

WICKWARE QUARTERLY

ISSUE N°

04
SPRING
2009

INSIGHT AND AMUSEMENT FOR FINANCIAL SERVICES SALES AND MARKETING PROFESSIONALS

Recently, while browsing the website of one of North America's largest financial institutions, I came across a very impressive client presentation featuring a case study that was premised on equity returns over a period of time ended July 2007. Needless to say, the case study is no longer relevant.

If you haven't done so already, it's time to review your communications to make sure they are still accurate and compelling for investors. I hope this issue of *Wickware Quarterly* provides some helpful inspiration.

Here's what you'll find inside:

- > **Trends:** Giving credit where credit is due
- > **Creative:** Keeping up with the Dow Joneses
- > **Perspective:** Does marketing during a recession pay off?
- > **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,



Asif Nasim, CIM
Managing Director
(416) 932-3113

TRENDS /

Giving credit where credit is due

Mortgages, lines of credit, and loans are in relatively short supply these days. American Express even offered some of its cardholders \$100 to go away. With credit scarce, many consumers are doing things the old-fashioned way.

Before there were banks, people simply lent and borrowed among their peers. Lender and borrower often were personally acquainted, and the desire to maintain good social standing provided strong incentive to repay debts.

But as commerce evolved, intermediaries sprouted up. Banks brought new scale and diversification to the lending game. By pooling capital, they were able to make larger loans and take bigger risks. And since the loans were spread out over a diverse group of borrowers, the occasional default made little impact on their overall balance sheet.

In recent months, the weaknesses in this model have become painfully apparent. Its complex web of interdependencies is difficult to regulate, and community loyalty is no longer part of the client relationship. These days, a tractor loan to a farmer in Idaho might end up in the debt portfolio of a hedge fund in Singapore.

The solution may be a return to the basics, albeit with a high-tech twist. Writing in the January 2009 issue of *Harvard Business Review*, former Harvard professor John Sviokla says a modern version of peer-to-peer (P2P) lending will emerge as one of the most important financial services innovations of the next decade.

How it works

Potential borrowers visit a P2P lending website and apply for a loan, indicating how much they need and how they plan to use it. Investors browse the site and choose loans they wish to fund in whole or in part.

There are more than thirty such sites in operation, and Lendingclub.com is one of the most popular, where it's not unusual to find more than a hundred investors chipping in to give someone a \$5,000 credit card consolidation loan.

Lending Club even augments conventional credit scoring with proprietary tools that allow them to analyze a borrower's reputation within other online communities such as eBay and Facebook.

The P2P model helps investors diversify their lending like a traditional bank, except with far lower overhead and a much better idea of who they're lending to. Meanwhile, borrowers get a sweet deal. Lendingclub.com offers fixed rate loans starting at 7.88% interest, whereas the bank rate for personal loans in the U.S. is 13% on average.

Sviokla ultimately envisions a convergence of P2P with traditional lending. He sees banks and other investors giving the most successful P2P lenders additional capital to grant more and bigger loans. He also predicts that every major bank will have its own P2P lending network within the next five years.

Our view

If P2P lending helps information and credit flow efficiently between lenders and borrowers, we believe it's a good thing. After all, getting capital to where it is needed is the core purpose of capital markets.



CREATIVE /

Keeping up with the Dow Joneses

More than ever, investors are looking for leadership and advice. Here are a few tips to keep your communications relevant and effective in the face of challenging market conditions.

- > **Audit materials.** It's time to purge communications that no longer reflect the times—such as case studies and illustrations that fail to account for recent market activity, and language that glosses over the issues presently confronting investors.
- > **Update messaging.** Although long-term equity investing is still important, it's necessary to address new concerns, such as when and how to re-enter the market, how to reassess retirement planning, and what investors can do to avoid crystallizing capital losses.
- > **Engage media.** Be proactive in developing messages for the media when there's news concerning your organization. Allowing the media to develop their own angle can be dangerous, especially when the news is sensitive, such as staff reductions or product discontinuations.
- > **Go digital.** A blog may have seemed superfluous a year ago, but today it makes good sense to let your clients and prospects know what you're thinking and doing on a daily or weekly basis. Internet video is another powerful way to help investors connect with you, understand your process, and see how you're working for them.

Our view

We're helping clients do all of the above—review existing materials, develop new positioning, and tap into the power of the digital medium. Our industry is emerging from a long period of relative complacency, and the future belongs to the firms who keep up with changing conditions. //



PERSPECTIVE /

Does marketing during a recession pay off?

That's the question researchers from The University of Texas at Austin and The Pennsylvania State University set out to answer in a comprehensive study of companies that have successfully turned economic adversity to their advantage.

In a recession, some firms slash marketing, while others see an opportunity to engage existing customers and attract new ones. The authors of a paper entitled "Turning adversity into advantage: Does proactive marketing during a recession pay off?"¹ say the answer for many firms is simply "yes."

The paper cites several successful examples, such as Procter & Gamble pushing Ivory soap during the Great Depression, Intel launching "Intel Inside" during the 1990–91 recession, and Wal-Mart scooping the competition with "Every Day Low Prices" amidst the dot-com bust.

The researchers also dug into news stories that have portrayed companies such as Dell, Microsoft, De Beers, and BMW as capitalizing on a recessionary environment with aggressive marketing programs. Although most of these stories stressed the advantages firms have realized during the post-recession recovery, the authors say there are also immediate gains to be had.

