

# WICKWARE QUARTERLY

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INSIGHT AND AMUSEMENT FOR FINANCIAL SERVICES SALES AND MARKETING PROFESSIONALS

Markets are way up, the recession is over, and almost every economic indicator is pointing towards growth. What next?

Investors are notorious for their short memories, but the wounds of the financial crisis are going to take some time to heal. That means financial services firms must remain mindful of communicating more than just the benefits of their services—investors also need to understand and believe in your process. I hope this issue of *Wickware Quarterly* provides some useful ideas.

Here's what you'll find inside:

- > **Trends:** Bon appétit!
- > **Creative:** Facebook vs. LinkedIn
- > **Perspective:** How to make better decisions
- > **Digest:** Quick hits on money and marketing
- > **Update:** Industry and agency news

Happy reading, and please drop me a line if you have any questions or comments.

Yours truly,



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TRENDS /

## Bon appétit!

With G-5 developing nations—China, India, Brazil, Mexico and South Africa—now accounting for more than 40% of the world's population, increasing demand will send prices higher for many resources that we currently take for granted. Such as food.

Few things are more important for human survival than food, yet this essential commodity rarely receives as much attention as oil and energy when discussion turns to the new demand created by emerging markets.

Truth is, members of the newly minted middle class from Sao Paolo to Xiamen want more than just a new car in the driveway—they also want a burger and fries.

In China, the trend is already well established: as rural populations urbanize, they consume more meat and less grain. Already, China's urban dwellers are said to consume roughly three times as much meat as their rural counterparts.

However, that doesn't mean the demand for gain is falling, because it takes up to seven pounds of grain to produce a single pound of pork.

Meanwhile, western economies are also hungry for more grains. The ethanol and biodiesel industries are devouring corn and soybeans at a rate that could grow significantly as governments offer incentives and apply pressure to develop alternative energy sources.

If, as many believe, food is set to become a long-term growth industry, we're all going to start experiencing higher prices. Fortunately, there may be an opportunity to offset your rising grocery bill by investing in the prosperity of the food business. Here are some ideas:

### Futures

Futures contracts let you tap into the price performance of a whole range of agricultural commodities. The Chicago Board of Trade groups its agricultural commodity products

under three main categories: grains and oilseeds, livestock, and dairy. The downside? Futures trading is not for amateurs, and because the contracts are highly leveraged, the potential for quick gains is matched by the possibility of steep losses.

### Stocks

The stock market lets you approach the food boom from a couple of angles. You can invest in companies that are directly involved in agriculture, such as food processors, biotechnology firms, and seed and fertilizer manufacturers. You can also gain indirect exposure through companies that supply agricultural equipment and machinery, or those that are involved in shipping foodstuffs.

### Exchange Traded Funds

For many investors, a sensible approach is to consider buying an Exchange Traded Fund (ETF) or two. Some types of agriculture-based ETFs hold a diversified pool of commodity futures contracts, and others invest in a basket of agricultural stocks. Owning one of each type may offer exposure that is both well balanced and cost effective.

### Our view

We believe that once global economic growth resumes, it's just a matter of time before rising food demand is recognized as one of the world's most important investment trends. We note a distinct lack of actively managed agriculture funds available in today's marketplace, and this may indicate an area of untapped opportunity. //



CREATIVE /

# Facebook VS. LinkedIn

Social media is all the rage, but financial services firms are approaching with caution. What's the opportunity, what are the risks, and how do you make a good impression? Here's how two of the most popular sites compare.

