

THE ROI OF ASSET MANAGEMENT MARKETING

Instilling Trust and Transforming your
Brand with Clear Language

Written by Diallo Hall

A Study Sponsored By:

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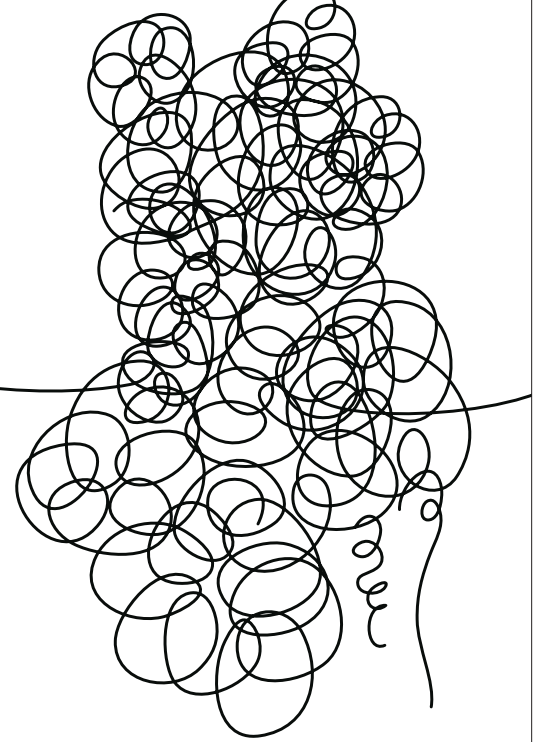
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A MESSAGE FROM LOQUATIO



In the mid-1990s, I stumbled upon a career as a financial editor. After starting at an investor relations consulting firm, I eventually went to work with Standard & Poor's. I still remember my first high-level meeting (which, in retrospect, might not have been that high profile). This was an opportunity to rub elbows with the movers and shakers.

One of the managing directors ran the meeting. He and I always exchanged pleasantries—and I looked forward to seeing him in action. Was I impressed? Befuddled, perhaps. Confused, absolutely. He was speaking in English and I understood each word in isolation. But the way he structured his sentences left me bewildered. Words like *synergy*, *integrated*, *leverage*, etc. all have vague meanings, and were even more vague on that fateful day.

Over time, it became apparent that this wasn't an isolated incident. Rather, there seemed to be an unspoken rule in the financial services industry that complex language makes you sound smart. For example, who could forget (or even understand) Alan Greenspan's 1996 "irrational exuberance" quote:

“ But how do we know when irrational exuberance has unduly escalated asset values, which then become subject to unexpected and prolonged contractions as they have in Japan over the past decade? ”

The above requires you to read at a grade level of 17.6. In other words, he was speaking to someone in his or her last semester of getting a master's degree.

Even though this unfortunate trend of using complex syntax continues today, the reality is that rather than impressing people, it has the opposite effect. Just ask Daniel M. Oppenheimer. He's a former Princeton University professor who won the 2006 Nobel Prize in Literature for his ironically titled paper "Consequences of Erudite Vernacular Utilized Irrespective of Necessity." Among other things, he discovered that needless complexity in language creates a negative impression among your audience rather than a favorable one.

Fast forward to 2017. With the massive shift toward mobile technology and digital advertising, many asset management firms are revolutionizing how they engage with their clients. And, in the following pages, we've explored how effectively the asset management industry is using language as part of its marketing efforts. Using Clarity Grader, a proprietary tool created by VisibleThread, we've scanned the websites of the world's largest asset management firms. We then created the VisibleThread/LOQUATIO asset management index based on characteristics such as readability, passive language, sentence length and complexity. The findings are interesting—and also instructive for asset management firms that want to strengthen their brands and gain the public's trust through clear language.

