

Argyle Conversations

by ARGYLE EXECUTIVE FORUMSM

featuring

David A. Ross

SVP & Head of Global Banking
& Markets Marketing, Americas
HSBC Securities

&

Miles Dennison

SVP, Sales
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On Thursday, December 1, 2011, David A. Ross, SVP, head of global banking and markets marketing, Americas, HSBC Securities, and Miles Dennison, SVP, sales, DoubleVerify, discussed the challenges and opportunities in globalization as well as the impact of social media on businesses and marketing techniques.

David A. Ross During his 22 years in marketing and communications, David has held roles both in the U.S and in Europe. Today, he is a senior vice president and head of global banking and markets marketing at HSBC. Prior to returning to investment banking from asset management, David was charged with raising the marketing content and RFPs to an institutional level at T. Rowe Price. He has also served as a director overseeing institutional global fixed income, foreign exchange and emerging markets equity research marketing at Merrill Lynch. Previous responsibilities in institutional marketing for ADR research at Salomon Smith Barney and investment banking at Goldman Sachs comprise the short list of companies in his career involving both the buy and sell sides of marketing.

As a master trainer at Reebok in the early 1990s, David built the fitness marketing structure for the company in Austria, Hungary and the Czech Republic. He serves on the marketing and strategic planning committees as a member of the board of York College of The City University of New York's foundation. He was formerly a member of the executive committee for the Professional Association for Investment Communications Resources, the asset management industry's professional marketing group that addresses the long-term marketing priorities and measures for asset managers. David holds an MBA from Carey Business School at Johns Hopkins University, a BBA in banking and finance from Hofstra University and is a CFA Level II candidate.

Miles Dennison Miles is a veteran sales executive with 15 years of experience driving breakthrough sales for best-of-breed digital media companies. As senior vice president of sales, Miles spearheads the company's sales efforts to Fortune 500 advertisers and agencies as well as publishers and ad network partners.

Prior to DoubleVerify, Miles was vice president of advertising at Tremor Media where he implemented a fully integrated sales strategy that helped Fortune 100 advertisers transition from broadcast television to online video advertising. Miles managed a 23-person sales team focused on capturing broadband video and emerging media advertising revenue. Under Miles' direction, Tremor forged partnerships with several top advertising companies, including MRC and Meredith Corporation. During his tenure, the Tremor Media sales team doubled sales in 2008 and increased sales by 60 percent for the first two quarters of 2009.

Before his role at Tremor, Miles acted as the director of sales at CNET Networks, where he realigned sales efforts around ZDNET, BNET and TechRepublic. Miles implemented short-term revenue goals and action plans that increased their revenue by 50 percent. He also led sales teams at IDG's InfoWorld Media Group and Telemedia Communications Ltd.

Miles holds a BS in communications from Southern Vermont College.

MILES DENNISON: You certainly have a very interesting background, from working in fitness to marketing at a consumer-type company, then moving into banking and running the marketing side of one of the largest banks here. I'd love to hear how you've gone through it.

DAVID A. ROSS: I started in the fitness industry during the late '80s and early '90s while attending Hofstra University, and it was a great way to make extra money, whether as a personal trainer or by teaching fitness classes. I could make anywhere from \$15 to \$25 an hour at a fitness center, which was extraordinary then.

Graduating with a degree in banking and finance cum laude and relevant work experience in a time when there were no jobs in banking made it difficult to get work after school was done. Citibank had announced 10,000 lay-offs; it was not unlike the state of banking today. So I kept working in fitness even after I graduated. Then I decided that if I was going to go in that direction, I might as well go all the way with it and started competing. Then I won some medals and got noticed by Reebok, who offered me a sponsorship. At the same time, I was also offered a job in Austria to be a fitness star for one of the local fitness center chains. They wanted to have me as a product so they could sell more memberships. Fortunately, Reebok's headquarters for Austria, Hungary and the Czech Republic was located in Salzburg, Austria, which was the same location as this fitness center chain—Vita-Club, if I recall correctly. I approached Reebok in Salzburg and sold them on the idea of my doing their fitness product marketing for these three countries, and they gave me the contract to do it. It was one of those things in which I was the right person in the right place at the right time.

It was through my work for Reebok when I realized I was really a talented marketer—not because of anything I had learned in school, but through common sense, intuition and talent for promoting a product, understanding how to get in touch with a market, and having these generate more sales and create more goodwill than even Nike had in those countries at that time. It got to the point where 80 percent of the people buying fitness products were choosing Reebok. So that's how my marketing career developed in fitness between 1992 and 1997.

