Mindful Marketing

Beware of emotional ties. Think like a "Turtle."

*by **Kindra Gordon,** field editor*

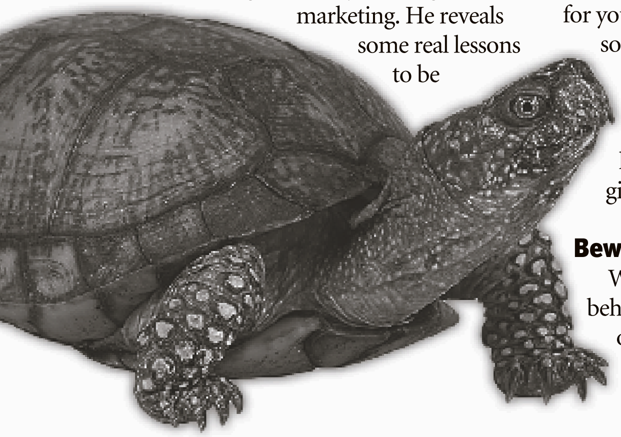
The cattle market continues its ride with optimistic prices, but tighter supplies and uncertain demand continue to cast a cloud of volatility. How should that shape your marketing plans as you look ahead toward fall? Most advisers agree that having a plan and keeping emotions in check are key.

A true-life example illustrates the importance of keeping emotions out of marketing decisions.

In 1983, Richard Dennis was a Chicago trader who turned a few thousand dollars into a fortune of more than $200 million by the time he was 35. He then taught 12 individuals everything he knew about trading during the course of two weeks. These 12 became known as the "Turtles," and for the next 4½ years they were set loose with Dennis's investments. They earned more than $100 million for him.

What's unique about this story is that Dennis demonstrated quite definitively that trading — successful marketing — could be taught. A man named Curtis Faith was one of those Turtles. He earned Dennis more than $30 million dollars — the most of any of the Turtles — and has chronicled his experience in his book *Way of the Turtle.*

Faith particularly focuses on the psychological factors that often influence our decision-making, especially with regard to marketing. He reveals some real lessons to be learned, and notes in his book, "It's not about the trading system; it's about the trader's ability to execute the trading system."



More specifically, Faith says, "Human emotion is both the source of opportunity in trading and the greatest challenge. Master it, and you will succeed. Ignore it at your peril."

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He explains that as price movements occur and people become stressed, human emotions such as fear, hope, greed and despair begin to influence their decision-making process. People move from rational thinking to irrational behavior with their marketing decisions, and, as a result, studies indicate that this creates repetitive market patterns.

Faith reveals that the "Turtle Way" works because they were trained to recognize those market movements and the opportunities that they signal.

Admittedly, when you are marketing for your own ranch or agribusiness — something you've put your blood, sweat and tears into — it is difficult not to be emotional. The Turtles were taught to focus on the market itself instead of how they felt about the market at any given moment.

Beware of these behaviors

What are some of the irrational behaviors that may adversely affect each of us in the marketplace? Here are a handful of examples from *Way of the Turtle.*

Loss aversion. Defined as the tendency to have a strong preference for avoiding losses over acquiring gains, this behavior may sabotage your efforts because you become so focused on trying not to lose money that you fail to see opportunities to make money. Research has suggested that losses can have as much as twice the psychological power of gains.

Faith says, "People affected by loss aversion have an absolute preference for avoiding losses rather than acquiring gains. For most people, losing $100 is not the same as not winning $100. However, from a rational point of view the two things are the same. They both represent a net negative change of $100."

Sunk costs effect. This is the tendency to treat money that already has been committed or spent as more valuable than money that may be spent in the future. For example, have you found yourself saying, "I'll get out of the market if it gets back up to $X." Then, as the price keeps dropping, rather than getting out, you start to say, "Well, I've already lost this much, what's a few thousand dollars more?"

Recency bias. This is the tendency to weigh recent data or experience more than earlier data or experience. The pitfall here is that you are weighing your future decisions on recent experience, which can often begin to let in doubt and second-guessing. For instance, after three years of market prices going up, one might lead themselves to believe the market is only going to go higher. The temptation to weigh recent experiences more heavily can often cloud the decades of history that show a cycle of bull and bear markets.

Anchoring. Here, you rely too heavily, or anchor your decisions, on readily available information. For instance, we hear the recent high price that a particular commodity hit, and we begin to compare and wait and believe the current price looks too low to sell.

People create mental obstacles — anchors — for themselves, saying, "I can't get out at this price because that's where I got in." What you need to realize is that what you pay for something has no relation to what it will be worth in the future, and if the market is going the wrong way, you may need to get out at a loss, Faith points out.

For instance, often a producer may not make a sale because the market price is not quite as high as they could have sold at a month ago. So they wait, but the market goes even lower; they wait some more, and it goes lower again. Then they end up making a sale far lower than what they would have if their own psychological mind-set had not gotten in the way.

Similarly, producers may look at their cost of production and get anchored to that price. They decide they can't sell because the price isn't high enough over their cost of production. However, they wait too long, and the price they are waiting for never comes, while the small profit they could have made slips away.

Bandwagon effect. We start to believe things — and act accordingly — because many other people believe them. Faith warns to be wary of such influence.

Be consistent, plan long-term

Faith notes that the bottom line when marketing is that it's not about "feelings." Instead, a marketer's success is determined by adhering to a systematic approach.

As the Turtles were taught, you cannot let losses, emotions or the past derail your decisions. Faith says Turtles view losses as "the cost of doing business rather than an indication of a trading error or a bad decision."

Scott Stewart, CEO of the agricultural marketing firm Stewart-Peterson Inc., likes to use a baseball analogy to explain mindful marketing. Stewart notes that a good batting average is 300, which means 70% were misses. So, even though you missed most of the time, you still end up with a positive batting average.

Stewart says, "The same is true in the market. You can be wrong more often than right. However, if you limit your losses, your gains can be much larger than your losses, and you could end with a positive position in the market. If you focus on the 70% that were poor decisions, you'll cloud your judgment. Each decision must be made in the present — not based on the past or the future."

Curtis Faith has authored *Way of the Turtle: The Secret Methods that Turned Ordinary People Into Legendary Traders* and *Inside the Mind of the Turtle: How the World's Best Traders Master Risk.* Both are available on *www.amazon.com.* AJ

Editor's Note: *Kindra Gordon is a cattlewoman and freelancer from Whitewood, S.D.*