Canadian Advertising Success Stories 1999

Ethical Funds

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EXECUTIVE SUMMARY

Few categories are as cluttered and undifferentiated as financial products and financial planning. The fast growing Mutual Fund category is even more so.

It seems that everyone is offering great rates, a global presence, or 'one–on–one' personal service. The cliché images are endless – compasses, globes, rowing teams, young couples worrying, or retired couples relaxing. Fresh creative can make you stand out for a time, but without a core point of difference it is not sustainable. The messages blur and eventually you are in a spending war that the behemoths tend to win.[1]

Nearly ten years ago a mutual fund company appeared in Canada with a distinct point of difference – one that seemed almost opposed to the capitalistic nature of investing. The name captured the difference: Ethical Funds.

They were confident that by investing only in companies and economies that met certain ethical criteria they could achieve a competitive return for investors, and help them feel good about doing it. They would
not invest in any company that derived a major portion of its income from nuclear power, tobacco related products, weapons development – or that did not respect the environment and basic human rights. Sadly, this excluded a number of companies. But Ethical Funds held firm, believing that ethical practices would ultimately be a benefit to performance, not a hindrance.

Previous advertising was limited to retail newspaper & collateral at RRSP time, with no pure brand communications. Yet Ethical Funds had a great story to tell. This paper documents January 1998 through March of 1999. In those fifteen months, against increasing competition and despite a major market crash, Ethical Funds' sales grew by 25% and the asset base grew from 1.1 billion to 2.3 billion dollars.

SITUATION ANALYSIS

Ethical Funds Inc. was formed in 1988. They were one of the pioneers in socially responsible mutual funds (sometimes called 'green' funds), and they took their investment principles to a new extreme. They laid out a strict set of principles – not seen before – for their fund managers. This included no nuclear, tobacco or weapons related investments, with additional strict attention to the environment and human rights.

The largest competitors in this category included Clean Environment Mutual Funds Inc. and the Investor's Group Summa Fund. Both used magazine and newspaper advertising, predominantly in investment trade publications, plus other media.

Although Ethical Funds were only available through credit unions, by 1997 they were at the top of the green fund category. Even so, this was only a tiny portion of the overall fund market, held largely by such giants as Investor's Group, AGF, and Trimark. At the start of 1998, Ethical Funds ranked 32nd amongst all Canadian mutual fund companies.

Previously, Ethical Funds had relied on newspaper for awareness during RRSP season. The remaining 10 months of the year were promoted only in Canadian Credit Unions. For 1998, Ethical Funds marketing objectives were ambitious but simple:

- Capture an unassailable leadership position in the socially responsible mutual fund category.[2]
- Maximize sales during the RRSP season.
- Attract new investors during the non–RRSP period, April–December.

STRATEGY & EXECUTION

Strategy

An Angus Reid survey of Canadian investors (November 1997) confirmed that there is a sizeable segment of people who feel a sense of duty to invest responsibly. The study also identified the barriers to growth: a lack of awareness of Ethical Funds, and a belief that green funds did not perform as well as mainstream funds.

We decided that Ethical Funds needed re–positioning.[3] We would sharpen our appeal to the 'sense of duty,' and this, if successful, would break through the awareness barrier. Meanwhile, we would use performance based advertising to reassure on performance.

EXECUTION

We started by updating the logo and look. We discarded the old Woodstock like dove logo and replaced it with a contemporary graphic. Then we replaced the previous line 'Performance without compromise' with the stronger, simpler, evocative words: 'Do the right thing.' The plan then unfolded chronologically:

1998 RRSP Season:

We needed to build reach and frequency quickly, with a message of fund performance, and social conscience. This dictated our media selection – national (English) newspaper and radio. Although newspaper was costly, it was chosen since it is where the rate shoppers look first, and it could hold all the legally required disclaimers about the time sensitive nature of investing.

