



ASSETTE 

First Impressions Matter

The Importance of Color in Investment Management Presentations and Reporting

Based on research done for Assette by Prof. Joyce Walsh
of Boston University College of Communication.

You put on your best outfit for client and marketing meetings. Your offices are well-appointed, reflecting the professional culture of the firm. You know that first impressions can make or break a relationship, and you pay attention to the details in order to make your first impression a positive one. Then you pass the presentation materials around. The colors are dull and outdated. The font is quirky and informal. In places it's too small for some guests to read comfortably. The content jumps around, too, creating a narrative that lacks focus. With the flip of a page, your chance of making a positive first impression is lost forever.

Your firm's marketing presentations and client reports are viewed by hundreds of asset owners, consultants and trustees every year. They are arguably the most public face of your firm, shaping impressions each time they are reviewed. In this series of papers, we deconstruct the three pillars of professional presentation material — color, font and information organization — to help institutional asset managers evaluate their current template and provide best practices for creating a powerful, positive first impression through their public-facing reports and presentations.

In this first paper, we examine the effects of color on your target audience and offer guidance on how to choose a color palette that reflects your firm's brand and message.

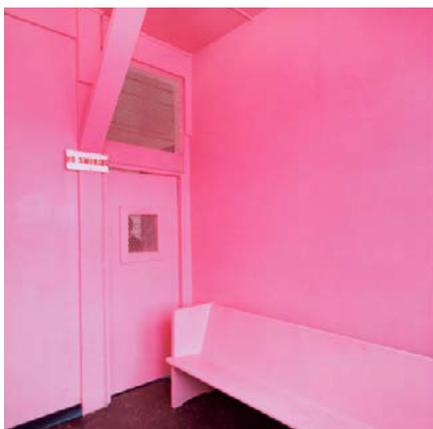


Image Source: cabinetmagazine.org

Drunk-tank Pink: How color can affect behavior

In 1979, Alexander Schauss, Director of Life Sciences at the American Institute for Biosocial Research in Tacoma, Wash., convinced a local Naval Correctional Institute to paint some of its holding cells a vibrant, Pepto-Bismol pink. Based on his research into the effects of color on emotions and the endocrine system, he set out to observe the effects of this particular color — formally known as Baker-Miller Pink, but more commonly referred to as Drunk-tank Pink — on inmate behavior. Assault rates were monitored before and after the walls were painted.

The result? According to the Navy's report, "Since the initiation of this procedure on 1 March 1979, there have been no incidents of erratic or hostile behavior during the initial phase of confinement." It only took 15 minutes to ensure that the potential for violent or aggressive behavior had been reduced.¹

While we're not suggesting that investment management firms should use Drunk-tank Pink in client reports during periods of especially disappointing market performance, the message is clear:

➤ **Color matters.** It can influence how clients, prospects and consultants perceive your firm. It may even affect their behavior and decision-making.

From IBM's Big Blue to Drunk-tank Pink, color shapes our perceptions and can influence behavior. This is particularly important in the investment management industry, where asset owners and their stakeholders are inundated by a constant blizzard of print and digital information from a crowded field of asset managers.

In a world where there is little to distinguish one asset manager from another — and where rapid-fire communication of complex data is the norm — the thoughtful use of color in marketing collateral and client reporting can help distinguish a firm and ensure its message gets through to their audience.

According to Professor Joyce Walsh of Boston University's College of Communication:

Color is not only perceived visually, but with emotional and symbolic associations. It is no wonder that the choice of colors for financial charts and presentations is challenging. Leatrice Eiseman, of the Pantone Color Institute, writes that color adds meaning to communication and this becomes even more important when verbiage is not used, as in financial charts and reports. Each color family conveys moods and associations that can become part of the message. ²

She also cites a recent study at the University of California Berkeley, which found that:

Visual communication via diagrams, sketches, charts... is fundamental to the process of exploring concepts and disseminating information. The most effective visualizations capitalize on the human facility for processing visual information, thereby improving comprehension, memory, and inference. Such visualizations help analysts quickly find patterns lurking within large data sets and help audiences quickly understand complex ideas. ³

In this paper, we provide practical information and concrete actions investment firms can take to exploit the evocative power of color in client reporting and marketing presentations. The first step is likely to be convincing your CEO that color is more than a “design thing” — it is a critical part of the message itself. If your firm uses behavioral finance principles in its research and portfolio construction processes, then the idea that color is a legitimate sensory trigger affecting mood and decision-making shouldn't be too much of a conceptual leap.