How did you make the transition from Reebok, a consumer company, into the financial world?

In anything that I do, I play fully at it. But the challenge with working in the fitness industry is that one has to remain physically fit while doing the operations of the business and traveling. After five years of exercising 23 hours a week on top of all my other responsibilities, it became impossible for me to play fully at the job any longer. I was so tired. And when I looked back at life in the U.S. with my family and at my original goals, I realized it was just a sojourn from the things I had really wanted to do, which lay in banking and finance. I sold everything in Austria, came back to the U.S. and started over. An executive coaching firm run by Grant Shannon, who passed away a few years ago, helped me transition from my fitness career to banking. [Grant] told me that my grades were good, but in order to get into investment banking and have a great career there, it was critically important that my launch firm—the first firm that I join—set the stage for all the other firms that I'd join in the future. If I didn't join with that one firm in the beginning, it would become very difficult later on to move upward. So I set my sights on Goldman Sachs, and I worked hard to get in there. I had a few jobs here and there

before then, but I finally got a position in the investment banking department as an assistant, one of those people who does all the grunt work—doing pitch documents, often working overnight—for the investment bankers. That’s how I got into investment banking.

In 1997, nine months into investment banking, I realized that investment bankers were glorified salespeople—which is much different than their critically important relationship management role today. Their roles are different today as they are much more solutions-oriented. Before, the business was much more about mergers and acquisitions, today the focus is on a spectrum of services. A main result is that there are no large stand-alone investment banking firms; they are now all commercial banks. Anyway, I was doing the grunt documents for some of these M&A deals, which included some famous deals back then, and I realized that working for a whole year on one deal or industry with just two or three different companies was not what I wanted to do. Having lived abroad, I knew the world was much larger than a few industries and wanted to be in a position where there was more to cover, hence my next move into the research side of investment banking at Salomon Smith Barney. Research interested me, especially in American Depositary Receipts (ADR). ADRs function as local shares of foreign companies listed on the New York Stock Exchange. For example, Shell Oil, which is a Dutch company, is listed on the New York Stock Exchange as an ADR and listed in Holland; HSBC and many other large multinational companies are listed similarly. In fact, I was responsible for 187 of those companies total, and I think they represented around 15 or 16 different industries.

These different industries, companies, currencies and research that were coming from Salomon Smith Barney globally were so very interesting. The job was to take research reports published abroad in a local currency, convert it into U.S. dollars and then market

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it to salespeople and traders so that they could, in turn, pitch those companies as investment products to their clients: asset managers, pension funds, insurance companies, etc. The practice was very interesting because the content involved such a broad scope of things. I found I understood the product and the need, and I had some success in the delivery of the information. The work I did there involved putting processes in place that enabled us to convert documents into U.S. dollars and U.S. GAAP in a consistent, dependable and timely way. I would take reports produced eight hours before in London, Japan or Sweden and turn those into U.S.-based documents that could be used and sold within 24 hours. We moved up significantly in our commissions based on that work.

Your title—head of global banking and markets marketing, HSBC Securities, Americas—seems to encompass a number of different areas.

I’ll have to break that title down into parts because it’s such a complex business that each of those titles means something different on a global scale for investment banking. HSBC Securities is the

securities entity subsidiary of HSBC Holdings, and “securities” refers to stocks and bonds. So it’s the investment bank of HSBC, and it operates in 60 countries worldwide. We operate in 15 countries in the Americas, which is the region I oversee, but our products are sold in 24 [countries] in the Americas.

“Global banking and markets” is the industry term for investment banking; HSBC Securities is the division for global banking and markets for HSBC Holdings PLC, which is the parent company. Global banking and markets are two separate things; “markets” refers to secondary trading in which we trade bonds and equities as well as swap agreements and derivative financial products. The global banking side involves credit and lending, project finance and capital creation. Capital creation includes IPOs, new debt offerings and things like that are both on the equity and fixed income sides. While one company might have a marketer for the banking side and another marketer for the markets side, I run both global banking and markets marketing at HSBC in our region.

How many people are on your staff?

We’re just now building out global banking and markets, so we currently have only 15 people on staff. But we have 2,000 marketers for the other divisions, and HSBC has about 280,000 employees total.

