent face to the world.
- **Misinterpretation.** If not presented correctly, new information about the investment process (or even old information presented in a new way) might seem indicative of a major change to a consultant.

Consultants like investment managers who are relentlessly, even boringly the same. Building consistency with repetition and sameness is particularly critical given the importance placed on repeatable results. Investment marketers should weigh this carefully the next time they consider that fancy new process diagram.



## Custom Nation

Of course I had to read this book: *Custom Nation: Why Customization Is the Future of Business and How to Profit from It* by Anthony Flynn and Emily Flynn Vencat.

The book explores successful customization strategies employed by companies as diverse as Shutterfly, Chipotle and Procter & Gamble. It wasn't only the penguins on the cover that drew me in; it was the following claim on the back flap: **“What’s the secret of a successful 21st century business? Customization. For every industry and every product. Embrace it or get left behind.”** Hmmm ... Why can't more investment firms successfully customize their communications with clients and potential clients – especially firms that already do a good job of customizing their portfolios to specific client investment objectives? As suggested earlier in this newsletter, maybe because “customization” sometimes still is confused with a lack of consistency.

