

Social media in the
fund industry
Current situation,
opportunities and
challenges



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1 Current landscape in the Financial Industry

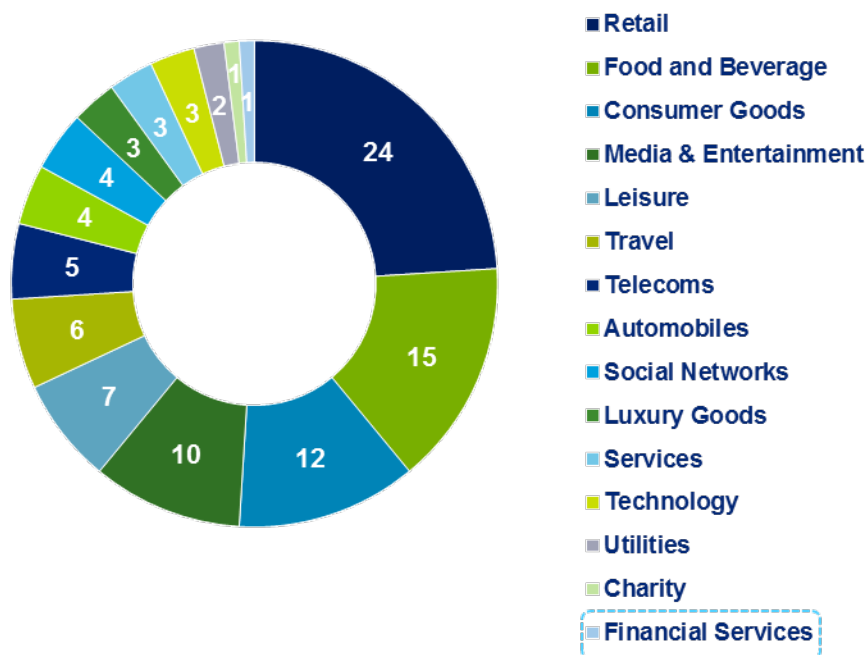
Social media have become a hot topic in almost all industries by now. The platforms and intentions are numerous, ranging from professional networking and recruitment to advertising and customer retention. At Deloitte Luxembourg, we conducted a study on funds and social media, focussing on communication with end-investors, mainly via the major platforms Facebook, Twitter and YouTube. In our research, we analysed several profiles on these platforms directly and retrieved traffic, reach, and other key data from online social media monitoring tools like Google Ad Planner and Trendiction.

1.1 By Sector

In the middle of the previous decade, when the major social networks were launched, they were mainly populated by private individuals, followed by marketers in the retail, food & beverage and consumer goods industries. As shown in figure 1, over 50% of the 'Top 100 Social Media Brands' are players in these three sectors, while only one financial service provider made it into the ranking. Scoring is based on many criteria including listening and responsiveness, appropriate social behaviour, win-win relationships, etc.

Figure 1: Top 100 Social Media Brands by Industry in the UK (number of brands)