That’s a big group. You’ve worked for a few non-financial companies, but certainly not on the same level as HSBC. Are there other key differentiators you’ve noticed between marketing for a consumer-type company versus banking?

It’s like comparing apples to oranges. In a consumer industry, you’re doing retail marketing, so anything you do above the line is mass marketing. You look at the various [media] channels and your creative and decide whether to put

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that creative in digital advertising, print or television and radio. And you have hundreds of millions of consumers from which to choose in your target market segment.

In investment banking, our clientele are predominantly institutional, and the segment on the institutional banking side is very small. We have a number of clients who are CFOs, treasurers, chief investment officers and portfolio managers at large, multinational corporations who all domicile in the U.S or elsewhere in the Americas. That’s the Fortune 500. We also service those multinationals that domicile elsewhere but have business and financing needs in the Americas. And that target is the most challenging in certain ways because everyone is trying to reach these few, very busy people, and there’s no trend in what’s hot or not. It’s a very different way of marketing; the selling model in investment banking is comprised of a sales force and bankers. It’s all relationship-driven and based on personal selling models that involve one person building a relationship with a target segment of 50 or 60 people, and that person’s job is to pitch

our products, meet with those clients, offer solutions and bring in that business when there's an opportunity. And in order to reach those people, you have to know where they are and where they will be in person.

In my work, I usually try to go to interesting startup companies that I see have real value, but I can see that being more of a challenge for you, certainly not regarding things like an IPO but in some of the ways that you're packaging different products centered around the debt or equities of the bonds. It must be difficult to stand out from the rest of the pack. Has that been a big challenge for you?

No, generally, we don't go after small startup firms looking to do an IPO because they're too small of a business for us. HSBC is a global financial and wealth management firm with a network and footprint in 80 countries worldwide; we really are as global as it gets and offer that footprint for international business. Our targets are large companies in mature sectors—consumer product companies, automotive companies or industrial companies, such as chemical manufacturing, consumer and retail, oil and gas, metals and mining, telecom, etc.—that have multinational operations. These companies have payments across the globe, such as raising money in one market to build a plant or facility in another country or region, paying employees in eight or 15 different countries, or paying suppliers in China from which they're exporting hundreds of thousands of goods that then get distributed to 10 different countries and into 5,000 different retail outlets. Imagine collecting payments from those 5,000 outlets in 20 different currencies and having those funds make their way through the banking systems, distributors, shippers and suppliers back in China as a single currency. That's the kind of customer with which we excel. HSBC is a huge global presence and network. Very few banks can compete with our network and services. We're able to offer the services that these firms need. So if you were to use HSBC for small transactions at a small company, it'd be like taking your Bugatti to the supermarket. You should take your subcompact instead.

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So we're really only interested in two things: the company has to be a certain size and have an international component in its business to be a client of HSBC, and we're very selective. We often have to put up our balance sheet and offer lines of credit, which when done incorrectly can be a huge risk for the bank. Credit lines are a very calculated risk based on creditworthiness. Although we are able to structure solutions across a wide range of businesses and geographies, our rigorous client review and acceptance process ensures that we protect the interests of existing clients.

How do you market for banks in these turbulent times? I'd love to hear how that's changed and if there was any sort of tactical move you've made, or what your strategy has been in general.

These past several years have required thoughtful career moves, and I've been extremely fortunate to be with the right firm at the right time throughout this crisis. For the past four years, I have worked

with the two most stable firms in their sector. T. Rowe Price was one of the highest-rated asset management firms in the United States, and I started with T. Rowe Price two months before the financial crisis began in September 2008. After 26 months, I left T. Rowe Price and came to HSBC because of their emerging markets-led, financing-focused strategy. That strategy is where [HSBC's] growth and return are coming from, and they have a very strong presence.

HSBC is the highest-rated financial and wealth management institution in the world. Our credit default swap spreads are the smallest in the industry. So, in terms of creditworthiness and counterparty risks, if you do business with us, you have to have

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good credit, but we also have to have good credit. An institution has to be stable and creditworthy, even if it’s a backup financial institution. HSBC is the most creditworthy institution in the world, so I’m with that bank and am attached to their emerging markets-led, financing-focused strategy as well as their creditworthiness. Also, due fatal losses in derivatives, in our industry from many players excluding us, there’s been a return to what we call “vanilla products.” Fortunately, HSBC offers mostly vanilla products. We were downgraded yesterday, along with every other bank in the space, but we only dropped from a rating of AA to AA-, and AAA is the highest rating.