Here are some key findings:

- > **Be entrepreneurial.** The most successful firms have an entrepreneurial culture that views marketing as an investment that directly drives long-term revenue growth.
- > **Know your customer.** Firms like Amazon that strive to understand their customers and address their most relevant interests stand to earn the strongest returns on recession marketing.
- > **Invest aggressively.** When other firms are cutting back, those who invest aggressively in marketing reach more prospects and send a reassuring signal of confidence to customers who may be ready to switch from weaker firms.

Our view

Financial services brands are based on trust, and that trust has been tarnished. In this environment, we believe there can be a tangible return on investment for firms that proactively communicate their strength and integrity to clients and prospects. //

¹Srinivasan, Raji, Arvind Rangaswamy, and Gary L. Lilien. "Turning adversity into advantage: Does proactive marketing during a recession pay off?" *International Journal of Research in Marketing* 22 (2005), 109–125.





DIGEST /

Quick hits on money and marketing

No news is good news

Media outlets are still trying to outdo one another with gloomy headlines. Here are some recent examples:

The shocking truth about the value of your home

Mcleans.ca, February 23, 2009

Man living in cave hit by recession

ABC news, February 24, 2009

You've lost all my money, you &^%\$

Globe & Mail, February 23, 2009

Sesame Street's word of the day is "layoffs"

Calgary Herald, March 12, 2009

Roaches and mice thrive in a recession

New York Times, March 2, 2009

Not so fast you greedy bastards

New York Post, March 18, 2009

Recession-hit shoppers head to auctions for groceries

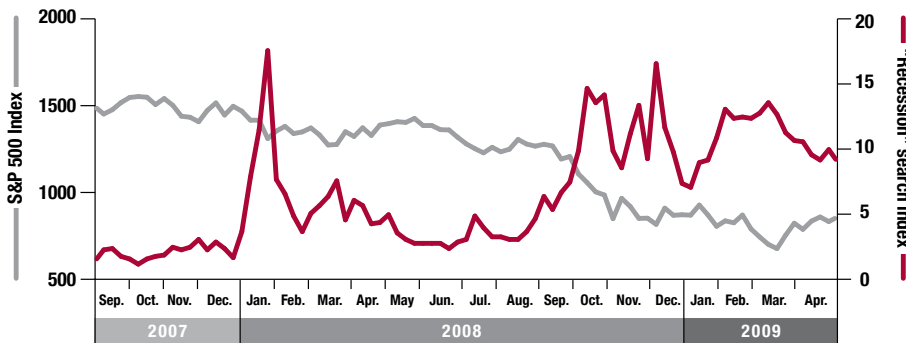
Globe & Mail, March 28, 2009

Bronx Zoo starts laying off animals

MSN Money, April 24, 2009

S&P vs. Google

We're communicators—not analysts. Still, we wondered what would happen if we compared the weekly close of the S&P 500 versus the volume of Google searches for the word "recession". Both sets of data capture economic sentiment in their own way, and they seem to show a negative correlation. Perhaps the most intriguing question is what will happen when someone figures out how to use one to predict the other?



Source: Yahoo! Finance and Google Trends

Art world bailout

Legendary photographer Annie Leibovitz has put up her life's work as collateral for US\$15.5-million in loans from Art Capital Group, a firm that describes itself as offering "private banking for the art world." Leibovitz, whose famous photos include John Lennon and Yoko Ono in the nude, Queen Elizabeth, and First Lady Michelle Obama, is said to be in financial trouble following her wildly over-budget renovation of three Greenwich Village townhouses.



Hello, New York!

The first-ever stadium rock concert? The Beatles at Shea Stadium on August 15, 1965. There were 55,600 screaming fans in attendance, and the boys took home \$160,000 for their 30-minute performance. Here's the set list from that historic show:

1. Twist and Shout
2. She's A Woman
3. I Feel Fine
4. Dizzy Miss Lizzy
5. Ticket To Ride
6. Everybody's Trying To Be My Baby
7. Can't Buy Me Love
8. Baby's In Black
9. I Wanna Be Your Man
10. A Hard Day's Night
11. Help!
12. I'm Down



UPDATE /

Industry and agency news

What's the future of HNW wealth management?

In July, PAICR Canada will host a conference call with Keith Sjogren of Investor Economics. Keith will share insights into the changes that have taken place in the sphere of wealth management for high net worth clients, and where the business is likely to head next. You must be a PAICR member to attend the call, so please visit paicr.com and sign up today!

In other PAICR news, the annual West Coast Conference took place in Santa Monica, California, in March. Financial services marketers from across North America enjoyed another great opportunity to learn, connect, and grow together.

WISE WORDS

“If you owe the bank \$100, that's your problem. If you owe the bank \$100 million, that's the bank's problem.”

J. Paul Getty



Meet Eileen Louie-Carruthers

Eileen joined the Wickware team as Project Manager in December 2008, and she's already made dramatic improvements in the way we work together and with our clients. With a talent for creating meticulous workback schedules and a background in production design, she keeps us running like a well-oiled machine.

Eileen has previously worked with a number of top financial services brands, including Franklin Templeton Investments, KPMG, Mackenzie, Sun Life, and TD Asset Management. In her spare time, she enjoys hiking and creating beautiful mobiles with origami. //

Wickware Communications draws on decades of experience to help financial services firms build stronger brands.

Wickware Communications Inc.

26 Soho Street
Suite 350
Toronto, ON M5T 1Z7
Canada

www.wickware.ca

Comments? Questions? Refer a subscriber?

Asif Nasim, CIM
Managing Director
(416) 932-3113
asif@wickware.ca