Source: Headstream / Socialmediaindex.com

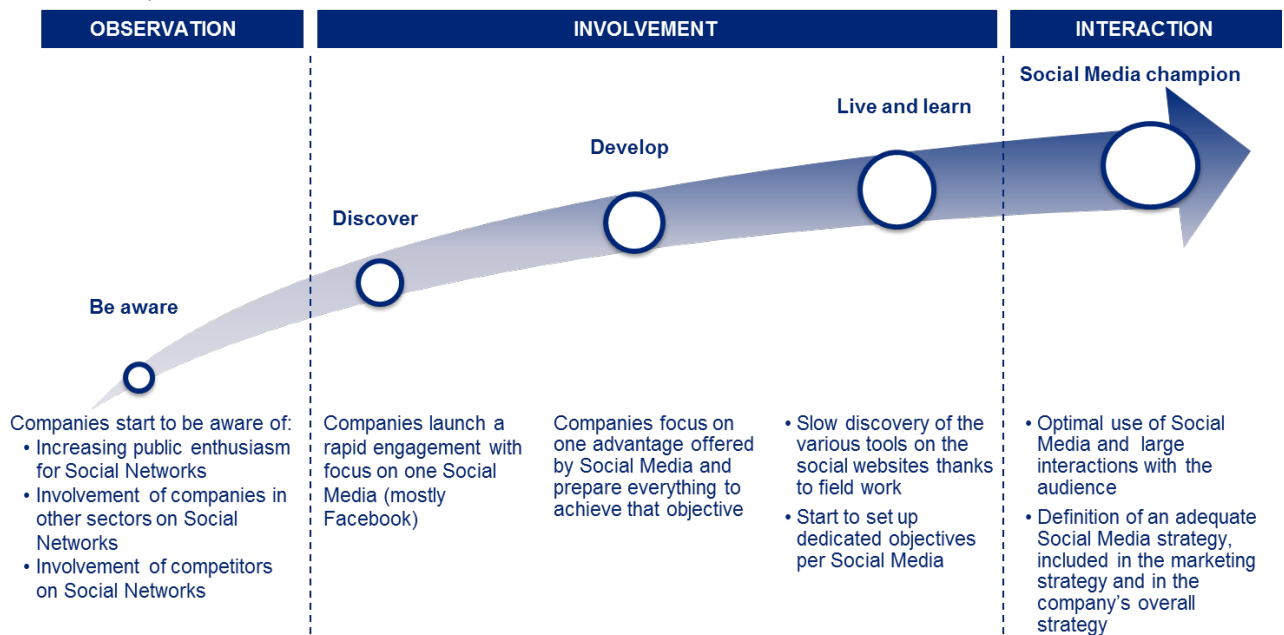


Among the players in the financial service industry, banks are a step ahead of the fund industry thanks to the rapid progress that retail banks have made in this respect in the last two years. For a long time, the financial industry remained sceptical of social media, thinking of it as a purely “leisure” and “fun” environment, unsuited for financial business. At the start of 2011, 60% of retail banks worldwide did not use social media as a tool to engage with customers but over the course of the year there was a shift and today retail banks with no social media presence are hard to find.

Figure 2 shows the different stages of social media engagement, ranging from passive observer to “Social Media Champion” (denoting a company proactively using it successfully).

Figure 2: Stages of Social Media Use

Source: Deloitte Analysis

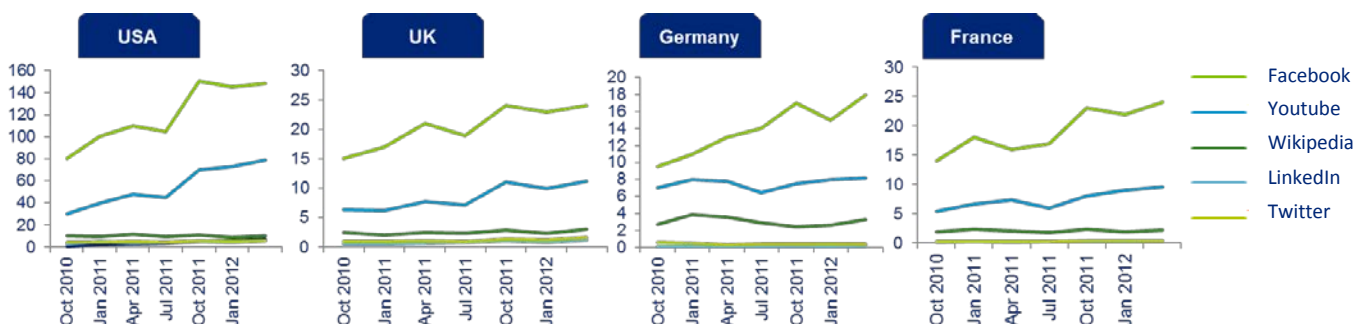


1.2 By Region

The intensity and efficiency of social media activities vary not only between industry sectors but also between geographical regions. In the U.S., engagement in social media began earlier among both private and business users, including the fund industry. Figure 3 compares user numbers among the major platforms in the U.S., UK, Germany and France. With currently 160 million visitors monthly, Facebook in the U.S. has by far the largest user base.