It sounds like HSBC has gone relatively unscathed in some of this. Has it affected much for you? Have you seen a slowing-down in your marketing budgets in this economic climate?

I think it’s going to affect us more in the future because the economic environment is going to become much more challenging. We’ve had the U.S. crisis; we’re dealing with the European crisis now, and that’s affecting the profitability of all banks. Whenever profitability is affected in a sector, it reduces the amount of marketing dollars that are available to go into the market in support of the sector. That, in turn, reduces the profitability of the vendors who supply the industry. Nevertheless, we’ve been such a strong counterparty that we have actually seen quite a lot of interest from people who want to do business with us. Although the environment is challenging for us, we’re operating in a time of weakened competitors as well, so the playing field has just become more uneven in certain areas on a product-by-product basis. But we’re very well positioned because of our strategy, strength and global footprint.

Are you doing anything different as far as how you measure ROI, or are you measuring it the same way that you’ve always measured it?

It’s very difficult to put ROI on investment banking marketing. It’s easy to do on consumer retail because the structure and infrastructure are set up to provide information in that way. In consumer retail, if you spend \$10 million in one channel, it’ll cost you 50 cents each for 10 leads, for example. Or in the New York Times, it costs you a considerable amount per imprint and more per lead, and then you can look at the leads you get and see how those turn into business. But in investment banking, it’s much more about relationships and creating forums and opportunities

for the development of those relationships. Some of our advertising is specifically for managing relationships, thanking people for deals and similar things. So although ROI is important, we look at marketing more as a way to support and maintain relationships. You can't put prices on relationships; they are invaluable.

I imagine that you're less involved in the overall rebranding and moving away from the "world's local bank" campaign. Is that correct?

Yes, I'm less involved in that. That's run at a parent company-level in London; nevertheless, I can still explain what that means. We appointed a new CEO this year, who has been with the firm for a few decades now and has moved up with the firm. The board believes that we're well placed because we have, as

"The challenge of global-local or hyper local connectivity is understanding, on a global platform, the importance of the connections you have in specific regions as well as their local cultures and customs"

I mentioned earlier, a very strong presence in the fast-growing economies of the future, namely in many of the emerging markets in the South-South: Latin America, the Middle East, Africa and the Asia-Pacific region. HSBC has to be able to link customers to opportunities wherever they might emerge around the world. For example, we have to have the level of global presence to be able to link somebody in Brazil to an opportunity in Vietnam. And these are the kinds of things that we do really well because we have those connections. Our culture as a bank is rooted in supporting trade and commerce, and as the world moved past internationalization toward globalization during these past fifteen years, we believed that was where the future of financial services would lie. We went from being international to focusing on internationalization; now we're focused on globalization. The challenge of global-local or hyper-local connectivity lies in understanding, on a global platform, the importance of the connections you have in specific regions as well as their local cultures and customs.

We want to focus on our core strengths. That means focusing on international business, global financial institutions and highly affluent individuals who have international business requirements—that is, those people in corporations who have connections and family worldwide and operate on an international scale. We would like to align our international presence with the core needs of our core customers and build the product services that solve real world needs, rather than simply being international for its own sake. So we now have a much tighter audience focus than we had before, and we have to be careful about how we communicate to various audiences around the world because they all have different needs.

We also have to find interesting media channels in which to place our messages and the right media partners with whom to do that. But finding the digital data to reach and focus on a certain area is almost impossible because the infrastructure that exists today is not enough. Right now, we're ahead of the infrastructure that's available to support us.

You've mentioned before that you work with three or four agencies from different holding companies. As a global company with a presence in 60 different countries, how do you communicate to all these different agencies in a timely manner?

It's quite simple. We find other companies that also drive Bugattis—that is, companies that operate and run at our speed and have the global nature we have in order to do the local customization, networking and feedback that we need. We found that in J. Walter Thompson, which has been a partner of HSBC for quite a while now. They are our house ad agency because they have the portfolio of companies that can meet our needs in the markets in which we operate and the media planning firms that we may need in the future. You have to choose an agency—sometimes based less on their creativity than on their operational capabilities—that complements what you need to do because if you're in 80 countries, it becomes very difficult to manage 80 different agencies.

