Social Media
Changing the Marketing and Communications Landscape

By Marc Horner, CIMA®, CPWA®, CFP®

Interest in social media is at an all-time high in the wealth management industry. Both research and anecdotal evidence have begun to suggest that companies embracing social media are distancing themselves from competitors by incorporating these platforms into their business models.

Wealth managers across the country are using social media as a strategic vehicle to increase client communication, to prospect, and to display thought leadership in the marketplace.

The independent research and advisory firm Aite Group (2011) analyzed financial advisors’ use of and attitudes toward social media. The report also captured advisors’ views and best practices on the ways they use social media.

Among the reported benefits of social media are its ability to help wealth managers reach new prospects, generate awareness of their practices, and differentiate themselves from competition. Some advisors reported seeing an increase in net new money and revenue as a result of their engagement in the social media community.

Similarly, investors’ use of social media is also on the rise: Two-thirds of U.S. online adults with an investment account have a profile on a social network, according to a survey released in 2011 by Forrester Research (Doyle and Simpson 2011).

These individuals increasingly are using such outlets as YouTube, Twitter, and blogs to weigh advisors’ investment philosophies and learn more about a particular advisor’s personality. This reportedly helps investors decide whether a particular wealth manager or firm is a good fit for them and their unique needs.

With investors’ opinions of wealth managers being adversely affected by the 2008 economic crisis, social media also has helped some wealth managers regain the trust of investors through clear and consistent messaging.

Incorporating Social Media into Your Business

In addition to providing new ways to engage clients and measure the results of company programs, social media offers a number of distinct benefits over advertising and direct marketing. Benefits include social media’s no-cost nature, interactivity with clients and prospects, as well as the immediate, direct feedback the platforms can provide.

Social media also can connect you with people searching for similar topics on the Internet through key search words, RSS feeds from blogs, and Google News. Prospective clients who research online get important signals about how the firm and advisor understand their preferences for being contacted.

Social media also can be a great vehicle to reach high-net-worth individuals. Several recent surveys, such as a 2010 survey by the Institute for Private Investors, have shown that more wealthy individuals are using such social networking sites as Facebook or LinkedIn to compare notes on advisors, funds, fees, strategies, and deals.

Private investors also have come together, both online and at face-to-face meetings and seminars, to talk about wealth managers, naming names, and discussing fees and commissions.

Financial advisors have found social media to be helpful when making connections online, for example by sending friend requests to mutual friends who may be able to help the advisor make an introduction on Facebook and LinkedIn.

Advisors also can follow online friends and connections as they go through life events, such as having a baby, returning to school, or retirement. Such life events offer financial advisors opportunities to discuss solutions or provide guidance that might help individuals and their families.

Reaching the Next Generation

Another large benefit of social media is the access it provides to newer generations of clients, who often use these platforms as their preferred channels of communication.

By using LinkedIn or Facebook, advisors say they’re able to reach young entrepreneurs and professionals who may be more responsive to these platforms than direct mail, e-mail, or even a phone call.

A 2011 report released by Forrester Research foreshadows how important social media will be to future wealth management marketing techniques (Doyle 2011).

According to the report, the next generation of investors, Generation X (age 31–44) and Generation Y (age 18–30), will turn more regularly to social media to learn about new wealth management opportunities and to discuss plans for savings and retirement.

By 2024, Generation Y is expected to control 46 percent of the personal wealth in the United States, the report said. Such predictions have wealth management firms scrambling to implement social media strategies and to help advisors capture this market through unique strategies.
The Current Social Media Landscape

While many investment and wealth management firms have corporate pages on Facebook and Twitter, few firms allow their advisors to have an official presence on social networks.

However, there is a growing trend where broker–dealers, as well as some independent firms, launch their own social media programs, empowering employees to use the tool in a compliant manner.

This allows the company to better control the messages being distributed, and it helps employees learn how to effectively leverage these tools to build their businesses.

Thought leaders at the Vanguard Group began using Twitter in 2010 to educate followers on how to be better investors. By monitoring questions and comments, Vanguard has been actively increasing its understanding of investors’ needs and wants.

Fidelity Investments uses corporate Facebook and Twitter pages to provide retail clients with a hub for education, support, and news to help them better manage their financial lives.