Figure 3: Visit Numbers of Social Network Platforms (in millions)

Source: Google Ad Planner

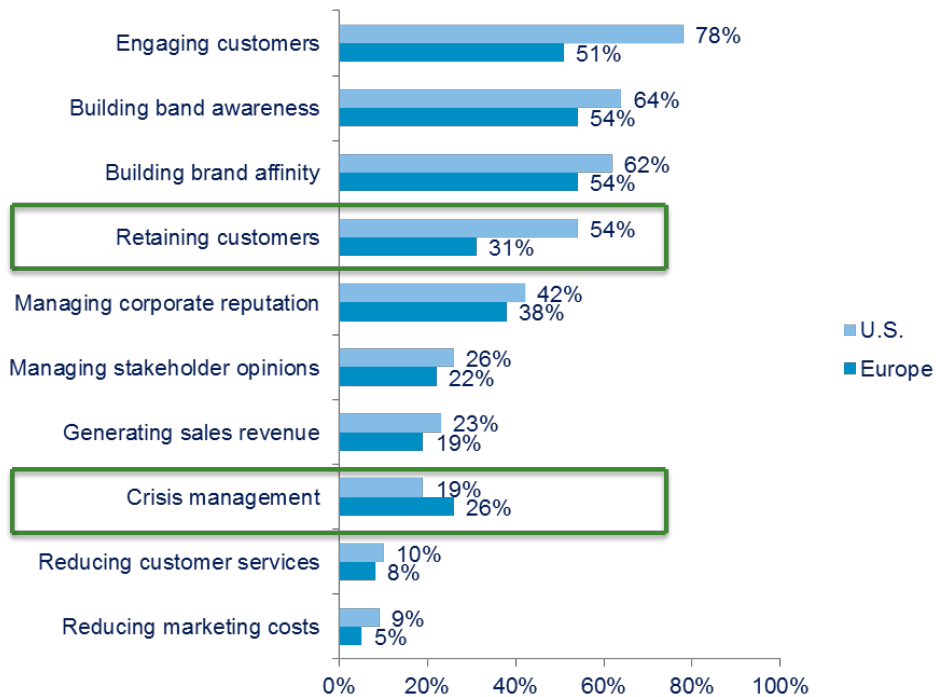


A survey of European and U.S. financial services providers (figure 4) shows that U.S. players are more likely than European ones to consider social media as an appropriate tool to achieve various objectives

such as engaging customers (78% in the U.S. vs. 51% in Europe) and retaining customers (54% vs. 31%). Only for crisis management do European players see more advantage in social media than their U.S. peers.

Figure 4: Firms report the following to be key objectives of their Social Media activities (U.S. vs. Europe)

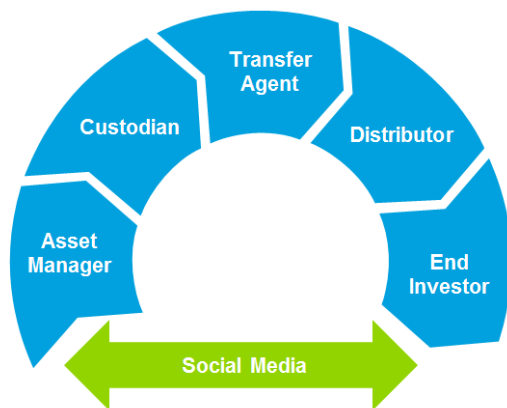
Sources: Aite Group



2 Reasons for using social media

Given the complex flow of transactions, it is virtually impossible for asset managers to establish direct contact with the end investor. The trend towards outsourcing more and more functions has intensified this problem. The fact that social media can serve as a direct communication channel and thus improve mutual understanding is one of the key advantages of using social media in the fund industry

Figure 5: Traditional Value Chain vs. Social Media Communication



2.1 Sales

Instead of using social media for direct selling, asset managers can use their presence to boost their visibility and be recognised as experts in their subject. Social media becomes an information and communication channel prior to actual distribution.

Figure 6 shows that this is exactly what social media users are looking for: They want to master the information flow themselves and therefore want more information about financial products online. The increasing tendency to “shop around” before buying financial products reflects the decline in exclusivity of financial products, which are no longer offered by unique providers. Already today, social networks exert more influence than print magazines and television when it comes to providing information and help for a buying decision (Figure 7).

