



The Discipline of Innovation: New Communication Tools To Do "More With Less"

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As we discussed in our last commentary on distribution channel dynamics and opportunities, many firms are attempting "more with less" in the current downturn, particularly in the areas of marketing, advertising, client servicing and investor education.

This analysis expands our marketing case studies from Japan and the increasing use of social networking and video sites to stay in contact with clients and investors.

YouTube, Facebook, Twitter et al as new ways to communicate with employees, clients and the public

In recent months a number of mutual fund companies have started to enter the realm of Facebook, Twitter, YouTube, Vimeo, and other social networking and media sites to take advantage of low-cost innovative ways to communicate with clients and investors.

Most of these networks have been around less than 5 years, yet they have become a meaningful and inexpensive way to communicate with various client segments and the general public.

- Facebook was founded in 2004 on a college campus and now has 200 million active users worldwide. ABC, NBC, CNN and other US television networks streamed the US presidential debates and election night coverage live via Facebook to allow status updates and foster interaction among members around the world.
- YouTube was created in 2005 and one year later bought by Google for \$1.65 billion. A recent episode of "Britain's Got Talent" posted on the site attracted 230 million viewers.
- Twitter originated in 2006 and has been dubbed the "SMS of the Internet", with monthly visits of 55 million.

Those statistics have not been lost on the financial services industry.

James Schiro, CEO of Zurich Financial Services, recently stated that companies and leaders "have to be comfortable using new tools of communication even though you're not comfortable with it", citing Facebook and YouTube as examples.

Putting his statement into action, Zurich started a blog and cancelled a scheduled annual mid-year meeting with 400 attendees and instead had its senior management embark on a global roadshow to various offices in April 2009 to share the questions and lessons that arise via YouTube. In his introductory video message, Schiro addressed employee and customer concerns about using the service by noting that "special times require special means to get the message out".



James J. Schiro, CEO Zurich Financial Services - Employee Roadshow 2009

YouTube is a somewhat logical extension for companies to display presentations and interviews with senior executives. Facebook and Twitter on the other hand are a completely different media which very few mutual fund firms have tackled, let alone use effectively.

We have seen a variety of ways in which companies use Twitter:

Bank of America has created a help desk via Twitter. The limited number of letters works well for a quick answer on tech issues and other problems (about 3,000 people are following BofA on Twitter). The member in question says he is the “Official BofA Twitter rep to help, listen, and learn from our customers”.

PIMCO on the other hand primarily uses the service to provide updates on Bill Gross, Mohamed El-Erian and other senior management members, including links to videos and interviews as well as short statements on the economy, markets and investment views. For example, in late May they tweeted “PIMCO believes mutual funds are the best way for individual investors to participate in the mortgage market”.

UBS uses Twitter mostly to inform clients about corporate news, less about their views or to provide market updates. Their latest update this week read “UBS Changes Procedures to Avoid Penalties After Madoff Losses”, linking to an article on changes implemented with the Luxembourg regulator, CSSF.

The key to Twitter communication is in providing frequent short updates to build a follower base. Financial services firms thus far either do not have an account at all (firms such as Fidelity or Deutsche Bank recently added Twitter accounts, but as of now have no posted updates) or less than a few hundred followers for their tweets. In comparison, the *Financial Times* has 15,000 followers, the *Wall Street Journal* has 55,000, and Barack Obama has 1.3 million. AIG has 46.



Facebook allows for far greater content delivery and some companies have cautiously embraced the service, particularly those that place great emphasis on research, education and analysis. TIAA-CREF provides an 800 number and has some 3,500 people as fans.

While it does not update any information on Facebook, it links to the TIAA-CREF Nest Egg Challenge application:

The application sends a “nest egg” to friends as a savings challenge, and upon completion turns into collectible cartoon.

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