Once the powers-that-be are on board, the next step is creating a color palette — a group of colors that your firm will use consistently across all client communications and marketing collateral. With the right palette for your unique message, audience and suite of materials in hand, you'll need some smart strategies for integrating your new color scheme into your reports and presentations.

Defining your color palette

A color palette is a group of colors used consistently throughout your reports and presentations. A savvy palette can shape your audience's perception of your firm and help them focus on the information you want to convey.

What colors should you use in your firm's palette? There are a lot of choices. PANTONE, a pioneer in the print design and color field, has over 2,000 colors in its PANTONE GOE system alone. Even the standard color wheel has 12-24 colors.⁴ It can get overwhelming, for sure.

While every color palette should be as unique as the firm it represents, here are three tried-and-true guidelines to help you select from the thousands of color choices out there:

1. BE CLIENT-CENTERED.

Know your audience

The biggest mistake most investment firms make is selecting colors based on the personal preferences of their leadership. Maybe that's why so many asset management firms' color palettes are virtually indistinguishable from the rest of the pack.

Clients, consultants and trustees see hundreds — sometimes thousands — of investment reports from your competitors every year. You need to stand out, but you also want to choose a palette that reinforces the identity you want to project and the emotions you want to elicit from your audience.

When selecting a color palette for your reports and presentation materials, follow the cardinal rule of marketing: Know your audience.

A firm primarily serving endowments and foundations might select a very different color palette than one used by a Taft-Hartley pension asset manager. Even within one target group, such as high-net-worth individuals, there can be preferential differences based on age, geography and other demographics.

And if you have foreign clients, be sure to do your homework about local perceptions of color. For example, the color yellow can be problematic in China. As Professor Walsh points out, during China's imperial period the color yellow was reserved for the emperor. Today, it has become associated with pornography — X-rated websites and print material are commonly referred to as the “yellow Web,” or a “yellow magazine.”⁵

So if your CIO has a thing for cherry red or sunny yellow, it might be better satisfied through his or her next car purchase — not by selecting it as the anchor color for the firm's new report package.

Be user-friendly

Readability is key. Your color palette must communicate your message clearly and quickly. Crisp, clear tones “read” better than muted pastels, for example, especially when used as key colors in bar charts or graphs.

For example, think of a performance bar chart that shows your portfolio performance against two indices over six time periods. If all the bar colors are similar, it may be difficult for readers to see how your portfolio stands out — or even tell the difference between the indices and the time periods.

2. BE CONTEMPORARY.

Update tired palettes

How long has it been since it changed? If the answer is more than a decade ago, it might be time for an update.

The hunter green and cranberry red combo favored by investment management firms in the early 1980s — a nod to their private client roots, where English hunting scenes and dark-paneled hallways dominated — once projected stability, continuity and traditional values. Today, it's more likely to scream “old.”

But switch that cranberry to Marsala, PANTONE 18-1438 and their pick for the new Color of 2015, and you've gone from fogey to fashion-forward without making a dramatic shift in your brand identity.

The point is that colors, like everything else, go in and out of favor. If you want to project a conservative image, you can do so with a contemporary take on a darkish color. And if leading edge is your thing, then a bright, vibrant color like Emerald, PANTONE 15-5641, might be a good substitute for the more staid hunter green of old.

Avoid 50 shades of anything

Multicolored palettes tend to work better than monochromatic ones. Different colors allow you to show more contrast — especially when dealing with a large palette. A monochromatic palette, even if based on a vibrant color, can quickly put your audience to sleep!

Also, if you use colors that are too much alike it may also affect readability. See 1, above.

- A large institutional asset manager we know used very similar shades of the same color in their presentations, particularly in their bar charts and pie charts. Several clients requested that the firm change their palette to a more contrasting color scheme. Client staff said their trustees had a hard time reading the material. The firm complied and the problem was solved.

The moral: Use a multicolored palette!

3. SELECT AN ANCHOR COLOR AND BUILD YOUR PALETTE.

Anchor colors

As the name implies, your anchor color will be the foundation around which you will build out a color palette. That's likely to be the one you use in your firm's logo or in an updated version if your logo is outdated. Build your palette from there, selecting several cornerstone colors that will be used in various elements of your reports and collateral material. Look for complementary, analogous, high-contrast and "triad" colors when fleshing out your palette.

Then use a color wheel to explore options for filling out your palette. Color wheels can be a big help in assessing various colors, tones and saturations — as long as you base your selection on your audience and the message you want to communicate. The popular software program Adobe Illustrator CC includes a color guide based on the color wheel that can help you pick colors for your palette.

