



# ifp newsletter

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## You Too Want to Become Next Apple?

*With your competition on your heels, you all offer roughly the same products or services. But, maybe aiming to be the “No. 1” isn’t the best strategy in your field!*



**Miloš Filip**  
Partner

**“I think we should become Apple of the investment world!”** said a Dutch marketing manager during a meeting on the future strategy of an investment firm. You could almost instantly notice the jaws of all the people present dropping. “Why?” it was the first question that occurred to all of us.

Be the best, the most famous, and the most respected. For our self-esteem, it is obviously extremely important how the others see us. But, according to a well-known aphorism, “where there is ambition, there must be condition.”

Those who have read one of the biographies have probably guessed that it was the innovative genius of an individual,

obsession, and immense work-enthusiasm that brought Steve Jobs’ company to the very top. So perhaps, it would be sufficient to “look” like a winning company to outsiders? You might be surprised to learn that even though someone looks like the “No. 1”, it does not mean that people buy from them. While e.g. in the luxury goods sector, the brand almost always plays the major role, there is a number of other areas where it doesn’t. For instance, according to a 2015 survey by Scorpio Partnership, affluent clients chose their bank or asset manager on the basis of experience; their own’s or that of others. Yet, this is in contrast to the elite brands like Apple, Louis Vuitton, or Ferrari, which people prefer for their unique quality or image!

*Cerulli found in 2013 that wealthy clients chose an investment manager based on three key criteria: 1. Quality of client service. 2. Recognizable brand. 3. Effectual website.*

This sounds familiar to anyone who has ever worked in a highly competitive field. We all have too many similar products and services. How do we win with them? Should we try it on social media? This hasn’t worked in finance so far. Or should we build a stronger brand image? That’s expensive and only partially effective. Create a new website, new client brochures instead? Perhaps.

The changes in the area of sales have been enormous. The Internet, for example, has changed into a medium where it’s no longer enough to share news about our products and the annual reports. The client must find it captivating, informative and helpful. Therefore, you bring news, infographics, videos, Q&As,... For example, real estate developers create complex online visualizations of buildings and

virtual tours. You can walk through an apartment that will be built in a few years and even look out of the win-

dows into the garden. Why? The authors wish to inspire confidence and evoke emotions to reach as many client’s senses as possible.

**It is no longer only important WHO and WHAT is selling, but also HOW.** Distribution of information called Content Marketing added a new dimension to sales. Help and support your client first and sell second. The marketing guru, James O’Brian of Contently, says, “Instead of the banner ad, be the feature story.” This is why IFP Partners will try to offer you, the readers, assistance based on their experience, with their tips and solutions. And occasionally, our much loved bespectacled animal, the Meerkat, will join us in our effort.

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# Zdeněk Svěrák on Tank Beer

**"Do you know what I've recently learned about beer?"** Ok, I'll tell you: The other day I was in the Pilsen brewery and I finally learned the difference between beer from a keg and beer from a tank. And immediately, I had to tell everybody in our theatre. Beer is harmed by air. And when the keg is emptied, it must be refilled by air so that there is pressure in the pipes. This way the beer is damaged a little bit. In the tank, though, as opposed to the barrel, there is an impermeable sterile bag in which unpasteurized beer crowds. When the volume decreases, the space between the bag and the wall of the tank is added so that the air does not come into contact with the beer. So it's better. Now you are another person to whom I had to explain this. I always walked around these ads - beer from a tank, beer from a tank - as if it was God knows what! So, I finally learnt what makes it special."

