To tweet or not to tweet
Investing in social media for wealth managers
One of the most memorable scenes from the film *The Social Network* (2010) is when Jesse Eisenberg, as Mark Zuckerberg, corrects an attorney with the information that his Facebook predecessor site “Facemash” received 22,000 hits in the first two hours (not 2,200), which was surprising as Harvard did not even have that many students! Fast forward to the current day where Facebook regularly receives 100 billion hits a day, and the mainstream adoption of social media is easy to recognize. On a broader scale, there are now more than 3 billion global internet users accessing over 500 billion active websites, and they spend more time on social media sites than on any other, according to Nielsen.

Those numbers include the well-to-do segments of the population. Pew finds that 78% of people making more than $75,000 a year use social media on a regular basis, and, not surprisingly, wealth advisors have taken notice. Smarsh cites that 75% of wealth management advisors actively use social media, concentrating on sites such as LinkedIn, Facebook and Twitter. Just four years ago, only 39% of advisors were using LinkedIn, and even fewer were using Facebook and Twitter.
For advisors, the benefits of participating in social media would seem to be broad and multifaceted. The potential applications from using this technology are strong for enhancing reputation, building intimacy with clients, boosting retention and supporting meaningful, two-way interactions between the advisor and client across the life cycle.

Figure 1: The value social media adds for wealth managers

- “Listening” for activities and trends
- Financial advisors (FAs) can gauge social trends (analytics)
- Wealth managers (WMs) can publish content to increase profit and build brand awareness and perception
- WMs can monitor and respond to published content
- Understand and gain insight into additional interests
- Help cross-sell into adjacent products and series
- WMs can add additional value by publishing thought-leading content
- Build stronger relationships and trust
- Respond to queries on published content
- Firms can generate new leads from social media presence
- FAs can research prospects and learn more about them
- Help inform customer relationship management (CRM) entries and knowledge
- Support existing sales and marketing channels
- Help FA win the clients' business, with better tracking
- Use meaningful analytics to expand upon the success
Although individual advisors appear to recognize the value of social media and are using it to an increasing degree, their employers at the institutional level don’t seem to be investing in it. A recent EY survey of wealth managers reveals that even as overall IT spending in wealth management is increasing 4% a year, with a strong focus on business development and front-office investments, only 4% of respondents stated that investing in social media is a high priority. Social media is relatively new and continues to quickly evolve. It’s fair to say that the wealth management sector is only beginning to understand what a powerful tool social media can be and what the different areas of investment would be at the institutional level. These investments require hard and soft dollars in several capability areas to realize the value from social media:

Figure 2: Social media investment areas

<table>
<thead>
<tr>
<th>Area of investment</th>
<th>Nature of investment</th>
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<tbody>
<tr>
<td>Monitoring and management platform</td>
<td>Social media tools provide end-to-end services, such as listening, analytics, reporting and publishing engines.</td>
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<tr>
<td></td>
<td>Social listening tools can range from the very basic, with monthly subscriptions under $1,000, to more expanded functionality and services such as monitoring, measuring, analytics and profiling, which are more expensive.</td>
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<tr>
<td>Integration with existing sales and marketing channels</td>
<td>Key triggers identified through social media analytics can automatically be fed into CRM tools as leads. Integration between social media and sales channels can facilitate effective tracking and quick turnaround.</td>
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<td>Social CRM insights platforms that integrate CRM with social media monitoring and measurement are subscription-based platforms or tools. Soft-dollar expenditures in the form of project-type work are also required.</td>
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<tr>
<td>Policies and procedures</td>
<td>Misuse of the social media channel can severely affect the brand reputation, leading to loss of customers and decline in market value. It is imperative that appropriate policies and procedures be set up in accordance with relevant legal, compliance and regulatory requirements. Most vendors in this space offer hosted services based on subscription rather than locally installed solutions for regulatory compliance provisions such as FTC Guides concerning use of endorsements and testimonials in advertising. Getting FAs to repeat standard messages will cost less compared with hiring a vendor that enables high levels of sophistication and maturity at a global level. Project-type soft dollar expenditures will be required to write and implement new policies and procedures.</td>
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<tr>
<td>Dedicated content management resources</td>
<td>For firms looking to actively engage social media, a dedicated resource can be the key to effective monitoring and content management. Content creation and management can require significant resources. For example, there is a high demand for “self-learn” material in the market, especially among millennials. Creating this material not only requires content knowledge but also resource time and effort. Larger firms may feature dedicated employee teams of five or more people assigned to these tasks.</td>
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<tr>
<td>Training and education for workforce</td>
<td>A training curriculum must be developed for FAs and other employees on the effective use of social media, including the social media management tools. Training material creation and periodic updates that are in sync with compliance and regulatory changes are essential to minimize risk through social media. Project-type soft dollar expenditures will be required to write and deliver training and to attend it. Some hard dollar expenses may include vendor and technology expenses.</td>
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<tr>
<td>Content management, archiving and storage</td>
<td>Depending on the content being published, there could be potential regulatory requirements on archiving and storage for content published in social media channels. Social media content can be plugged into the existing disaster recovery and backup systems that periodically back up and store data in accordance with regulatory requirements, but some incremental spend may be required.</td>
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<tr>
<td>Measurement and reporting tools</td>
<td>Social media analytics and activity monitoring won’t count for much for the FA unless they can be translated to meaningful trends and statistics via intelligent and dynamic reporting and dashboards. Most social media tools have reporting built in. Most social media listening, monitoring and management tools come with built-in measurement and reporting tools. However, highly robust and sophisticated analytics and reporting tools gather data using technology and provide human analysis posts that result in high-quality business intelligence data. Such tools can be significantly more expensive than the average social listening tools. Building an integrated metrics dashboard will require a project-type hard and soft dollar investment.</td>
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Implementing a leading-edge social management strategy requires both hard and soft dollars and can easily constitute a multimillion-dollar investment. Is it worth it? The challenge for many would-be advocates is simply how to quantify the ROI from such investments and understand the true impact to the bottom line. The reality is that success must be measured at each turn of the client life cycle to assess the value and success of social media.