Diallo Hall

Founder & Managing Editor

LOQUATIO





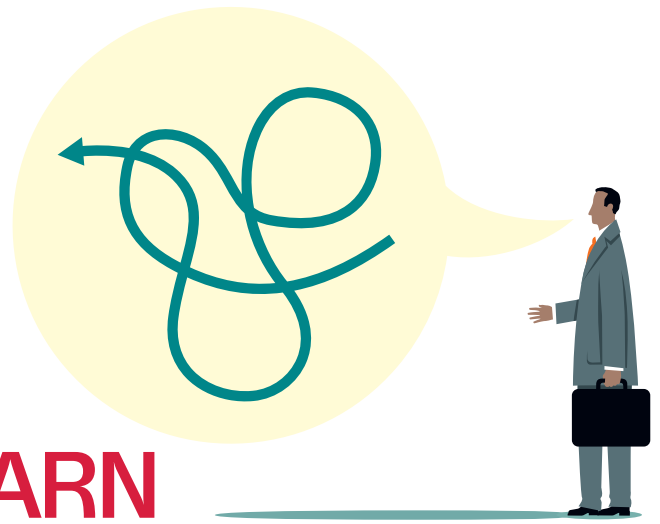
MESSAGE FROM VISIBLETHREAD

On the face of it, communications are simple. A transmitter sends a message to a receiver—easy, right? However, as any child who has played the game “telephone” will tell you, it’s not quite as simple as that. The problem is something known to communications professionals as interference. If the interference is strong enough the message doesn’t get through to the receiver at all.

Sometimes a single source of interference is enough to stop the message in its tracks. For example, if I visit a website written in Russian, the message will not get through at all. Why? I don’t speak Russian.

Sometimes it is the incremental effect of lots of small sources of interference that disrupts message delivery. For example, if I use translator software, I may get a sense of the message but not a complete understanding. Consider a message with technical terms, acronyms, long sentences, passive language and complex phrasing. Each adds a thin layer of interference that adds up to a message that is completely incomprehensible to a reader.

VisibleThread tackles this problem by analyzing websites for long sentences, passive language and complex words. We use this information to measure site readability. Removing these sources of interference immediately improves visitors’ understanding of your website messages no matter how technical or asset management savvy they are.



WHAT YOU'LL LEARN FROM THIS REPORT

VisibleThread and LOQUATIO focused on the world's top 100 asset management firm websites as our initial universe. Among the 80+ websites that we scanned, we came away with some interesting findings. In the following pages, we provide you with top-level results. And we're more than happy to provide you with an analysis of your firm's site to see how you measure up.

We hope you find our report useful as you ramp up your marketing efforts in the coming months. Below is a quick view into what you'll discover in the following pages:

- Why readability, passive language, long sentences and word complexity density matter
- How the world's top asset management firms score in terms of readability
- How clear language can help improve your relationship with regulators
- How competition for our attention affects our ability to focus—and your web traffic
- How clear language helps firms stand out in a crowded marketplace
- The link between clear language and trust
- How to foster a company culture that promotes clear language



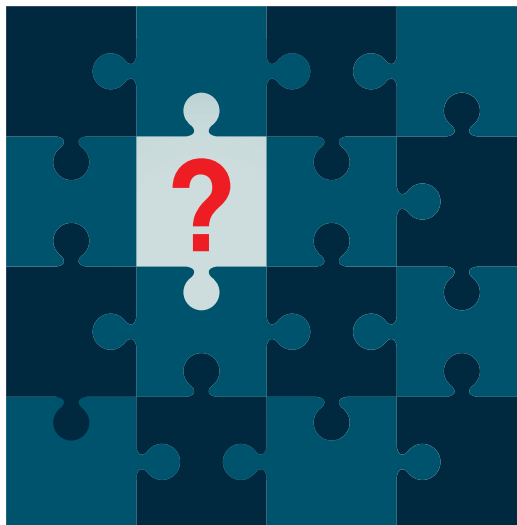
INTRODUCTION

Online display ads, mobile devices, social media, events and the list goes on... Keeping track of the options facing marketing executives today is like trying to pour the ocean into a cup. Marketers have to balance long-term and short-term objectives while staying current on the latest marketing technology at their disposal. And let's not forget budget constraints. But how much time and energy do today's marketers get to spend evaluating the words they use and the effect on their brands? The answer is complicated. Probably as much as they can, but not as much as they'd like—particularly considering the constant changes in how we consume information.

The marketplace is rapidly changing, and the pace of change is increasing. But one ingredient that every marketer should keep front and center is clear language. Your customers expect it. Your marketing channels need it. Regulators are also demanding it.

"Clarity in marketing tells customers—and workers—that they can trust you," says Josh Bernoff, vice president at Forrester Research Inc. and author of *Groundswell: Winning in a World Transformed by Social Technologies*. "How do your marketers and PR people communicate? Do they put out press releases filled with industry jargon and meaningless superlatives? When clarity and truth are core values for marketers, they can spend time trumpeting what works, rather than concealing what doesn't," he continues.¹

When it comes to clear language among asset management firms, there's considerable room for improvement.