Zdeněk Svěrák, an interview in Reflex no. 12, 2016

**This observation caught Meerkat's attention.** We asked here and there and about 70% of our friends could not immediately recall what is so special about tank beer. "Is it made in a different way?" or, "Does it have better bubbles?" was the



usual reply. It's even more interesting that the pub landlords, otherwise good traders, themselves violate the basic rule of sales, which says that a customer buys a product for the benefits that will come from its use. Not because of its excellent parameters. The benefit is what the client gets when the product is used. In this case, consumed. Marketing companies that understand this will see a boom in their sales over competition. What is correct? We should talk about the traits of the product in terms of benefits. Change your ads and do not allow your customers to be like Zdeněk Svěrák and wait till they are 80 to finally understand what you wanted to say to them all along. A diversified fund = less fluctuation in your investment assets. Higher insurance coverage = you'll get more money if anything bad happens. Beer from a tank = here your sip of beer will taste better! –sur–



MEERKAT ADVICES

**Do not let your clients grope to understand the benefits of your products!**

## U.S. election: 3 Tips Donald Trump Teaches Managers About Internal Communications



**Whoever wins this election, they won't become a new American legend. Or will they???**

**What can a manager learn from watching this year's presidential election in the U.S.?**

If nothing else, then a lesson about communication with employees. The most watched person of the current U.S. primaries is undoubtedly Donald Trump. Yet, even his Republican "colleagues" presume that Democrat Hillary Clinton has ulti-

mately better chances of winning. So why is it that the most watched person is not the overwhelming favourite?

Trump has more than a controversial personality. His potential win raises concerns in many people. When we add to that his xenophobic and rather outrageous statements, the unprecedented media interest is under-

standable. Yet, the Republican favourite leaves nothing to chance. His speeches alone show a great ability of winning the popularity contest.

There's a big difference here: while Clinton has a limited register of facial expressions, Trump gradually reaches to those voters who want to see a candidate outraged, determined, charismatic, dynamic,

and lot more. While the wife of the former President restricts herself to a few topics, the developer tycoon constantly comes up with new themes and statements. Even the assault of the female journalist by his campaign manager may seem to make sense – after all, negative publicity is still publicity. What can a manager learn from Trump, if he wants to stay popular with his employees? Above all, on the one hand, people don't appreciate change in their lives and on the other, the repetition of the same topics makes them feel bored.

If you want to capture the attention of your subordinates or employees at meetings, corporate events, or in media interviews, follow, just for this mo-

ment, wisdom and craft of Mr. Donald Trump:

✓ **Keep changing your facial expressions** in photos and at performances, mirroring different moods of more people in your team.

✓ **Try to come up with a new topic each time.** This prevents the common feeling, "Here he goes again."

✓ **And finally, do not forget that warmth and sharing of feelings scores more than logical arguments.** Ask yourself, "What is bothering our staff at present?" And from time to time, smile.

After all, you could learn a lot how to incorporate a smile from watching the current U.S. President, Barack Obama. You would hardly find a better trained public speaker. –rop–



# Warren Buffett: 10 Secrets Why his Letters to Shareholders are Annual Hit



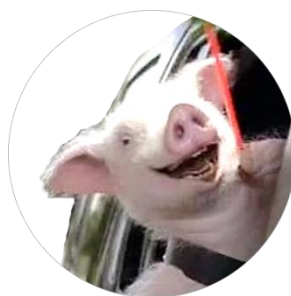
**"15 minutes could save you 15% and more on car insurance!" claims the Gecko.**

*According to the results of Berkshire Hathaway, Buffett is a great investment strategist. There are dozens of books and hundreds of articles about it. He is also an excellent communicator. Why do we believe he is so unique?*

Since 1965, at the turn of February and March, on a Saturday's morning, he publishes his annual letter to shareholders of Berkshire investment company. It is, without doubt, the most analysed financial newsletter on the globe: immediately after its publication, financial analysts and media from the U.S. to Australia interpret these 40 pages of text. Buffett writes the Letter himself. In simple paragraphs, the ancient Times Roman font, with no fancy pictures or graphs.

## 1. Admitting mistakes

He is one of those who have built their empire from scratch. Like John D. Rockefeller (Standard Oil Company) or Steve Jobs (Apple). Yet, he shows enormous humility, "I've made some dumb purchases, and the



**Maxwell the pig is squealing with joy all the way home: With GEICO it saved on the car insurance!**

not lose any one of them. The high efficiency of Berkshire exists only because we have some terrific managers running disciplined operations." And on the shareholders, he shares, "There is no one more important to us than the shareholder of limited means who trusts us with their substantial portion of his savings!"

