

Excess Returns

Monthly insights for investment marketing and sales professionals



December 2011

Volume 1 | Number 12

Marketing and sales professionals, even veterans with decades of experience, can still learn vital lessons about their own discipline through everyday life. Communicating with the checkout person at the supermarket, visiting your doctor or hiring a contractor — all such interactions, small and large, yield a wealth of insights about do's and don'ts. Last year, a major purchase taught me a few new lessons and reaffirmed some old truths regarding how human beings make big decisions.

With best wishes,

Liz Hecht

Founder, Principal and Director of Research

In This Issue

Investment Marketing Lessons through Horse Trading

Presenting First or Last?

How We Decide

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.

Alpha Partners LLC

435.615.6862

alphainvestmentmarketing.com

Investment Marketing Lessons through Horse Trading

The time is late July 2010 and I am standing in the center of a riding arena in Virginia, watching as three horses are being ridden around and around again. In a moment, it will be my turn to try each of these horses. I am on a mission to buy a new horse as a partner for my sport, [three day eventing](#). During the course of this same week, I will try 18 horses and take careful notes about each one. It occurs to me that this process is rather like a finals competition for institutional asset managers. All of the competitors are well trained and offer a strong track record. I have studied the performance statistics for each horse, and I am confident that virtually any one of them would be an excellent partner. So which one will I choose and why? My ultimate decision, like the decision to hire an investment firm, will depend in some measure on rational thought but also in large part on emotion, sales skill and purely situational factors.

Helping Buyers Decide in Your Favor

My experience buying a horse underlines several key decision factors in any sales process: seller responsiveness, skill in managing the relationship, the enthusiasm of the seller for the product, the importance of diverse sales media and good old-fashioned timing.

- 1. The Seller's Responsiveness.** A few sellers did not return my initial call for several days and, when they did so, managed to sound bored and indifferent. In his investment marketing classic, *Marketing Institutional Money Management Services*, author [Philip Halpern](#) defines responsiveness as the “promptness, courtesy and extensiveness with which money managers fulfill requests.” The lack of responsiveness, writes Halpern, is “perhaps the most important hurdle that gets money managers into trouble” and, paradoxically, the only hurdle that is “*completely and always* under the control of the money manager.”
- 2. The Seller's Skill in Managing the Relationship.** Just as in the investment world, several of the more responsive horse professionals also had a well-defined process for getting to know me and what I wanted to accomplish. These sellers moved to the top of my list as I began to see them not merely as sellers of a product but as a resource. One trainer suggested that I sit down and create a list of what I was looking for in a partnership with a horse; she then discussed my list with me in a thoughtful, caring manner. I did not buy a horse from this trainer, but I almost did and I will recommend her enthusiastically to others in the future.
- 3. Enthusiasm for the Product.** Another trainer was so enthusiastic that I found myself thinking, “Gee, she really loves this horse. Maybe she should buy him herself.” As it happens, I bought her horse, in part because of this woman's infectious enthusiasm. I tried another horse who, on paper, was equivalent in experience and price. But in this case, by contrast, the seller seemed more interested in negotiating the sales price than she was in the horse.
- 4. Diverse Sales Media.** The strongest candidates were advertised actively via every conceivable channel: the Internet, the classifieds and word of mouth. But one trainer told me that she did not believe in creating sales videos for horses, as the videos could be taken out of context. “Wow,” I thought, “that's like a hedge fund with one of those super-secretive websites that seems to say, ‘We're too cool to be bothered with marketing.’” (Do these still exist, I wonder, given the current premium placed on transparency?) Anyway, as you will see in a moment, a sales video ultimately proved decisive in my own final purchase decision.
- 5. Good Old-Fashioned Timing.** Our clients often ask me whether it's best to present first or last in a finals. I used to say, “If you give a great presentation, it doesn't really matter.” And there can be advantages to going first. Based on my experience buying a horse, I now say “If you are given a choice, choose to present last.” I tried 18 fantastic horses in one week and I bought the last two that I tried on the last day of my search.