Consider all the places you will need different colors

As you develop your palette, think about what information you need to communicate and how it will be organized. For text, you'll likely need a one or two different colors for titles, headlines, subheadlines and/or special elements such as callouts or quotes.

And don't forget the type of charts and graphs you use. How many bars are in your typical bar chart? How many slices in your pie charts? Each one will require a different color.

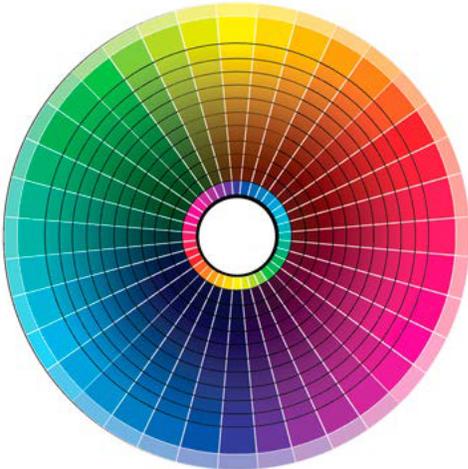
Plan to use contrasting colors as you move from graph to graph, particularly if they are side by side in layout. Remember, contrast is the key to readability and clarity.

With careful planning, you might find you don't need as many colors as you originally thought — just be sure your palette is broad enough that you don't find yourself repeating one color too often. That's the kiss of death in color theory!

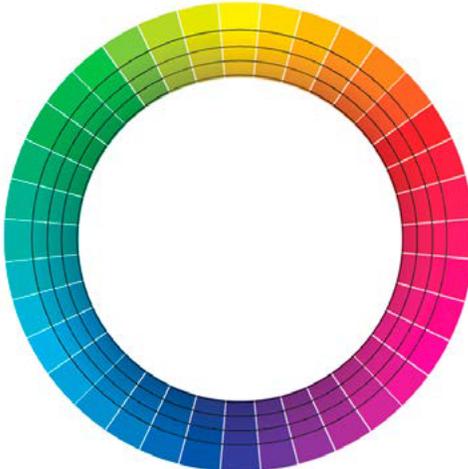
Choosing modern, moderate or conservative colors

Generally speaking, whether a color is considered modern, moderate or conservative depends on how much black — or shades of grey — go into its making. Brighter colors tend to be more modern, while darker colors tend to be more conservative. Unexpected color combinations may also read "modern," but that is more subjective than structural.

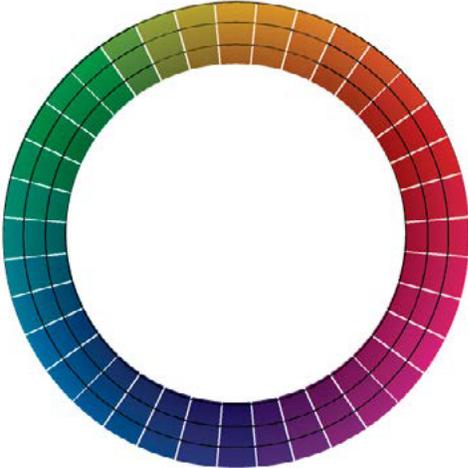
Below are examples of expanded color palettes showing modern, moderate and conservative sets. The darker the set, the more conservative the colors are; the lighter the set, the more modern it is.