## 3. Working in a solid partnership

He makes all the decisions with his partner, corporate Vice President, Charlie Munger (who is 92). "We present the data in this manner because Charlie and I believe it more accurately reflect the true economic expenses and profits of the businesses ...than do GAAP figures." Incidentally, the phrase "Charlie and I" appears 17 times in a single letter!

## 4. Strengthening his ethos by excellent results

"We ended 2015 with 11.4% of the market compared to 2.5% in 1995," he says about his insurance company GEICO. By leaving out the typical corporate ballast, excuses,

A long time ago he realized that a cute little animal in advertising could make his company more personable and sell it to the clients. He makes fun of the lizard that is always talking about insurance in his ads (the "gecko" is a word play on the name of the insurance company "Geico").

## 6. Seeing the human dimension in finance

"Heinz, incidentally, teamed up last year with Kraft, so we now have in the portfolio both ketchup and mustard, and Kraft makes its excellent Oscar Mayer hot dogs. We will have the Oscar Mayer Wienermobile at the annual meeting – bring your kids!"

## 7. Common sense comes first

For example on derivative securities, he advises, "The market problems began by packaging mortgages and reselling them as mortgage-backed securities to unwitting institutions around the world. When Wall Street gets 'innovative,' watch out!"

## 8. He is a boundless optimist

"For 240 years it's been a terrible mistake to bet against America, and now is no time to start."

## 9. Using metaphors and similes

"Risk management? All insurers give that message lip service. At Berkshire it is a religion, Old Testament style."

## 10. Lending his two sisters. No kidding!

Humour is the spice of life. Warren Buffett in his foreword to his book Plain English Handbook says, "When writing the annual report, I pretend that I'm talking to my sisters... in plain English. As you begin to write, also imagine someone. No siblings to write to? Borrow mine: Just begin with, 'Dear Doris and Bertie!'" –mf–



*Warren Buffett's report to shareholders, in addition to the precision of market and accounting worldview, always richly delivers on humor and optimism.*

amount I paid for the economic goodwill of those companies was later written off." And, from time to time, he constantly doubts himself, "Maybe, by IBM shares purchase, I really made a mistake..."

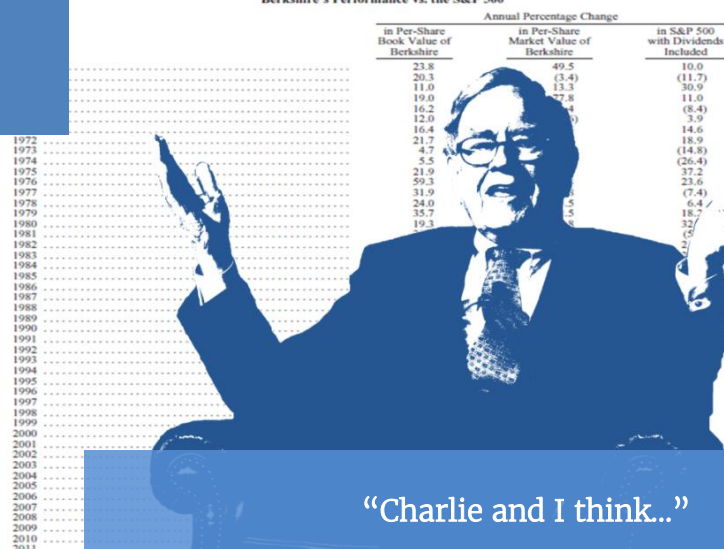
## 2. Praising his managers, employees, and shareholders

He is lavish on praise, "This company is led by an amazing CEO. He is the da Vinci of his craft..." Or, "So this company was recommended for purchase by Todd... Hiring him was one of my best moves." And on the 25 employees from the Headquarters? "I could

or obfuscation, he prefers to use a combination of logic (numbers), ethos ("our experience"), and pathos ("come along with your children").

## 5. Personifying his company by clever and sympathetic symbols

Berkshire's Performance vs. the S&P 500



**"Charlie and I think..."**

# Children Understand Crisis Better Than Adults

DO THEY SENSE THE APPROACHING ECONOMIC DIFFICULTIES BETTER THAN THEIR PARENTS?