## Facebook

## LinkedIn

<b>What is it?</b>	The Internet's leading social hub and international repository of embarrassing office photos.	A business networking site that lets you connect with your colleagues, as well as your colleagues' colleagues.
<b>Who's on it?</b>	More than 65 million users from every conceivable demographic—including the mature and affluent.	Professionals from all walks of life, including executives from every Fortune 500 company. Oh, and Barack Obama.
<b>What's the opportunity?</b>	Facebook is a powerful tool for permission-based and viral marketing. Once a customer becomes a 'friend', you have permission to talk to them and market to them. And, if you provide great content, friends can send you more friends.	LinkedIn allows you to receive introductions through common acquaintances, but unlike real-life networking, you can also introduce yourself directly to a potential client or employee without worrying about anyone calling security.
<b>How do you make a good impression?</b>	Treat Facebook like your company's personal scrapbook. The more content you provide, the more success you'll have. Facebook works best when you treat your customers like actual friends.	Position your company as a leader. Start a group, but instead of making it about your company, make it about a topic you want to 'own'. Use the group to deliver news and helpful content.
<b>What are the risks?</b>	Like virtually all social networking sites, Facebook is designed to mine data and generate revenue. Make sure you are comfortable with how the site may store and use your content and personal data.	A LinkedIn profile can reveal a lot of information, such as name, approximate age, education, and employment history—information that could be dangerous in the wrong hands.

### Our view

Content is the key to success. The more ideas and dialogue you share, the more likely Internet searchers are to find you and tell their friends and colleagues about you. Just be sure to consider the risks, and implement appropriate corporate policies to manage them. //

PERSPECTIVE /

# How to make better decisions



In recent years, the study of behavioural finance has helped explain why so many investors make bad decisions. Now neuroscience research is shedding light on techniques that can help you and your colleagues make better decisions at work.

Sometimes, mistakes seem perfectly avoidable in retrospect, such as taking out a jumbo adjustable rate mortgage on a way-over-priced piece of real estate. Other times, failure seems to sneak up from behind, such as the impeccably planned corporate merger that just never seems to click.

Either way, blaming errors in judgment on a lack of intelligence may be missing the point, according to the authors of *Think Again: Why Good Leaders Make Bad Decisions and How To Keep It From Happening to You*.<sup>1</sup> They say that our brains are hardwired to make decisions based on two built-in processes: pattern recognition and emotional tagging.

Pattern recognition is what allows us to go through the day without having to stop and think about every little decision. It's how we almost intuitively navigate our way to the office, or anticipate how a tennis ball will bounce.

Emotional tagging refers to the way emotions are connected to memories. These emotional cues tell us what to pay attention to, what to ignore, and what sort of action we should take. They help us spot opportunities and run away from danger.

The authors point out that the brain generally does not follow the textbook sequence of events when making decisions: Lay out the options, define the objectives, and weigh each option against each objective. Instead, it analyzes the situation based on pattern recognition and decides whether to act based on emotional tagging. What's more, the two processes happen almost instantaneously. >>

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How to make better decisions

### Red flags

Poor decisions are often a result of false pattern recognition and distorted emotional tags. The authors have identified three common 'red flags' to watch out for:

> **Presence of inappropriate self-interest.**

This could involve an obvious conflict of interest, or something much more subtle. And it needn't be a malicious or even conscious phenomenon—even doctors are susceptible to 'seeing what they want to see' due to the influence of personal biases.

> **Presence of distorting attachments.**

We can become attached to people, places, and things in a way that distorts our judgment about them. Think of the business executive who is reluctant to close down a failing product line that they were instrumental in launching.

> **Presence of misleading memories.**

This occurs when we have memories that seem relevant and comparable to the current situation, when in fact there are important differences. We're more likely to overlook these differences if our response to the previous situation was successful and created positive emotional tags.

Competing red flags can make it particularly difficult to arrive at good decisions when multiple parties are involved. The authors suggest systematically identifying the red flags of each decision maker, starting with the most influential person in the room. This makes it possible to implement appropriate safeguards.

What safeguards? One recommendation is to bring in an outsider who can expose key decision makers to new information or a different perspective. Another is to set up a balance of power so that biases may be explicitly confronted—either by fellow decision makers or by an impartial governance committee.

### Our view

Red flags are virtually unavoidable, and it pays to uncover and examine them in an objective light. In our experience, contentious decisions or those that are a long time in the making tend to accumulate more 'baggage', and can benefit most from an objective third-party opinion. //



DIGEST /

## Quick hits on money and marketing

### What will it take to recover?

The math of portfolio losses can be discouraging. For example, it takes a 100% return to recover from a 50% loss. This matrix shows you what average annual rate of return you will need to recover your portfolio's original value based on the amount of your loss and the time frame to reach your goal.