CHALLENGES

Do products and services all look the same to investors?

Many industries have experienced so much change that they're almost unrecognizable from 10 years ago. The asset management industry has also gone through its own metamorphosis—especially in the wake of the 2008 financial crisis. However, the pace of innovation hasn't been quite so dramatic in the eyes of investors.

Today, firms are trying to differentiate themselves in the marketplace, and deal with the increasing commoditization of their products and services. Of course, there is a considerable degree of expertise residing within individual firms. The challenge, however, is that this point of differentiation can get lost in a sea of complex language. To illustrate, here are two passages from actual websites that most readers would probably click away from rather than suffer through:

“ ...our overriding objective is excellence, or more precisely, constant improvement. We believe that producing excellence requires approaching both work and people in a principled way. Above all else, we want to find out what is true and figure out how best to deal with it. We value independent thinking and innovation, recognizing that independent thinking generates disagreement and innovation requires making mistakes.” (Grade level 12)

Or...

“This Site is not directed at, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any jurisdiction where such distribution, publication, availability or use would be contrary to applicable law or regulation or which would subject XXXX to any registration or licensing requirement within such jurisdiction.” (Grade level 18)

Yes, these passages are real.

We should acknowledge that asset management is a complex topic that doesn't always lend itself to an eighth-grade reading level. This is certainly the case with disclosures and other legal considerations. So how do you balance these competing realities?

MARKETING IN A DIGITIZED MARKETPLACE

There was a time when a thoughtfully designed brochure was enough to attract potential clients. And we still think that print products have power. But there's also no denying that people are consuming information through digital channels more and more. By some estimates, over 50% of U.S. Internet traffic comes through mobile devices. Moreover, social media has become one of the biggest drivers of referral traffic.

What does this mean to you? In today's marketplace, visitors to your website may leave just as quickly as they arrived if the content is too difficult to read. In fact, a Microsoft study

8
Seconds

A Microsoft study found that the average attention span has declined from 12 seconds in the year 2000 to eight seconds today.

found that the average attention span has declined from 12 seconds in the year 2000 to eight seconds today. (Note: The average attention span of a goldfish is nine seconds.) So your investment in marketing automation platforms and other digital tools may fail to deliver an ROI if your underlying content betrays the needs of your audience.

THE REGULATORY ENVIRONMENT

I have a story. When I first became a bank examiner at the Federal Reserve Bank of New York, I was invited to a gathering for a senior examiner who was going on to greener pastures. In a moment of candor, he explained the relationship between examiners and compliance officers like this: “Their job is to hide crap. Our job is to find crap. Eventually the crap will hit the fan, and you don’t want to be there when it does.” So what does this have to do with language? Well, the crap did hit the fan in 2008 and regulators are no longer just “ticking a box.”

No regulator wants to fall asleep at the wheel—and this means more work for regulated firms. The changing regulatory landscape and increased oversight also means spending more time on compliance and less on innovation. And, considering that the stock market total value traded relative to U.S. GDP is 230%, the asset management industry is critical to the success of a globalized economy. **The bad news:** The level of oversight is only going to increase.

The level of scrutiny today is such that regulators are even looking at whether your firm is using clear language. In 2014, *The Wall Street Journal* reported that SEC lawyers and accountants are not only looking for accounting inconsistencies and regulatory lapses.

50
Percent

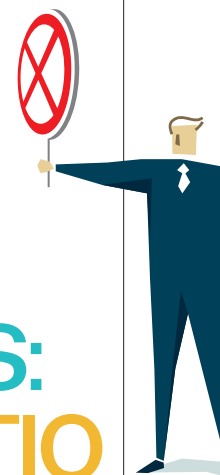
U.S. Internet traffic
that comes through
mobile devices.

“[T]hey also chase down typos, sentence fragments, jargon, puffery and sloppy punctuation.”² The SEC’s “A Plain English Handbook” explains further:

“Investors need to read and understand disclosure documents to benefit fully from the protections offered by our federal securities laws. Because many investors are neither lawyers, accountants, nor investment bankers, we need to start writing disclosure documents in a language investors can understand: plain English.”³

The implication for regulated firms is that clear language has moved from the “nice to have” category to the “must have” column. And being proactive can only help improve your relationships with the regulators.