Yes, that's right, I bought two horses. In investment industry parlance, I "split the mandate." My first choice, based on his sweet personality and the quality of our test ride together, was Vintage Trial (aka "Little Vinnie"), described in the [May 2011 issue](#) of *Excess Returns*. But I could not get my second choice, Larkrullah (aka "Big Luke"), out of my head. During my test ride on Luke, when I put him into a gallop and then asked him to slow down again, he seemed simply not to notice my request. Based on this first ride, the risk (being unable to stop him) clearly outweighed the reward (his fantastic athleticism). If I had based my decision purely on this ride, I never would have seen Luke again. But I kept thinking about [Luke's sales video](#), which showed a keen, powerful horse in good control.

I am taking a calculated risk here, I thought, but if I can learn to ride him like that, then I will have something exceptional ... So I bought both Luke and Vinnie, and the only thing I now have trouble deciding on any given day is whether to ride them both or just give them a big hug.



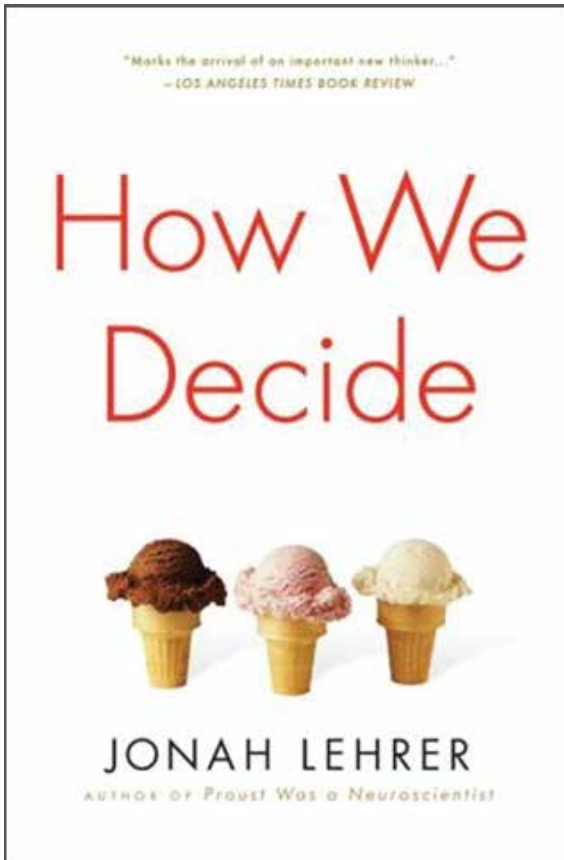
Photo by Val Stephens

I "split the mandate" to buy Luke. My choice was grounded in a mix of emotion with reason, which is exactly how most people decide which investment managers they should hire.

Presenting First or Last?

Going last in a finals competition is by no means always the best option. In his popular [blog](#), marketing expert Seth Godin notes that [showing up first](#) can be an advantage — if you believe that you are in a position to set the bar higher than your competitors. In situations where the competition is tight, however, last may well translate into the most positive lasting impression.

So should you make an effort to get your time changed to last, as some marketers recommend? I say no. Show up when you are scheduled to show up and give a standout presentation. If you appear to be changing the time to harness some small situational advantage (and, trust me, the key decision-makers in your audience will be onto this), then you run the risk of simultaneously (1) annoying people and (2) conveying that you lack confidence in what really matters: your firm's ability to generate consistent long-term investment returns.



How We Decide

Just in case you still believe that human beings make their best decisions based mainly on rational thought, you need to read [*How We Decide*](#) by [Jonah Lehrer](#). The book documents research on the role of emotions and reason in decision-making. Mr. Lehrer explores how we decide in fields as diverse as investing, football and piloting a plane.

"In order to make the right investment decisions, the mind needs emotional input, but those emotions need to exist in a dialogue with rational analysis."

From How We Decide