I'd love to hear your take on social media. We've been noticing a lot of digital media buys by so many brands we work with, from video to mobile to display, and more and more of them are showing up across almost every industry. We work with nearly 350 different Fortune 1000 brands, and social media has become a massive part of their business. I understand that, from where you're sitting, it's probably not even on your radar screen, but maybe you could discuss it in terms of HSBC as a whole?

It is on the radar screen for our retail banks because they have a mass customer base. But even before social networking was termed "social networking," there was a social aspect to everybody's business. Back in 1966, a fellow named Ernest Dichter did a study on word-of-mouth persuasion, which is an old-fashioned version of social networking. He defined the

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four components that constitute the reason why people are motivated to purchase based on word of mouth. The first component is the feel of the product; that's the main reason that people spread the word. And then people have to be involved in the use of the product. If the product benefits them, people will talk about a product because they want to benefit others. People also talk about products because it allows them to find a common ground with someone else through discussing shared problems and solutions. And then sometimes people talk about products because of its entertainment value. They might say things like, "Did you see that video on YouTube for that new car?" or "This product was so cool," or something like that. So social networking been around for a long time, but now it's online and can be done exponentially.

Before social media, firms didn't have a way of hearing what people were saying about them. Social media offers companies and advertisers a way to quantify how much is being said, if anything at all, and to qualify what's being said, whether it's negative or positive. So if you're a firm that has spent \$10 million on an advertising campaign, you can now look into social media to learn how much people are talking about it. So you now have two ways to quantify that spend: actual sales return on the \$10

million and the interest generated by the conversations that are happening on that \$10 million, which goes into valuing the goodwill of your brand.

I know that there are already companies that measure buzz around a product or business, and that you can even measure it yourself with tools like Google Analytics, but we've been seeing a whole new category of startups emerging in the last five or six months in the social listening industry. These new startups not only help companies listen to what's being said about them, but they also measure the level of response that they're getting and how it helps to lift a campaign. They've gotten so sophisticated now that they're even able to help companies respond to that data, to answer what they should be responding to and focus on what marketing message they should be putting out there. It's just amazing how fast this space is growing.

It's PR and media relations on steroids. Last spring, the Egyptian regime was brought down largely by social networking and the connectivity of handheld devices that regimes can't control. That's where the world has gotten today. So it's critically important that companies listen to what people are saying, especially firms that have a very strong consumer presence. Firms have to have a way to respond to issues because brands can be destroyed in an instant. Wouldn't it have been nice if Philip Morris had been able to listen to what was really being said about tobacco during all the tobacco lawsuits 12 years ago? What if they had been able to have PR firms do analyses on what was being said in the media versus what people were really saying? But they didn't have the technology to do that then. Social media minus the noise, in those critical instances abruptly takes the power out of the hands of the few and places it in the hands of the many—it is deliciously democratic.

Having that technology now really helps firms, like HSBC and DoubleVerify, that have a very specific target to reach. For most people, there's a big difference in their work life and personal life, even in terms of consumption. The things that occupy your time at work, like business turnover and the scale of operations, are not the same things that occupy you at home. Right now, we focus our product marketing based solely on our target

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markets' work lives. But I think the direction in which the movement has to go is targeting those same people through their personal consumption as well as their professional consumption. If you really want to stand out among your competition and reach the CFO of a large corporation who is interested in treasury services at work, then the targeting has to also be about what that CFO does outside of work. But how do you know what his personal consumption is? That's the key, and nobody knows how to do that well enough yet.

I agree. You can target to a certain point, but that all-encompassing targeting and messaging isn't quite available yet, although there are a lot of unique companies trying to piece it all together, from when you decide on your target focus group to knowing how to get them all into the funnel.

Yes. The question is how to get people personally engaged, and you really can't do that on the phone or internet. You can only do it by meeting people and getting to know them, which is the old-fashioned social networking approach. You have to build a relationship with them. If you find that they like golf, and you like golf, the conversation goes from work to personal life pretty quickly. That's why golf is so successful; it's one of those avenues that can be work-oriented and personal at the same time. Or, for another example, if you want clients who control hundreds of millions of ad dollars and happen to share my interest, which is collecting cars, the way you'd need to reach them is through the Pebble Beach Concours d'Elegance or through Barrett-Jackson's online auctions or live auctions in Las Vegas. So your advertising strategy might include a booth at Barrett-Jacksons' car walk, right next door to Mothers wax, oil and car cleaning products. I think that's the way it'll go eventually. And if people find a way to do it that's cost-effective, the return will be there as well. ■