

# Excess Returns

Monthly insights for investment marketing and sales professionals



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Effective marketing strategies used in targeting retail investors often are dismissed by institutional marketers as being too obvious or unsophisticated. This issue of *Excess Returns* considers how institutional marketers would do well to emulate certain retail marketing best practices.

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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## Oh, That Is So ... Retail!

This often happens when I am working with an institutional marketing team. I suggest adding more visual information. I suggest that institutional marketing can capture audience interest in the same way that a great magazine article sparks the imagination. I suggest that whatever marketing initiative we are working on needs less data and more stories, less uniform predictability and more differentiating substance. I get excited about the possibilities. Then I hear *the pause* ... It's a long pause fraught with disapproval. Finally, someone says, "But that's so retail." Or, "We can't do that. It's too retail."

This mindset is virtually ubiquitous. The reality is, most institutional marketing, almost by definition, is boring — all philosophy-process-people-performance with no stories to make the investments come alive. By contrast, retail marketing has become more and more interesting — something to emulate, not something to avoid.

Here are a few suggestions regarding how institutional marketers can capture some of the excitement created by the best retail marketing initiatives:

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## Best Practices in Retail Investment Marketing

**Use relevant visual content.** And no, I'm not thinking about photos of elderly people enjoying retirement. I am thinking of maps, illustrations, photos and videos — any visual information that brings to life what your firm is investing in and why. Visual content relevant to the investments is rare in institutional investment marketing. For those who have the imagination and are willing to do the work, therein lies the opportunity.

**Educate.** This does not mean yet another white paper entitled “The Case for XYZ Asset Class.” Institutional investors want and need more information about how asset managers view the world of investment possibilities and how they hunt for the best investments. A story about information that your investment team recently uncovered during a research trip. Or a story about the transformation of an old industry or the birth of a new one. (Often when I suggest adding such information to institutional investment marketing, people will say, “You mean more anecdotes.” But I mean something far more robust than anecdotes; I am talking about information that opens whole new worlds, the kind of information that got people excited about being investors in the first place and that ignites interest in your firm's strategy.)

**Eliminate jargon and acronyms.** Even the most sophisticated institutional investor may have decision-makers who are laypeople with little investment knowledge. It doesn't take a lot of extra ink or breath to spell out or say “leveraged buyout” instead of “LBO” and no one will feel that you are condescending to them if you do so.

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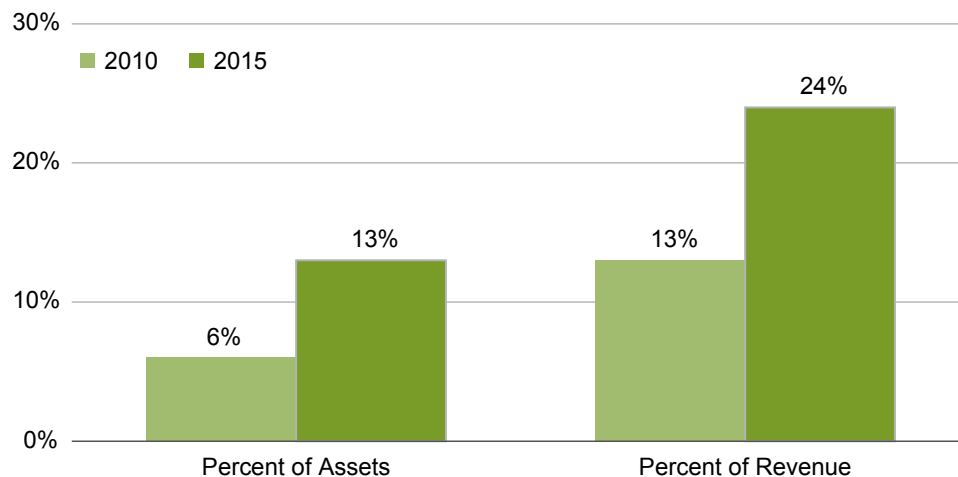
It cuts both ways. Retail marketers also would do well to emulate institutional marketing best practices. The four-P formula (philosophy-process-people-performance) is required by consultants and (when not presented with the predictability of a death march) adds intellectual substance to retail marketing programs. Similarly, retail marketing would benefit from more proof in the form of performance attribution and research validating the investment approach.

Over a decade ago, during an interview about Alpha Partners, someone asked me, “What is the biggest trend that will reshape the way investments are sold?” I said “Retail investors are becoming more institutional.” What this response did not encompass is the fact that institutional investors are at heart retail investors with a bigger, more complex job. But that doesn't mean they're not human beings and human beings, the last time I checked, gravitate toward visual information, well-told stories and the excitement of learning something new.

## No More Dumbing Down

In the early 1990s, I mainly worked on retail campaigns for mutual fund companies. Way back then it was virtually impossible to work on a retail marketing campaign without someone saying, at some point, “We need to dumb this down.” The suggestion always made me deeply uncomfortable because it is condescending toward the audience and also because the dumbing down process invariably weakened the end product. Investors across markets want to learn and understand; they don’t want pabulum and, even if they’re relatively unsophisticated, they know pabulum when they see it.

At that time, alternative investment funds for the retail market were just a gleam in someone’s eye, if that. Now, one of the biggest ways that retail investors will continue to become more institutional is via increased use of alternative investments (variously defined depending on the source but typically including hedge funds, private equity, real estate, infrastructure and commodities). [The Mainstreaming of Alternative Investments](#), a 2012 McKinsey & Company study, documents the huge potential of the retail alternatives market and a 2013 SEI research paper, [The Retail Alternatives Phenomenon](#), reports that firms such as Morgan Stanley’s Alternative Investment Partners, Blackstone Group and Carlyle Group, among others, have already launched or filed for retail alternative products.



Source: McKinsey & Company

*According to research by McKinsey & Company, in 2015 retail alternatives will likely account for 13% of US retail fund assets and 24% of revenues.*

How will the spread of retail alternatives affect investment marketing? Retail alternatives will mean expanded and improved investor education, which in turn will mean smarter, more sophisticated investors. This is another giant step in a decades-long process of blurring the lines between retail and institutional.

## A Simple Comparison

To witness firsthand the current difference between retail and institutional marketing, here's an online research initiative you can pursue right now. Go to the websites for several large, well-regarded, global asset managers. Most have different sites for retail investors, financial advisors and institutional investors. Visit the retail investor site and take a tour. Then visit the institutional investor site and compare what you find there. Consider how your own company's institutional site could be improved by adding some of the same elements you found to be effective on the retail sites and vice versa. Ten years ago, the retail site would have been all photos of happy retired people and the institutional site would have been all white papers, and this dichotomy still exists to some extent today. But increasingly you will find great ideas for strengthening intellectual content on the retail site and for adding greater human interest to the institutional site.