

Excess Returns

Monthly insights for investment marketing and sales professionals



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Competitor intelligence can confer a decisive advantage in winning business — or it can prove to be a foundation for indecision and mediocrity. This issue of *Excess Returns* explores the uses and abuses of competitor intelligence by asset managers.

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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Thank You

We want to thank everyone who inquired about this newsletter over the past few months. We suspended publication owing to an unprecedented volume of work here at Alpha Partners. Thanks to the many inquiries we received, we are resuming publication with a renewed sense of purpose and dedication. Going forward, please let us know whenever we can address a topic that you may find of interest.

Know Thy Competitors

We were having coffee and some really nice pastries, my client and I, when he asked me this question: “Liz, you always place such heavy emphasis on us knowing our competitors. Why should we care about our competitors? Why shouldn’t we work as hard as we can to provide superior investment returns and excellent client service? How does studying our competitors help us do that?”

He went on to describe the attitude of a top chef he had seen interviewed recently. The chef proudly professed complete disregard for the culinary concoctions of other chefs. My client asked me if the chef was wrong.

At the time, I recall thinking, “Ahh, the investment professional as artiste.” But isn’t the investment world really more like sports, driven mainly by intense competition and all the numbers and statistics that go with that?

His question certainly did have merit, though. After all, it can be counterproductive to dwell on the competition.

Best Practices in Utilizing Competitor Intelligence

Whenever I start working with a client, I always ask about their competitors. Responses vary. One firm recently sent me a complete SWOT report based on analysis of its major and minor competitors. (SWOT stands for Strengths, Weaknesses, Opportunities and Threats.) Another provided a voluminous file. Sometimes I simply receive a well-organized list.

Very often, however, I am told, “No, we don’t track our competitors because (a) we don’t have time, (b) we have so many competitors that such information is not really relevant (this most often from value equity managers) and (c) the consultant won’t tell us who our competitors are so it doesn’t matter anyway.” And then, of course, there is this notion of the business professional as artiste, toiling away in his or her own private patch of excellence where nothing matters but getting it right for the sake of clients. This approach is validated by well-regarded marketing experts and is particularly well articulated by Jason Fried and David Heinemeier Hansson in their 2010 book, [Rework](#).

I have thought about my client’s question for some time now, and I think I finally have a clear answer grounded in when competitor intelligence works (uses) and when it retards effective action (abuses).

Uses

Sharper competitive differentiation through awareness. Most investment managers look and sound alike. The investment manager who understands this based on a study of its competitors is in a better position to stand out — either through emphasis on genuine competitive advantages or through stronger storytelling or, ideally, both.

Confidence based on preparedness. Business can be won or lost given how an investment firm answers a question, and the questions may well depend on who is competing for the same slot. So why wouldn’t you want to know everything you can about your competitors’ identity, strengths and weaknesses? Such information may result in your being just that much sharper in answering a question. The main thing, however, is that simply by knowing as much as possible about your competitors, you are more likely to walk into a competitive situation (a finals, say) with a sense of confidence.

Understanding where your strategy fits in a portfolio. Along with the dictum, “know thy competitor,” I have also always preached, “know thy client,” and some of our industry’s most successful professionals operate precisely at the intersection of competitor and client knowledge. These professionals make it a point to know how their strategy

can contribute to a client's total portfolio. To know this, they must understand the competitive landscape and where their investment strategy fits within it. Is their strategy a core holding or a complementary allocation? Or could it be either, depending on the potential client's specific needs? Investment firms often tell me that such knowledge by definition resides with consultants. As in so many other areas, this cedes too much power to consultants. Most consultants are smart, hardworking people, but it's not their job to market your strategy effectively.

Abuses

Copycat interpretations. The biggest abuse of competitor intelligence is using it merely to copy. By "copy" I don't mean studying what works and doesn't work, seeking to learn from competitors' successes and avoid their mistakes. I mean the complete lack of originality that expresses itself in the statement, "We want one ... exactly like that!" — be it a web site or a presentation book or a thought leadership program. This desire to imitate may be why investment companies often use precisely the same imagery (gears, a globe, a chess board, Greek columns, people shaking hands, puzzle pieces coming together, a magnifying glass, compasses and other navigational devices) as well as the same language in their marketing literature. In brochures often entitled "The XYZ Company Difference," client service always seems to be "unparalleled" while dedication to investment excellence almost invariably is "unwavering." When confronted with such massive sameness, clients can be forgiven any tendency to make decisions based solely on short-term numbers.

Obsessing about the wrong things. Knowledge of competitors should serve as context. It should not become a distraction that takes focus away from what matters: meeting clients' investment and service needs. At certain points in the evolution of your company as a business, for example, you might be better off researching investments than researching competitors.

Statements that cannot be proven. I counsel my clients to be ready with answers to any questions about competitors but never to mention competitors explicitly. My rationale is that in most situations investment firms cannot know everything about their competitors, so why risk an inaccurate or naïve statement. (A [new war story](#) in this issue, however, describes a new business win for a firm that aggressively positioned itself as the best solution relative to two specific competitors.)

