

Asset management in the social era

Our research shows that social media is becoming a vital component of marketing, offering significant opportunities

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The proliferation of the digital economy is giving birth to new internet-based business models in a vast array of industries. It has drastically changed the way companies deliver services to their customer base, how they interact with clients and the vehicles they use to market their products.

We are living in a social era where business-to-customer (B2C), business-to-business (B2B) and peer-to-peer (P2P) communications are rapidly evolving, driven by the growing ubiquity of new digital technologies, such as mobile devices and applications. Moreover, the rise of social media at the global level has drastically changed the way people interact and communicate with each other and with companies.

Social media has altered the basic rules of interaction, making one-way communication old fashioned. People are now able to communicate with their peers all over the world on a 24/7 basis in the digital space, where a plethora of new tools enable real-time and multi-user communications.

At the same time, social media has enabled new communication channels for companies that allow them to reach their current and potential customers, distribute their content, promote their products, monitor their brands and reputation as well as improve client retention and acquisition practices.

Social media is now playing a considerable role in purchasing decisions, as television did in the past. A survey conducted by Badgeville¹ in 2014 showed that 63% of millennials,² the next cohort of investors, stay updated on brands through social networks and a majority says social opinions have influenced their purchasing decisions. Another study by Social Business Engine and Dell³ showed that 75% of B2B buyers were also influenced by information they found on social media.

Despite the growing importance of social media in our daily lives, the level of engagement in social networks varies substantially from one industry to the next in light of the nature of the services provided and, hence, regulatory constraints.

Sectors like consumer products and technology have already embedded social media in their DNA and business models. They use social channels as cost-effective marketing tools to test new products and target specific customer segments or to achieve efficacious customer service, among other things.

This article is an extract from our 'Asset management in the social era' report, published jointly with Gaceis Investor Services, which provided an update on the state of asset management's use of social media and the leading players in this arena. To do this, we conducted in-depth interviews with leading asset managers in order to assess the importance of social media channels in their digital strategies, the risks they face related to social platforms and their visions of the future.

We also established a set of metrics used to assess the performance of asset managers on Facebook, LinkedIn, Twitter and YouTube. Further, desktop research identified specific insights on current trends, regulations and new business models in the social media space.

Below are the report's four key findings:

1. Social media networks become an integral part of asset managers' marketing mix

- The share of asset managers present on social media today stands at 89% (73% excluding LinkedIn), up from 60% in 2013.
- Of the 89% of asset managers with at least one active account dedicated to asset management, 21% are interactive.

1 Badgeville, The rise of Millennials, 2014.

2 The demographic cohort born between 1980 and 2000, which follows Generation X.

3 Social Business Engine and Dell, Digital Transformation, 2015.

2. Europe is taking a step forward

- In 2016, there are three European firms in the top ten users of social media, while in 2013 there was just one. In addition, ten European players are now in the top 25, while in 2013 there were seven.
- Regulators are participating in this trend by issuing new guidelines at the country level.

3. Two-way communication is a must

- The share of asset managers with interactive accounts jumped from 9% in 2013 to 21% in 2016. The share of affiliated asset managers that have interactive accounts also increased from 11% in 2013 to 41% in 2016.
- Asset managers are focusing their efforts on recruitment and educational content for investors to engage with their audience.

4. Leveraging best practices from other industries offers new opportunities

- While banks are starting to provide account management and payments via social media, distributing funds through social media networks is an untapped option.
- Creating channels solely dedicated to customer services-related requests could enhance the customer experience of asset managers' clients.
- Social media has the potential to provide vital insights about investment trends and customers' preferences and to enhance client profiling practices.

Conclusion

In light of the growing ubiquity of social media in people's daily lives, business environments and investment spaces, asset managers will keep betting on this arena. Our interviews confirmed that budgets and human resources dedicated to social media management are increasing in the asset management industry and this trend will maintain momentum going forward.

Social media channels are not just additional channels to deliver corporate messages to a diverse global audience, they are also a pool of valuable information and insights. Social media is among the favourite ways to discover opinions on products, services and companies, particularly among millennials, who will soon represent the new wave of investors. So mining social channels, with the use of sophisticated analytics tools brought to life by technological advancements, could be a valuable option for asset managers. The adoption of "social listening" tools could help them to streamline their product development practices according to customers' changing needs.

Social media could also represent a new distribution channel for asset managers looking at reaching retail investors and facilitating the subscriptions to funds. This could unlock new fund-related revenues and broaden asset managers' potential customer bases. In addition, as investors are becoming accustomed to expecting from financial services providers the same level of speed, personalisation and simplicity offered by technology firms like Google and Amazon, creating social media accounts dedicated solely to customer services issues could enhance the customer experience. At the same time, the creation of corporate accounts on social media networks for investment firm employees that deal with client portfolios on a daily basis could also better meet clients' needs, as is the case for other industries such as technology and consumer goods.

Some challenges still remain. The evolving regulatory framework and uncertainty in the legal domain with regards to financial promotion on social media channels is forcing asset managers to look carefully at what they say on social networks, aiming to respect privacy issues while maintaining

effective communication practices. In addition, operational challenges such as content creation which is, according to our interviews, a very time-consuming practice coming with high reputational risks are at the top of the asset management industry agenda concerning social media.

That said, social media is opening up opportunities for the asset management industry, as is happening in other sectors. It is essential for asset managers to embed social media in their strategies in order to better address communication with audiences and, most importantly, to carefully listen to and be part of the shifting investor sentiment in almost real-time.

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