YOUR WEBSITE, OUR FINDINGS: THE VISIBLE THREAD/LOQUATIO ASSET MANAGEMENT INDEX

Our study focused on 85 of the 100 largest asset management firms in the world. We wanted to assess their websites in terms of readability, passive voice, long-sentence density and complex word usage.

UNDERSTANDING CLEAR LANGUAGE METRICS

The following will help you understand important measurements for clear language:

{ 1 }

Readability

A score of 60 or above is ideal. Avoid anything below 50, even for brands with sophisticated customers.

{ 2 }

Passive Language

Of your total content, having 4% or less in the passive voice is ideal.

{ 3 }

Long Sentences

Long sentences are those that exceed 20 words. Try to limit long sentences to 5% or less across all content.

{ 4 }

Complex Language Density

This is measured by dividing the total amount of complex words by total words, and multiplying by 100. The lower the score the better.

READABILITY OF ASSET MANAGEMENT WEBSITES

We often think of determining whether something is readable as a subjective undertaking. However, in 1975, Rudolf Flesch and J. Peter Kincaid developed a methodology for assessing readability for the United States military. The purpose was to determine how difficult it was to read training materials and they used a formula that incorporated total words, total

sentences and total syllables. It's an approach that's used today to help educators assess the reading level of books for children.

To put the concept of readability into context, *Reader's Digest* has a readability score of approximately 65. *Harvard Law Review* hovers somewhere in the 30s.

At this point, you might be thinking: "Our clients are fairly sophisticated, so why should we worry about readability?" While these measurements are instructive, we don't want to suggest that they replace good judgment. Sometimes complex topics require more complex sentences or industry-specific terms. Crafting clear language is a balancing act. But, if you do have to sacrifice clarity for complexity, you should be clear on the rationale.

Ultimately, you do not want to increase the cognitive burden for your audience. Visitors to your website should find pleasure in reading about your firm and learning about your expertise. And remember, goldfish now have longer attention spans than we do.

READABILITY

Notwithstanding the massive investments asset management firms put into their websites, the readability levels are in need of considerable improvement. In our study, the index average was just above 36 (i.e., difficult to read), and only two firms scored above 50 (i.e., fairly difficult to read). The following is an example of one of the complex sentences we observed:

“You can enjoy a number of business benefits, including a reduced need for multiple channels and cash management processes that are greatly simplified

36
Percent

The index average
for the asset
management firms
studied.

due to a single point of entry for payments, collections and reporting.”

(Grade level 19)

PASSIVE VOICE

Do you remember your teachers cautioning against the use of passive voice in your writing? Most of us learned to put the subject before the object (e.g., your client invested) rather than the passive construction (e.g., the investment was made by your client). While it's perfectly acceptable to have a certain percentage of passive sentences, you should limit them to 4% of your content. However, we found that among asset management websites, passive voice levels averaged 8%, which is twice the recommended level. Below we've included a sample passage that includes passive construction (i.e., "are addressed") and requires an 11th-grade reading level:

“ Various state and federal laws have requirements with regard to the personal information of our clients who are individuals, and the following additional disclosures are addressed to such clients.”

SENTENCE LENGTH AND COMPLEX WORD DENSITY

Long sentence and complex word densities should also be within reasonable limits. Among the world's top asset managers, we observed long sentence density averaged 25%, which is five times the ideal level of 5%. However, complex word density averaged 2.34. This is actually quite a good score relative to other indices we've created. For instance, a 2016 index of U.S. Government Agency websites averaged complex word density of a full point higher at 3.55.

25
Percent

Average long sentence density among the world's top asset managers.

Though the following passage has one passive phrase, you'll notice shorter sentences that are easy to digest. It's also written at a 6th-grade reading level:

“ You can lose money by investing in a fund. Any given fund may not achieve its goal, and is not intended as a complete investment program. All funds have risk. The value and/or returns of a portfolio will fluctuate with market conditions. You may have more or less than the original amount invested when you redeem your shares.”

LEADERS VS. LAGGARDS

When evaluating our sample, the top nine websites exhibit high quality content relative to their peers. Meanwhile, the eight worst-performing websites performed considerably worse than the other 90% of asset management sites we analyzed. Among these laggards, the readability level was 28.6 (i.e., more difficult than *Harvard Law Review*) and complex word density averaged 3.23 (i.e., similar to that exhibited by U.S. Government Agency websites). In other words, the worst-performing asset management websites require a graduate degree to read.