Since considering my client's question, I've had the good fortune to work with a number of former professional athletes. These professionals always provide me with a wealth of competitor intelligence. They see limited information or many different competitors as challenges to be met as opposed to a rationale for indifference. So yes, to a limited extent, I buy the concept of the investment professional as artiste. Absent the abuses noted here, however, the investment professional as athlete — securing every available piece of information to compete more effectively — makes a whole lot more sense.

A New War Story

Here is a true story told by one of our clients who manages a fund of funds:

“One of the managers in our funds recently won a significant mandate by demonstrating exceptional knowledge of its competitors. There were three firms competing for the business: Companies A, B and C. Our funded manager, Company B, was the second to present out of the three. Company B opened its presentation by saying, in effect, ‘We understand that you just heard a presentation from Company A. Company A told you this, this and that about its competitive advantages. Now here’s the part of the equation that Company A is missing.’ In closing, Company B said, ‘You are about to hear from Company C, who will tell you that, that and this. What’s wrong with Company C’s approach is the following ... Our investment approach, by contrast, solves for the shortcomings of both A and C.’

The potential client, who had planned to split the mandate, decided instead to award all the assets to Company B. The client described Company B’s presentation as postdoctoral in its sophistication compared to preschool and elementary school efforts by A and C. By aggressively describing its competitive strengths, B demonstrated a more detailed, nuanced, in-depth knowledge of the asset class where it competes for returns.”

Would we recommend this exact approach to one of Alpha Partners’ clients? Not exactly. We recommend against specific references to competitors. We would, however, recommend that presenters tell a story so embedded in competitor knowledge that they get the same message across — sophisticated knowledge of the competitive landscape — without explicitly mentioning competitors by name.

For more about real-life wins and losses, please visit War Stories at www.alphainvestmentmarketing.com

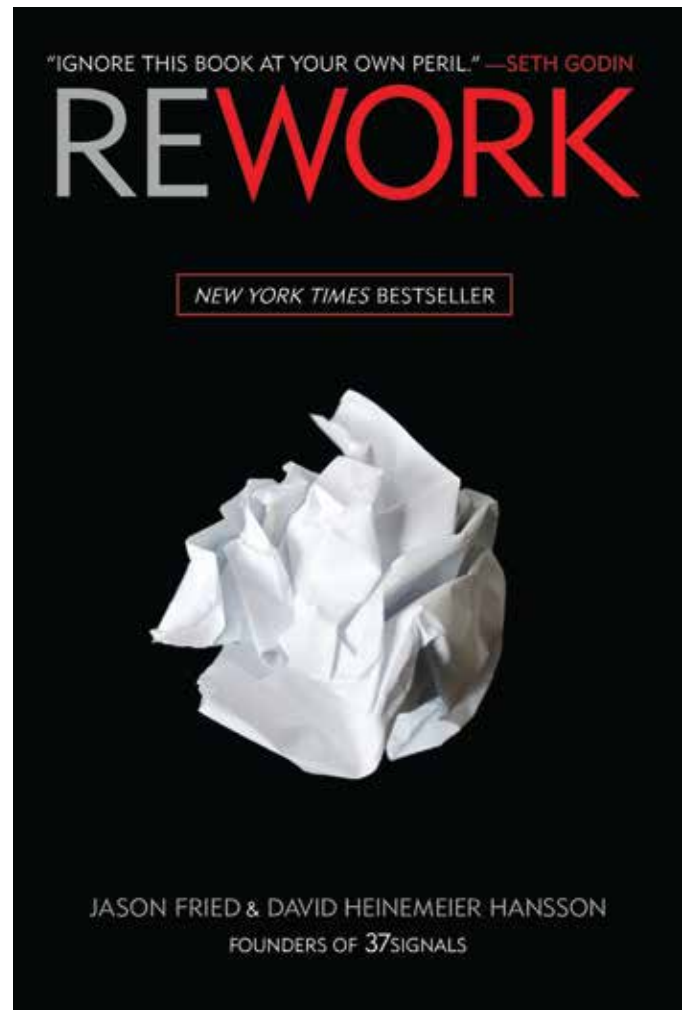


Rework

“Focus on competitors too much and you wind up diluting your own vision. Your chances of coming up with something fresh go way down when you keep feeding your brain with other people’s ideas.”

— From *Rework*, by Jason Fried and David Heinemeier Hansson

I started reading [Rework](#) for its perspective on competition. But I finished reading it for many more reasons. Consistent with its title, *Rework* inspires readers to rethink old approaches to practically everything in business — from the need for a detailed plan to the dubious glory of workaholism. If you want to start a company, or if you simply want to work more effectively, *Rework* is a great read.



Rework provides inspiration for anyone who wants to be more effective in today’s business world.