Figure 6: Information needs of Social Media / Non-Social Media users

Source: Typologie der Wünsche, Hrsg. Institut für Medien und Konsumentenforschung IMUK GmbH & Co.KG, DB Research, 2011

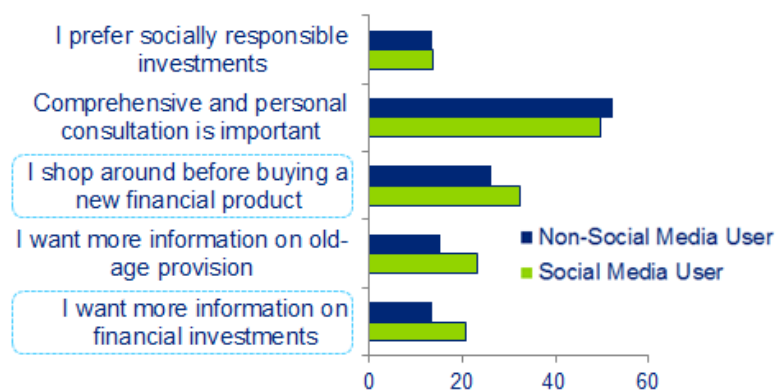
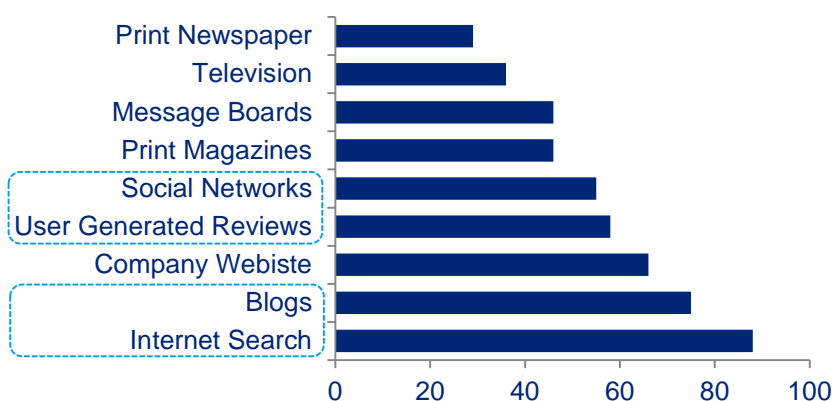


Figure 7: How influential are the following resources when it comes to providing information and help for a buying decision?

Source: Typologie der Wünsche, Hrsg. Institut für Medien und Konsumentenforschung IMUK GmbH & Co.KG, DB Research, 2011



2.2 Financials

The analysis has shown that there is a demand for information about financial products on social media. The question now is: How much does this cost?

Assessing the spending side is fairly straight-forward. The initial investment to engage in a social media strategy as well as the ongoing costs are not very high, as no advanced technical skills, system installation, hardware or software are required. On top of that, using social media allows other marketing expenses to be reduced (e.g. for print media or TV). This is why the only major cost is time – for developing a strategy and for active management.

While the financial risk is limited, the impact on the revenue side can be high but difficult to measure. Therefore, appropriate KPIs need to be defined and a comprehensive dashboard is needed to measure short- and long-term impact.

2.3 Market Intelligence

As indicated earlier, social media offer you the chance to get to know your customers, because they allow direct communication and customers generate their own content. By responding to surveys, posting questions and engaging in discussions, users reveal a lot about themselves. But even without direct communication, a great deal can be learned about customers as every site-visitor leaves a footprint: User-data such as consumption time, duration and location can be retrieved from the company's social media presence, making it easy to assign the customer to a local market, identify habits and the best way to contact the user. To ensure compliance with data protection legislation, it is essential to set clear guidelines for data use.

When bringing user-generated content and user data together and evaluating them via online tracking tools, the results are richer consumer profiles, which make customized offerings possible and are a long-term benefit for the whole company.