**This is, of course, an exaggeration.**

However, according to their behaviour in the INVESTMENT GAME (investování hrou), it really looks like it. During the last school year, more than 250 children in 13 schools played a game in which they simulated running an investment company. Fund management, to be more specific. Based on the adjusted stock market price development and economic reports from 11 "fun"

companies, children chose 3-5 firms whose shares they "bought". These were fictitious firms that have always represented one economic sector of the MSCI World index. A single firm represented a diversified portfolio of the government bonds. The game was played online through the web interface at [www.investovanihrou.cz](http://www.investovanihrou.cz) and was based on real market data for the last 20 years.

"From the beginning, we thought that in order to win, the team needs to detect impending crises on time and increase the maximum amount of bonds. And wonder of wonders – the children recognized them all," said the lead author of the game Miloš Filip of the Institute for Financial Consultancy (IFP). Actually, it was not spotted only by one team - a group of teachers at the initial train-

ing. How is it possible that children are better than adult investors? Of course, things were simplified for them. They got pre-selected major messages that always related to a period exceeding one year. But we think that other factor in play is that they also are not yet affected by emotions typical for adults.

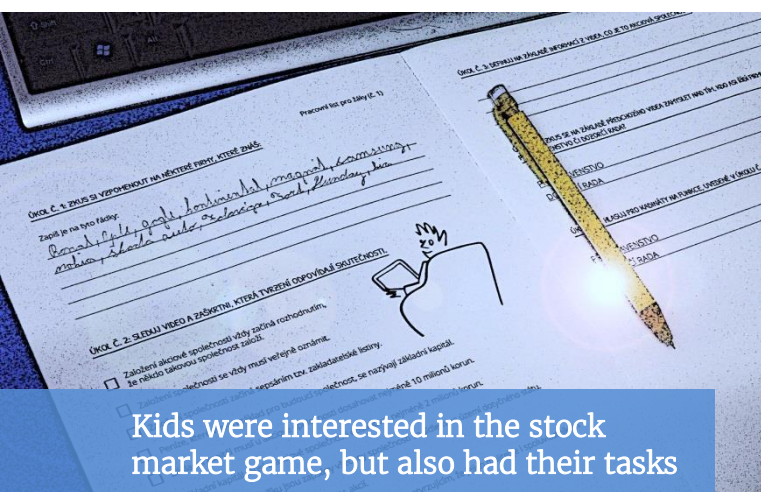


Greed, a drive to win more than others, or a wish to improve one's self-image... children are more indifferent to these traits than adults who live it with real money. Loss can be a rational reflection of stock market overvaluation, but often it is the result of our negative emotions. Even a bad investment decision is eventually "absorbed" by diversified investment in the long term.

## Support from Pioneer Investments

This year the financial course is newly supported by Pioneer Investments, a global investment group which has become its General partner. All primary and secondary schools in the Czech Republic can sign up to the game. More at [www.ipfp.cz](http://www.ipfp.cz) and [www.investovanihrou.cz](http://www.investovanihrou.cz).

-red-



Kids were interested in the stock market game, but also had their tasks



The Steering Committee of Investment Managers

## Drop Me a Line!



Roman Pospíšil  
Partner

*"Could you give me an article for our financial column? We usually have economists writing about what to do with money, where to invest, and so on..."*, a journalist friend asked me recently.

The weekly magazine, in which he works, is profiling itself as a tabloid. Rather than about

investments, most of the readers probably think about how to fix their washing machine or pay for their kids's ski trip. An author should primarily respond to the interests of his potential readers, Dale Carnegie wrote already between the two world wars. It doesn't matter whether

it's an article, a letter, or another kind of text. As is obvious, even after 80 years, only a few have noticed. And if a journalist does not know this, how should a manager know?! Next time you're at a meeting with the communication manager try and ask what part of your story or your

product could attract the media: Instead of telling him what idea about your product and where in the newspapers or a blog should appear. You'll make his day. What good will it do? In return, he will make your day with the result of his efforts since this will make his task a lot easier...

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