

# Institutional Investing in the Digital Age: How Social Media Informs and Shapes the Investing Process



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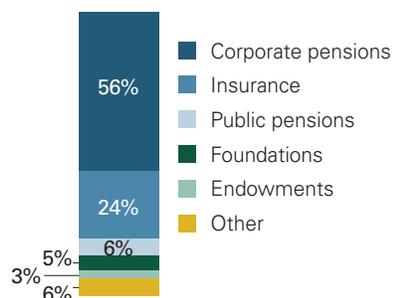
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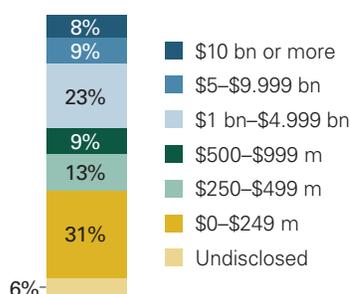
## METHODOLOGY

Greenwich Associates conducted 256 interviews of institutional investors between November and December 2014. Research participants included public and private pensions, insurance companies, and foundations and endowments in the United States, Europe and Asia. They varied in size from under \$250 million in assets to over \$10 billion. Interview topics ranged from their overall use of digital and social media platforms to the role these information sources have in their selection of fund managers.

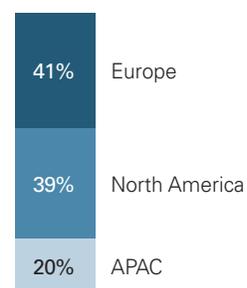
**Respondent Profile by Investor Type**



**Respondent Profile by Investor AUM**



**Respondent Profile by Region**



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## Executive Summary

The importance of social media in today's world has not been missed by institutional investors. Interviews with over 250 asset owners found that 4 out of 5 institutional investors frequently use social media platforms at work. Furthermore, nearly one-third of those investors also confirmed that the information they have consumed through social media has, in fact, impacted their investment decision process. Knowing that these decisions can result in the allocation of hundreds of millions of investment dollars, it is certainly notable that social media platforms are more often playing a role in achieving institutional investors' workflows.

Asset managers—those looking to attract the aforementioned allocations—must therefore implement an effective social media strategy. While the importance of fund returns is paramount, the impact of content that is unique, insightful, and ideally, actionable can be significant. For successful firms to retain and grow their footprint, using social media to distribute the company's messages and ideas could bring a greater return than a full-page ad in the financial press. Either way, we know this for sure: Social media is officially part of the financial services mainstream.

Social media has become an everyday part of life. Nearly all of us are either consuming, posting or, if nothing else, surrounded by marketing that directs us into the online social world.

Until recently, however, the financial services industry has lagged behind this global trend. Whether because compliance rules prevented access to social media or trading desks were too comfortable with their dot-com era trading systems, our personal use of technology had become in many ways more advanced than our workplace use.

But as Wall Street often does, firms are now moving to catch up and get ahead. A financial technology boom is underway that is rapidly bringing the best of social media to the world of investing. This includes revamped trading interfaces, more of a social-media look to new trading-venue front ends and, of course, increased consumption of and contribution to business-focused social media platforms.

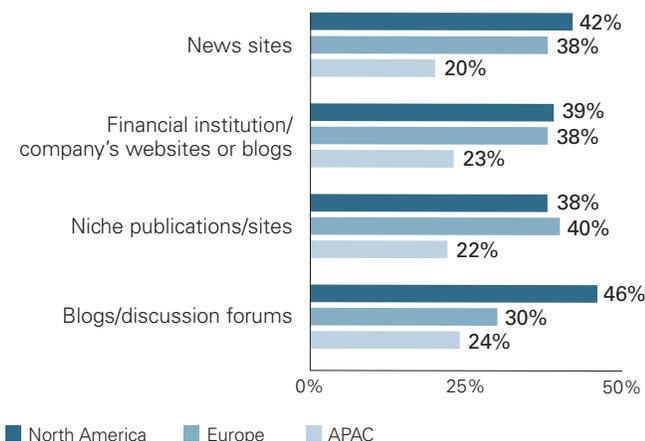
Greenwich Associates research has found the largest social networks in the world are now used as heavily



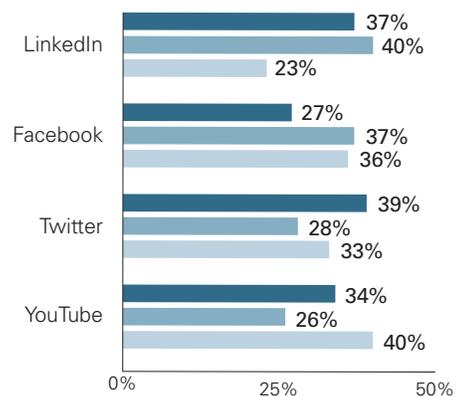
*Managing Director Dan Connell leads the Firm's Market Structure and Technology practice.*