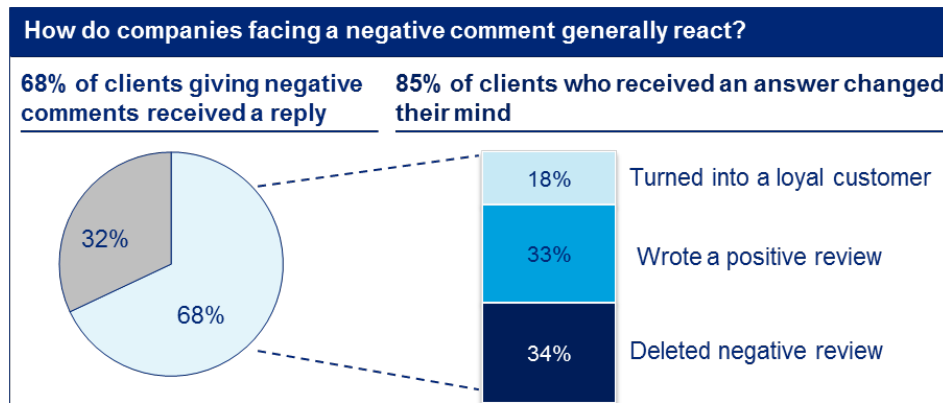
2.4 Reputation & Marketing

A common fear is that social media give customers a public channel to criticize the company, but this argument *against* can easily be turned into an argument *for* social media: In fact, the company's own social media presence is a chance to bundle criticism and react to it. If handled properly, negative feedback can even be a tool to (re)gain loyalty and attract new customers (see figure 8).

It takes well-trained community managers who monitor posts, deal with comments from various sources and respond timely and adequately. This creates a sense of approachability and fosters a feeling of trust and confidence in the firm, which in turn creates fertile ground, especially for selling financial products.

Figure 8: How to deal with Negative Comments

Source: Amplicate & RighNow (2011)



3 Your challenges – our solutions

In the previous chapter, we showed the advantages of social media for the financial industry. Undoubtedly, fund promoters and asset managers, like anyone else willing to enter the world of social media, will also face challenges. In our study, we identified four major topics:

- Continuous management of social media activity
- The social media dashboard – measuring the return from a social media strategy
- Legal implications of using social media to communicate with the customer
- Strategy – in line with overall corporate strategy

In order to learn how to overcome these obstacles, our social media team

- Assessed what asset managers have done so far
- Identified best practices
- Assessed social media opportunities for asset managers
- Developed a comprehensive approach to social media for asset managers





Figure 9 explains this approach, from step 1 which is raising awareness to step 5 which is implementing a social media strategy.

Figure 9: Deloitte's Service Approach

	1. Workshop to raise awareness towards the topic	2. «As Is» analysis	3. Analysis of competitors and best practices	4. Definition of the «to-be» situation and gap analysis	5. Strategy definition and implementation
Objectives	<ul style="list-style-type: none"> Show the range of possibilities offered by social media to the financial industry Understand the client's perception of the use of social media 	<ul style="list-style-type: none"> Understand the client's situation in terms of: <ul style="list-style-type: none"> • strategy / objectives • clients / prospects • competitors • image • technology • processes 	<ul style="list-style-type: none"> Rank the client's competitors according to their use of social media in order to understand the client's strengths, weaknesses and the current situation 	<ul style="list-style-type: none"> Determine how social media can contribute to achieving the client's objectives in the medium and long term Define client's main interest in launching social media 	<ul style="list-style-type: none"> Define the strategy and the concept of social media appropriate to the client Define the implementation plan of the strategy
Methodology	<ul style="list-style-type: none"> Present the findings of Deloitte's study on funds and social media and the implications for the use of social media 	<ul style="list-style-type: none"> Workshops led by Deloitte professionals with expertise in the fund industry and social media 	<ul style="list-style-type: none"> Benchmarking among local competitors Search global best practices 	<ul style="list-style-type: none"> Workshops led by Deloitte professionals with expertise in the fund industry and social media 	<ul style="list-style-type: none"> Deloitte's social media methodology
Deliverables	<ul style="list-style-type: none"> Results of the study "funds and social media" 	<ul style="list-style-type: none"> Summary report of the workshops 	<ul style="list-style-type: none"> Benchmarking and best practices found 	<ul style="list-style-type: none"> Summary report of the workshops 	<ul style="list-style-type: none"> Strategy report Roadmap Define KPIs Estimate budget & ROI
Estimated timeframe	Half a day	1 week	1 week	1 week	1 month

Whether the client has no prior experience or already has a social media presence, we take the current situation into account and adjust the approach to exactly match the client's needs. Regardless of the starting point, we ensure that each client can operate the social media strategy which is best-suited to its overall business strategy, its available resources and individual objectives. We give you all the tools to maintain and monitor your social media strategy, including a detailed roadmap, a definition of the relevant KPIs as well as an estimated budget and the return on investment (ROI). Should you wish further information on our services and workshops, do not hesitate to contact our social media experts, who will be happy to discuss your individual case.

4 Your Contacts

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