Passive voice levels are also 15%—which is nearly twice that of the VisibleThread/LOQUATIO Asset Management Index average. Further, long sentences averaged 39% across the laggards. This is 56% worse than the Index average.

15
Percent

Passive voice levels,
which is nearly twice
that of the Visible
Thread/LOQUATIO
Asset Management
Index average.



A CASE FOR CLEAR LANGUAGE

We hold asset management firms to a high standard in our society. Much like the rest of the financial services industry, firms have a fiduciary responsibility to act in the best interests of their clients. The relationship between firms and their clients is essentially one of confidence and trust.

But there's a disconnect. According to the 2016 Edelman Trust Barometer, the financial services industry ranked last in a 25-country survey with a 51% trust rating⁴. The report suggests: "Trust is too fragile, and today's financial services climate is too unpredictable for companies to rest on their laurels. The industry needs to continue to be dynamic and double-down on trust building solutions."

It's important to highlight the fact that trust reflects customer satisfaction. The more you satisfy clients with your services, the greater the likelihood they'll entrust you with their assets. As every marketer knows, one of the most important components to customer satisfaction is clear communication. The implication here is that web copy or other marketing communication that is dense and hard to understand ultimately frustrates your audience. It also detracts from the customer experience.

Daniel M. Oppenheimer, a former Princeton University professor, conducted a number of studies on the use of language. For one study, he won a 2006 Nobel Prize for Literature. Among other things, he found that needlessly complex language creates an impression the author knows less than those who use simpler syntax⁵. The study also found that many of

us intentionally use complex words to sound more intelligent, despite the fact that it has the opposite effect.

OVERCOMING RESISTANCE WITH READABILITY SCORES

So how do we bring about change in our companies? It's not easy. We've all participated in marathon editing sessions where every colleague wants to contribute. As it turns out, the sheer amount of edits, changes, deletions and comments ultimately leave us with a product that's inferior to our original piece. And there is always company-specific jargon that everyone likes to use. At the Federal Reserve around the time of the financial crisis, it was *granularity*.

But we have some more good news: You don't have to reinvent the wheel. As we mentioned earlier, readability scores can be instructive guides for every organization. That doesn't mean you have to scan every e-mail for readability. However, scanning key pieces of content for readability can help your company develop a discipline for writing clearly. They provide an objective standard for the readability of your content.

Readability scores also help us discuss how we can use language to strengthen trust with our audience—and ultimately improve brand image. For example, are your marketing e-mails needlessly long? Does your homepage have too many passive sentences and long words? These are important questions that we should all ask ourselves. Otherwise, we may focus on the latest marketing technology at the expense of our audience.

51
Percent

Trust rating
according to the
2016 Edelman Trust
Barometer, ranking
the financial services
industry last in a
25-country survey.

“NEVER CALL A STOMACH A TUMMY WITHOUT GOOD REASON.”

The above quote by William Strunk Jr., one of the authors of *The Elements of Style*, is a nice reminder that we should be purposeful with our words. As firms continually increase their investments in branding and marketing technology, don't overlook the underlying language that you use. What does it say about you? Are you being clear and helping investors make informed decisions? Is your web copy delivering results? Or is poor writing leading to poor click-through rates and hurting the user experience? We all appreciate the importance of the online experience, building trust with investors, gaining the confidence of regulators and standing out for brilliant work. And clear language is the linchpin for asset management firms that want to strengthen their marketing strategies.

ABOUT US

VISIBLETHREAD

Coming from a background of large-scale IT Delivery, we saw that poorly written documents accounted for up to 40%* of wasted program dollars. People simply did not read large specifications or understand the inherent risk of loose language during program delivery.

So, we saw a clear opportunity to scan the content and identify risk using automated analysis. Existing methods were purely manual, involving time-consuming review cycles, dependent on scarce expertise and hard to coordinate. Nobody had time to read/review large volumes of written content.

There had to be a better way!

LOQUATIO

The word “loquatio” [loh-kwah-tee-oh] is Renaissance Latin for “the art of communication”.

We are a content strategy firm with over 20 years of experience working with organisations such as the FORTUNE Knowledge group, the Economist Intelligence Unit, UBS Wealth Management, and the Federal Reserve Bank of New York. And during that time, we've mastered the art of creating high-quality white papers, infographics, digital designs, and industry surveys that help leading organisations get better results than they ever expected.

Designed by **Roger J. Greiner**,
Art Director, LOQUATIO