		Average annual return needed to recover (%)				
Portfolio loss	10%	3.6	2.1	1.1	0.7	0.5
	20%	7.7	4.6	2.3	1.5	1.1
30%	12.6	7.4	3.6	2.4	1.8	
40%	18.6	10.8	5.2	3.5	2.6	
50%	26.0	14.9	7.2	4.7	3.5	
		<b>3</b>	<b>5</b>	<b>10</b>	<b>15</b>	<b>20</b>
		<b>Years to goal</b>				

Calculated using [www.moneychimp.com/calculator/discount\\_rate\\_calculator.htm](http://www.moneychimp.com/calculator/discount_rate_calculator.htm)

### Where the millionaires are

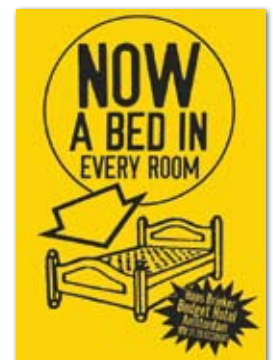
The 2009 World Wealth Report released by Capgemini and Merrill Lynch defines high-net-worth individuals as those with at least \$1 million in financial assets, excluding collectibles, consumables, consumer durables and primary residences. Here's where they live:

- |                             |                                 |
|-----------------------------|---------------------------------|
| <b>1. US (2,460,000)</b>    | <b>6. France (346,000)</b>      |
| <b>2. Japan (1,366,000)</b> | <b>7. Canada (213,000)</b>      |
| <b>3. Germany (810,000)</b> | <b>8. Switzerland (185,000)</b> |
| <b>4. China (364,000)</b>   | <b>9. Italy (164,000)</b>       |
| <b>5. UK (362,000)</b>      | <b>10. Brazil (131,000)</b>     |

Source: Forbes.com

### Truth in advertising

The Hans Brinker Budget Hotel in the heart of Amsterdam was a marketer's worst nightmare. With spartan rooms, terrible food, rude guests, and no amenities to speak of, it had a distinct lack of 'features and benefits' upon which to base a marketing campaign. Fifteen years ago, local ad exec Erik Kessels decided the solution was to brand the Brinker as The Worst Hotel In The World. His ad campaign bragged, "Now a bed in every room!", "Now even more noise!", and that the 'hotel' sign out front with every letter except the L burnt out was using 80% less energy. It worked. Paid nights at the hotel have risen from 60,000 to 145,000 per year since the campaign.



<sup>1</sup> Andrew Campbell, Jo Whitehead and Sydney Finkelstein, *Think Again: Why Good Leaders Make Bad Decisions and How to Keep It From Happening to You* (Harvard Business Press, 2009)

Source: National Post



UPDATE /

## Industry and agency news

### Wickware in pension fund investment journal

*Benefits and Pensions Monitor* is a leading publication aimed at professionals in the field of pension fund investment, and the August issue features an article written by our Creative Director, Michael Wickware.

The article discusses a new whitepaper created by the Professional Association for Investment Communications Resources (PAICR) entitled *A Data Study of The Institutional Investment Industry*, which analyzes the challenges investment managers face when populating pension consultant databases, and provides recommendations for improving the process.

Visit [www.bpmmagazine.com](http://www.bpmmagazine.com) for subscription and advertising information.



### Membership has its privileges

Fine food, hearty laughter, and business insights were all on the menu for a select group of PAICR members on the evening of Thursday, September 24th. The networking dinner event was held at the posh Vertical Restaurant in Toronto's landmark First Canadian Place office tower.

The evening's guest speaker was Hugh Murphy, President of Credo Consulting. Hugh's engaging presentation included lessons learned from his years of brand management research and consulting, and practical advice on how financial services firms can derive greater value from their research efforts.

To join us at our next event, please visit [www.paicr.com](http://www.paicr.com) and become a member today! //

#### WISE WORDS

Markets are constantly in a state of uncertainty and flux and money is made by discounting the obvious and betting on the unexpected.

George Soros

Wickware Communications draws on decades of financial industry experience to help our clients build stronger brands.

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