

# Excess Returns

Monthly insights for investment marketing and sales professionals



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Much has been published during the past few years about how human brain function affects investment decisions. But how do the workings of the human brain affect investment marketing? This month *Excess Returns* examines a few vital marketing rules based on how human beings process and retain information.

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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## Memory and Marketing

I am happiest in life when I am engaged in two good books simultaneously, listening to one in the car and reading one at home. So imagine my dismay recently when, after starting to listen to a book, I realized that I had heard this book before. I had borrowed this same audiobook from the library only about a year ago.

My personal memory shortfall got me thinking about the role of memory in marketing. My job involves presenting information about a complex, intangible product (investment management) in a distinctive, memorable way. If I could forget an entire book consumed over six hours, then how easy it must be for prospective clients to forget an entire investment presentation consumed in 30 to 60 minutes.

So I got to wondering, how does human memory work? And how can understanding human brain function be applied in developing more effective marketing strategies? It turns out that, yes, you guessed it, there is a growing body of work on this very topic.

## Rules to Remember

Given the way the human brain operates, prospective clients, consultants and financial advisors are more likely to remember you and your approach to investing if you follow a few simple rules:

**Break It Up.** This also might be called the 10-minute rule. According to John Medina, author of [\*Brain Rules\*](#), after 10 minutes, without a change in the kind of information being presented, the human brain checks out. If given more of precisely the same kind of information, attention dwindles, the potential for learning decreases and, in the context of investment marketing, so does the potential for getting another meeting or making a sale.

At 9 minutes and 59 seconds, writes Professor Medina, the brain needs something new to reactivate — something new with an emotional charge to release the neurotransmitter dopamine, which aids memory and information processing. In his book, Professor Medina describes how he breaks a 50-minute lecture into five 10-minute segments with dopamine-inducing transitions from one segment to the next.

**Connect to the Audience.** There are several ways to achieve such transitions: a synopsis of what the next segment is about (the brain craves meaning over detail), a specific example, a personal emotional connection or, perhaps most effective of all, an example linked to a personal emotional connection.

Academic studies show that the most persuasive messages are presented in a way that facilitates connection to the audience. One might wonder why scientific studies should be required to document obvious common sense. (People are more interested in information if they can relate it personally to their own lives. Duh.) In my own experience working with investment managers, however, I can see the need for such studies. Many investment companies have great difficulty presenting the story of their firm and their investment strategies in ways that trigger a dopamine-inducing emotional response. The typical investment pitch, in fact, prioritizes the information of *least* interest to prospective investors (the firm, the firm's credentials) at the expense of information of greatest immediate interest (the investment strategy and how it fulfills a specific audience need).

**Use Examples.** We have always told our clients that examples are a key ingredient of strong storytelling, creating satisfaction as a plot unfolds. Because of what Professor Medina describes as “the brain's natural predilection for pattern matching,” examples also make information “more elaborative, more complex, better encoded and therefore better learned.” *Brain Rules* describes the following experiment:

Groups of students read a 32-paragraph paper about a fictitious foreign country. The introductory paragraphs in the paper were highly structured. They contained either no examples, one example, or two or three examples of the main theme that followed. The results were clear: The greater the number of examples, the more likely the information was to be remembered.

For more on the power of examples in investment marketing, see the [January 2013 issue](#) of *Excess Returns*.

**Use Pictures.** Experts in communications, graphic design and human brain function all agree: pictures are much easier to remember than words. According to *Brain Rules*, “if information is presented orally, people remember about 10 percent, tested 72 hours after exposure. That figure goes up to 65 percent if you add a picture.” There are several reasons, some good and some bad, why investment marketing tends to be text heavy. A good reason is that many marketing documents are designed to be read as well as spoken (the presentation book that often is reviewed as a stand-alone document, for example). A bad reason is that investment professionals fear the subjectivity inherent in pictures; they are more comfortable with text and numbers. Another bad reason is that many in our business falsely perceive pictures as being somehow not sufficiently serious for institutional investors. (For more on this mindset and how to avoid it, see [Oh, That Is So ... Retail!](#))

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These rules — break it up, connect to the audience, use examples and use pictures — scratch the surface of what brain research has to teach us about marketing. Such rules, in my view, merely ratify common sense. But I have to remember that in our world there are many who would defy common sense: the product expert comfortable only with numbers and facts who will not allow any pictures in a presentation book, the portfolio manager who refuses to use specific examples out of fear of being pinned down and the CEO who enumerates the merits of his or her company without explaining why the audience should care. Perhaps the science of brain research ultimately will convince these investment professionals what we marketers have known all along.