In 2011, Commonwealth Financial Network began allowing its advisors to send pre-approved Facebook status updates, tweets, and blog posts to complement the advisors’ unique social media efforts.

Even major broker–dealers such as UBS Wealth Management, Bank of America Merrill Lynch, and Wells Fargo Advisors permit advisors to maintain LinkedIn profiles that display contact details and biographical information. These firms are working rapidly to expand usage of social media strategies into their business plans.

The Social Media Regulatory Environment

As social media continues to evolve, so will the regulatory landscape surrounding the outlets. Today, the regulatory environment around social media is still in transition and lacks clear, delineated regulations.

While there are many early social media adopters, the lack of regulatory clarity has kept many wealth management firms on the sidelines. The chief concerns include such risks as data leakage, malware, and viruses.

American Century Investments released the “Financial Professionals Social Media Adoption Study,” which found that 86 percent of advisors and brokers surveyed had a business or personal social media account (Kouri and Sussman 2011). Of those that didn’t, regulatory and compliance issues were cited as the main barriers to adoption or increased usage.

Some guidance has been given by regulatory bodies such as the Financial Industry Regulatory Authority (FINRA) and the Securities and Exchange Commission (SEC), but those guidelines remain ambivalent and direct advisors to comply with antifraud, compliance, and record-keeping provisions.

This lack of guidance has undermined widespread usage of social media platforms.

An SEC alert has called on firms to create their own usage guidelines and content standards for employees, and to monitor and approve content and training.

To implement compliant usage of social platforms, many wealth management firms have been using software designed to monitor and capture social media data. These software companies have been partnering with financial services firms to build platforms designed to improve an organization’s controls around social media.

The software filters and quarantines potentially toxic social media messages so they can be reviewed by managers, then archived for regulatory review. Many software providers also have integrated marketing features, allowing advisors to browse social content libraries for posts, updates, and tweets.

But even with such internal and technological controls, most compliance experts would agree it’s difficult for employers to monitor employees’ communications on fast-moving websites such as Twitter and chat rooms.

That’s why, despite the obvious benefits, some firms continue to prohibit employees from using social media. For these companies, technology may not be advanced enough to handle the complexity of social media, the multiple layers of interaction, and links to outside websites.

The Basic Dos and Don’ts of Social Media

Based on FINRA guidelines and data from industry panels, here are a few basic compliance social media “dos” and “don’ts” for financial advisors.

- Do treat social media like advertising; keep things general and don’t give investment advice or make special recommendations.
- Do ensure that you are meeting all disclosure requirements, just as with advertising.
- Don’t use LinkedIn’s “Recommendations” capability.
- Do follow your firm’s social media policy.
- Don’t mix personal social media use with professional social media use.

Best Practices to Jump Start Your Social Media Strategy

Before wealth management firms and their advisors get involved with social media, they should consider their overall goals and how social media can complement and extend their business plans. Such analysis will help determine which tools and platforms to use and what type of social media activities will best engage clients and prospects.

The following are suggested best practices to consider when using LinkedIn:

- Create an inviting profile, being mindful of the keywords that others might use to search for financial advice; creating a LinkedIn profile alone will help your LinkedIn profile rise to the top of search results.
• Take steps to connect with friends and colleagues first as you begin to understand the platform.
• Research your network to see if your contacts are connected to people you would like to know, and experiment with online introductions.
• Explore different groups that are of interest to you and choose one that looks like a good forum for connecting with new prospects.

You can achieve success on any social network through making an effort to understand content, conversation, community, and conversion by adopting the following suggestions:
• Always ensure that your content is relevant and concise. Social consumers are in the mindset of digesting tidbits of information, so be direct and to-the-point in all posts.
• Consider hosting your own group to stimulate conversation and develop a following of people who matter to you and your business.
• One of the most important aspects of social media success is converting your online following into clients. After developing relationships on social media, be sure to send invitations to seminars or more formal, in-person discussions, etc.

More than a fad, social media is emerging as a vital channel for communication and information exchange. Whether you are with a financial services firm that already is active in social media or one that is watching from the sidelines, advisors and their firms will benefit from acknowledging that social media represents the communication channel of the future for wealth managers.

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