We ran radio in the last four weeks of the campaign to generate urgency and round out the campaign's reach. Radio highlighted the ethical criteria through dramatic scenarios of children working in sweatshops, and miles of rain forest being torn up daily, financed by your careless RRSP contribution. Each spot pointed out that you do have a choice, and could 'Do the right thing.' This set us apart from the sea of other funds screaming about hot rates and performance history.

1998 Non Peak (April–December):

We maximised reach and awareness through three different channels:

1. www.ethicalfunds.com – launched in the latter part of the 1998 RRSP season, and augmented by banner advertising to further extend brand credibility and reach.

2. In branch poster campaigns for Pre–Authorised Contributions, Registered Education Savings Plans (one of the hottest new investment vehicles), and Group RRSPs. These helped extend selling opportunities and gave new reasons to purchase beyond RRSPs.

3. Image advertising (September–November 1998) using magazines, and a flight of four 30–second television spots, airing nationally in English. These ads only mentioned performance in passing, and keyed on the emotional, ethical, and intellectual difference of the brand.

The image advertising showed arresting, even shocking, scenarios. A Grandfather plays with his grandkids, and regrets having invested in foreign factories that employ kids their age. A woman, although she has lost her mother to smoking–related cancer, unwittingly sends tobacco companies a 'donation' each year through her RRSP. These, and other images of environmental destruction, toxic waste, and kids smoking, let people know that if they didn't like supporting these endeavors, they should switch. This untraditional approach garnered considerable public relations coverage and so added free media exposure. (Editor’s note: many clippings were supplied.)

1999 RRSP Season:

This presented the worst mutual fund market conditions for RRSPs in recent memory. Based on the positive 1998 business results – see later – we made the judgment that we had sufficiently entrenched our 'ethical' positioning, and supported the 1999 RRSP season with national (English) newspaper.

RESULTS

(Editor’s note: The stock-market was extremely volatile over this period, and the case had to argue results not only in the absolute, but in the face of huge, often negative, swings in the market. market. This took a complex analysis, supported by several charts and other data. This has been considerably simplified in the two sections that follow.)

Rapid growth started in the 1998 RRSP season. Gross sales increased 13% and net assets grew by 32%.

During the non peak season (April–December) sales were initially strong. In the Fall, they were caught in the market decline, but still substantially outperformed the market. This pattern continued in the 1999 RRSP season, such that over the 15 months, Ethical Fund Sales grew by 25% and the asset base more than doubled, reaching 2.3 billion dollars.

Over the same period, measured unaided awareness jumped from basically zero to 10%–11%. Meanwhile, in the national rankings, where it is hard for the small funds to make any progress against the behemoths, Ethical Funds jumped from 32nd rank to 27th, and significantly pulled away from its 'green' competitors.

ISOLATING ADVERTISING AS THE VARIABLE

Monthly business results covering the 15 month timeline from January 1998 to March 1999 illustrate the performance of Ethical Funds, versus 1997/98, and versus the market.

These results (charts were supplied) show the correlation between the advertising activity and the business results.

Note that the initial repositioning was the catalyst for the growth, and the distinctive new advertising in this normally staid category generated considerable PR. This PR will have had a definite effect on results, but, since it was caused by the advertising, this is still an advertising driven success story.

CROSSOVER NOTES

1. Similar Challenges. For the view from one of the behemoths, see the AGF case. The underlying analysis is really quite similar, but the solution is in the opposite direction – to make fun of the clichés.

2. Head on or Lateral. Compare this situation to Eggs. For Ethical Funds, it is clear that the right strategy is a head on assault against 'unethical' practices. For Eggs, the better strategy was 'diffuse not dispel.'

3. Problem versus Opportunity. Ethical Funds was doing well at this point, so why change? The answer was that 'success breeds success, but it also breeds competition.' The team could see that their core positioning would be diluted if the big funds moved into the 'green' area. To pre–empt this, they significantly sharpened their positioning.