(Oh and by the way, circling back to the origin of this article, I think the reason I did not remember having listened to that audiobook was simply this: it was boring.)

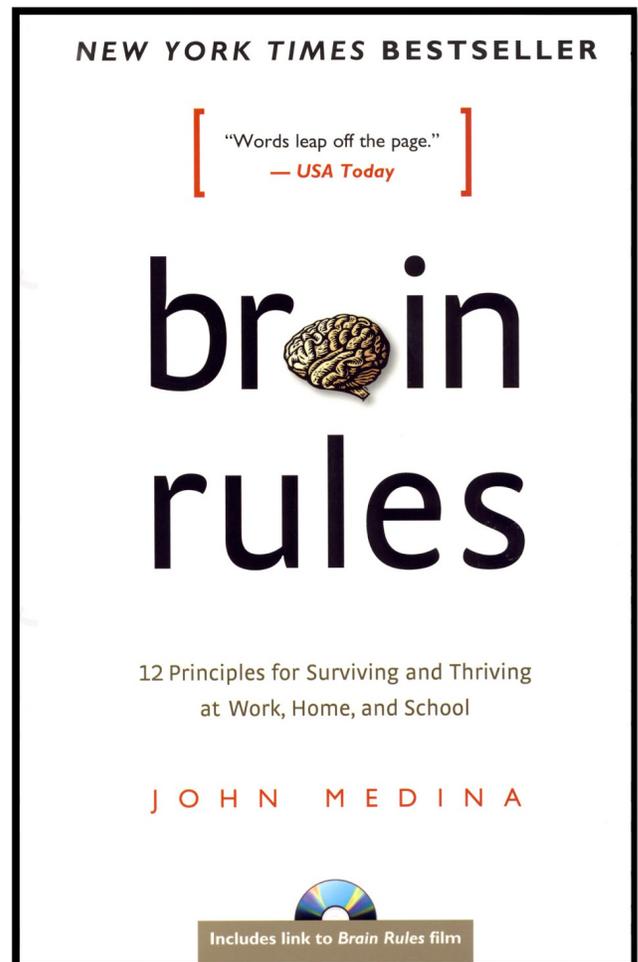
## The Rule of One

A friend recently sent me a paper about the optimum number of positive claims in messages designed to persuade an audience: [When Three Charms but Four Alarms: Identifying the Optimal Number of Claims in Persuasion Settings](#). When there is a persuasion motive, more than three positive claims arouse skepticism, according to this study. This thoughtful, meticulously researched paper adds another empirical rationale for the so-called [Rule of Three](#).

The Rule of Three works just fine, but do you know what rule I like a whole lot better? The Rule of One. Think about it: *What is the one distinctive thing you want clients and prospective clients to remember about your investment approach?* If you can answer that question, you have the foundation for a strong marketing strategy. Why? Because one is easier to remember than three (or four or ten). Because focus on one thing concentrates and intensifies the message. And because many of your competitors will prove unable to identify, agree on and clearly articulate one truly distinctive element of their investment offering.

## Brain Rules

John Medina's fascinating book and [related website](#) offer support for commonsense marketing strategy, along with invaluable chapters on how exercise, sleep and stress affect brain function. The chapter on Rule #4 ("We don't pay attention to boring things") offers the best argument I have so far heard against multitasking: "Studies show that a person who is interrupted takes 50 percent longer to accomplish a task. Not only that, he or she makes up to 50 percent more errors." All of the studies cited in *Brain Rules* (and in this issue of *Excess Returns*) can be found at [www.brainrules.net/references](http://www.brainrules.net/references).



*John Medina's book, Brain Rules: 12 Principles for Surviving and Thriving at Work, Home, and School, provides many memorable lessons for investment marketers.*