

## Guest Column

### Meeting The Demand For Better Client Communications

By Dan Sondhelm, Sondhelm Partners



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The asset management industry continues to face unrelenting tailwinds in its struggle to grow AUM. The convergence of growing passive inflows, downward fee pressure, increased market volatility and chronic underperformance has formed a virtual perfect storm, catching many firms unprepared for the fallout.

Communication is critical for institutional firms in this unsettling environment, requiring services teams to maintain constant contact with their clients. That translates into too many calls to make with only so much time in a day, which could leave some clients in the dark at a time when money is in motion. That is a situation many firms can ill afford.

#### What Clients Want

Institutional clients and their consultants have never been under greater pressure to deliver results and in this environment are constantly reviewing and assessing. If performance doesn't meet expectations, or if a strategy isn't doing what it's supposed to be doing, they need to know what's going on so they can determine if they need to make portfolio changes. Without the answers they need, they could decide to catch the passive wave and swap their small-cap value strategy for a less expensive small-cap value ETF.

As client concerns mount, service people become challenged in trying to reach out in a timely manner, and it is bad practice to have clients making the first call. It's vital for asset managers to have proactive conversations with their clients to get out in front of their concerns.

#### Communicating in the Digital Age

Although asset management firms have never been at the forefront of digital evolution, a growing number of firms are starting to discover the power of digital communications for its ability to reach clients and a broader audience more efficiently. They're also beginning to understand the value in using their websites and social media to build their brand and increase visibility. At the core of their new strategies is quality and fresh content, which, when

distributed via their websites, social media and e-mail campaigns, keeps their clients informed and establishes these firms as thought leaders.

More importantly, an increasing number of institutional investors and their consultants are accessing asset managers' websites and social media to consume content. According to a Greenwich Associates study, nearly 80% of institutional investors use social media at work and one-third say the information they find through social media influences their investment decisions. For nearly half of institutional investors, social media is where they look for news, market updates and manager commentaries. It's also one of their primary sources of information on investment products and asset management firms.

In fact, the quality of an asset manager's website, social media presence and content is increasingly used in due diligence by institutional investors as a "proof point" when assessing a firm's trustworthiness, transparency and technological expertise. Firms that have a presence on LinkedIn, Facebook and Twitter, offering fresh and relevant content, are perceived as more transparent and trustworthy than firms that don't use them.

#### Don't Think of it as Marketing

There is a natural reluctance among many institutional asset managers to engage in marketing. Their clientele—pension funds, municipalities, family offices, and other large investors—tend to drive the sales process through RFPs and their gatekeepers, who do their due diligence. As a result, they may be reluctant to adopt these digital marketing tools.

However, they do want to communicate with their clients. When you consider that marketing, especially digital marketing, is about communicating a message, these strategies simply become an alternate and more effective way to reach clients. In fact, it provides direct support to service teams that still need to call their clients. And when you consider that a growing majority of clients prefer to receive their communications digitally, or as a supplement to a phone call, it can actually strengthen relationships.

#### Enhancing Communications with Analytics

Regardless of how you feel about using website content, social media or e-mail to carry your message, when it is combined with data analytics, it suddenly creates a window into how your clients feel about your message—and that can be invaluable.

Imagine being able to track your clients' response to an e-mail they receive. Did they go to your website? What did they look at on your website? How much time did they spend there? Did they visit your social media sites? More importantly, is their level of engagement with your digital tools increasing or decreasing? In either case, it might warrant a phone call to see what's up. If there has been little or no engagement for a while, he/she may be ready to move on.

By linking your digital communications tools to data analytics software you have a clear view into your clients' activities and their level of engagement, which enables your service team to be more proactive in contacting clients at the appropriate times. It may be the best reason to adopt a digital communications strategy, though its effectiveness depends largely on the quality and consistency of the content produced. Otherwise, there is no reason for your clients to engage.

#### A Word About Media Appearances

In the financial advisor space, investment management firms vie for media opportunities to showcase their portfolio managers and get their message out. However, in the institutional world, clients are less starstruck, preferring that their portfolio managers focus their time and energy on managing their money. At least that is the way it used to be.

While they still might have concerns about how their portfolio managers spend their time, institutional clients are beginning to appreciate a TV appearance every now and then. "In this environment, it's important for clients—institutional and retail—to see the captain of the ship out there, talking about how he's trying to make money and protect investor assets," said the head of sales of a boutique institutional manager.