Sample expanded range of colors



Brightest colors - Modern

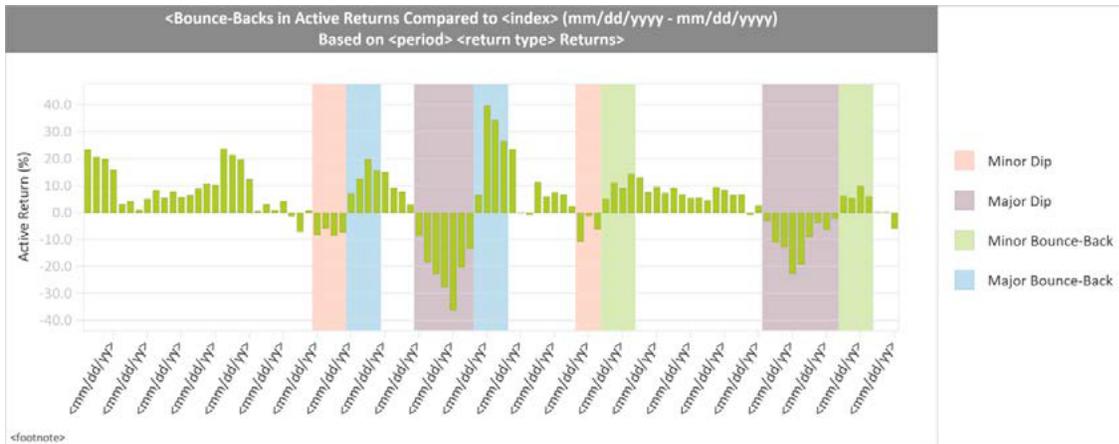


Medium brightness - Moderate

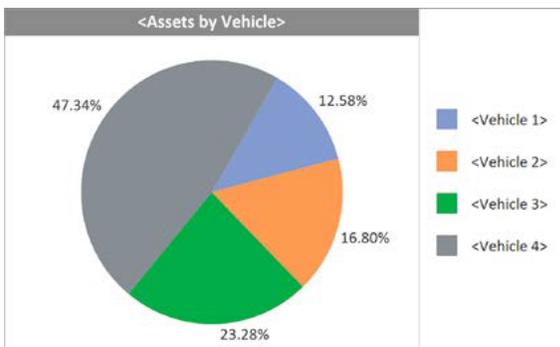


Darker colors - Conservative

Here are three examples of Assette-generated charts that incorporate modern, moderate and conservative colors:



Modern

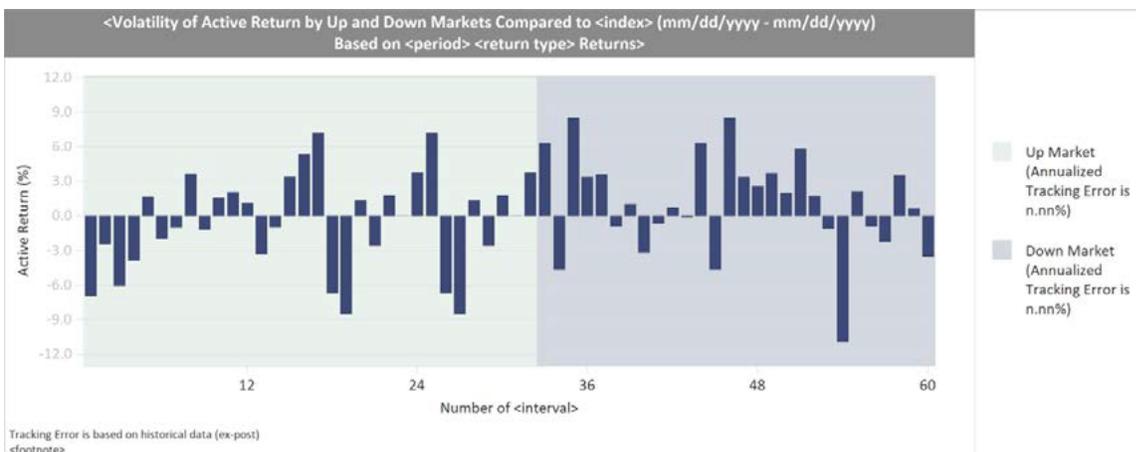


➤ To see more examples of charts and tables reflecting modern, moderate and conservative colors, visit the [Assette Gallery](#).

You can also download our complete color sets from the Gallery.

www.assette.com/gallery

Moderate



Conservative

Conclusion

Building a color palette is a subjective process, and you should feel free to edit yours accordingly. Just stay focused on what you want to convey and choose colors that are most likely to resonate with your audience. Like a high-end amplifier, a well-chosen color palette showcases your message and can help your firm stand out in a crowded field of competitors.

The next paper in our “First Impressions” series will focus on the 2nd pillar of a standout presentation: Font. In it, we’ll explore how the typography you choose—and how you use it—can be as powerful as the words they form.

¹ Byrne, David. “Colors/Pink.” Cabinet Magazine. Issue 11, Summer 2003. Accessed 1.6.15 at <http://www.cabinetmagazine.org/issues/11/pink.php>.

² Walsh, Joyce. “COLOR in the Institutional Investment Management Industry.” Research paper prepared for Assette. 2014.

³ Agrawala, et. al. “Design Principles for Visual Communication.” Electrical Engineering And Computer Sciences Department of The University of California, Berkeley. (Google scholar)

⁴ In this paper, we are using the PANTONE Color System in examples, but there are other systems such as HEX, a numerical system for color identification in HTML, and RGB, an additive color system supported by PowerPoint and other software applications. You can find the HEX and RGB equivalents to PANTONE colors at this website: <http://goffgrafix.com/pantone-rgb-100.php>.

⁵ Gao, Kane and Cousins, Simon. “Avoiding insult and injury when using color in China.” Illuminant. January 17, 2011. www.illuminantpartners.com.