**Figure 3: Measuring the value of social media**

<table>
<thead>
<tr>
<th>Life cycle stage</th>
<th>Objectives</th>
<th>Metrics</th>
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| Promote          | Maximize amount of buzz associated with brand; do it economically | • Brand awareness (e.g., Klout Score\(^1\))  \hspace{1cm}  
                   |                                                                | • Website traffic  \hspace{1cm}  
                   |                                                                | • Fans, followers, friends  \hspace{1cm}  
                   |                                                                | • Likes and favorites  \hspace{1cm}  
                   |                                                                | • Changes in search engine rankings  \hspace{1cm}  
                   |                                                                | • Reduced sales and marketing costs  |
| Engage           | Generate new leads and prospects               | • User-initiated views  \hspace{1cm}  
                   |                                                                | • Demographics of target audience engaged  \hspace{1cm}  
                   |                                                                | • Geography of participating prospects and clients  \hspace{1cm}  
                   |                                                                | • Interaction or engagement rate  \hspace{1cm}  
                   |                                                                | • New leads generated  |
| Acquire          | Convert prospects to clients                   | • Conversion rate  \hspace{1cm}  
                   |                                                                | • Impact on online sales (digital channel)  \hspace{1cm}  
                   |                                                                | • Impact on offline sales (advisor)  |
| Retain           | Keep clients from leaving                      | • Clients assisted  \hspace{1cm}  
                   |                                                                | • Queries on published content  \hspace{1cm}  
                   |                                                                | • Client retention rate  \hspace{1cm}  
                   |                                                                | • Client satisfaction index  |
| Grow             | Upsell into additional products and services   | • Media impact on products per client  \hspace{1cm}  
                   |                                                                | • Media impact on client lifetime value  |

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\(^1\) Klout is a website and mobile app that uses social media analytics to rank its users according to online social influence via the “Klout Score,” which is a numerical value between 1 and 100. In determining the user score, Klout measures the size of a user’s social media network and correlates the content created to measure how other users interact with that content. Klout launched in 2008.
Once you’ve recognized the importance and value of investing in social media, building a solid, goals-based vision and then understanding the resulting multigeneration approach to delivering are critical steps.

Figure 4: An illustrative multigeneration plan

“Get off the mat”
Focus on promotion and engagement activities that raise your profile and then generate leads to acquire clients.

Investment areas:
• Monitoring and management platform
• Sales and marketing integration
• Policies and procedures

“Build relationships and trust”
Look to augment value-adding content and publishing that builds stronger relationships and trust with existing clients.

Investment areas:
• Employee training and education
• Content management
• Measurement and reporting

“Extend the lines”
Use social media to support cross-selling and upselling activities by collecting intelligence and analytics on clients.

Investment areas:
• Metrics and analytics on interests and preferences

Building a vision starts with the organization defining its goals and how those align and are enabled by social media, creating a shared view for how social media will enable strategy and guide subsequent investments. As with any multiyear capital investment, the measurement approach and business case should be clearly outlined to capture ROI and sustain support. Wealth managers must successfully plan and manage the use of social media in their firms or risk missing a valuable opportunity to gain clients.

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EYG no: EHO255
1509-1643433

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