## Digital and Social Media Use—Geographic Dispersion

Recently Used Financially-Oriented Digital Resources

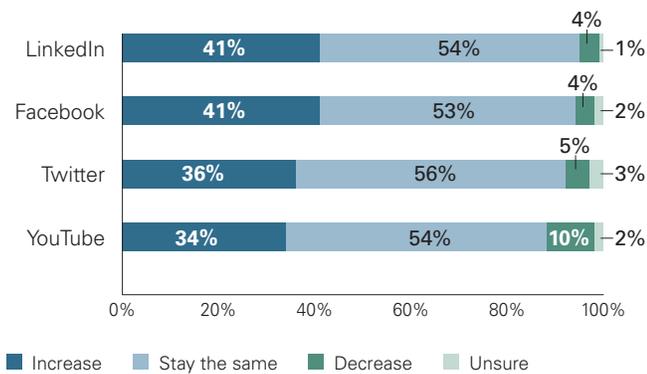


Recently Used Social Media Resources for Financial Topics



Note: Based on 256 respondents in 2014.  
Source: Greenwich Associates 2015 Social Media and Investing Study

## Use of Social Media Projected to Change Over the Next Year



Note: Based on 256 respondents in 2014.  
Source: Greenwich Associates 2015 Social Media and Investing Study

by institutional investors as are traditional media sources. While nearly all (97%) institutional investors use digital media sources for professional purposes, an impressive 79% now use social media at work.

LinkedIn is the preferred source with 52% penetration to this key segment, and 85% of those using the platform do so at least weekly. Interestingly, more investors in Asia cited using social media sources in the past month than traditional financially oriented news websites. And there is still room for growth with approximately 40% of investors expecting an increase in their social media usage in the coming year.

## Which Investors are the Biggest Consumers of Social Media?

Asset owners such as public and private pension plans, foundations, endowments, and insurance companies spend much of their time determining not only how to invest the money entrusted to them, but with whom. For instance, an investment in the U.S. equity market could be made via hundreds of different asset managers who each might run several U.S. equity-focused funds. It is this process that, by and large, drives the consumption of social media by end investors.

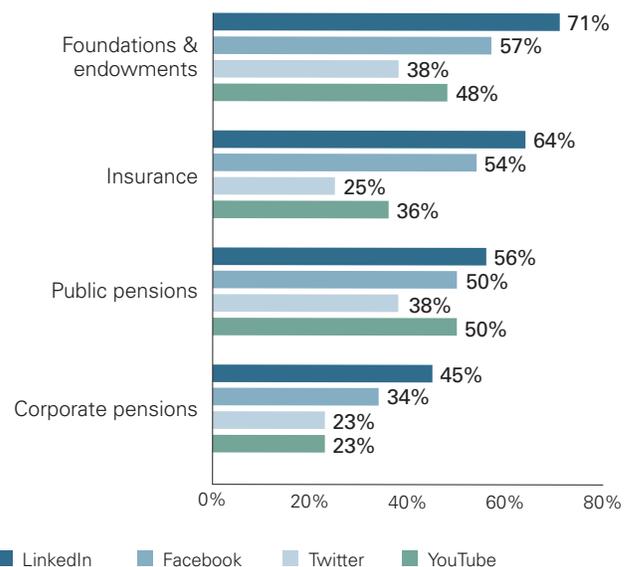
In aggregate, foundations and endowments were the largest consumers of social media, followed closely by insurance companies and pension funds. Corporate pension funds used social media the least, although nearly half still utilized LinkedIn at least monthly. Our study results also found that investment firms with less than \$500 million in assets were less likely to use social media to research and connect with asset

managers than were larger firms. Ninety percent of firms with \$1–5 billion in assets accessed social media sources for financial topics at least monthly, while 77% of institutional investors with under \$500 million in assets did so.

Several explanations exist for these trends. Corporate pension plans are heavily regulated institutions and, as such, may have more stringent policies related to social media usage. Conversely, endowments—many of which are run by large universities—have taken a leading position in researching and interacting with asset managers via social sites. And while smaller firms use social media less than institutions with more assets under management, their investment strategies are often more focused and thus require less research in picking the winners. In each case, however, we do expect this gap in usage to shrink over time, as business-oriented social media sites that encourage networking and information sharing gain wider adoption among investment professionals and become more central to the investment process.

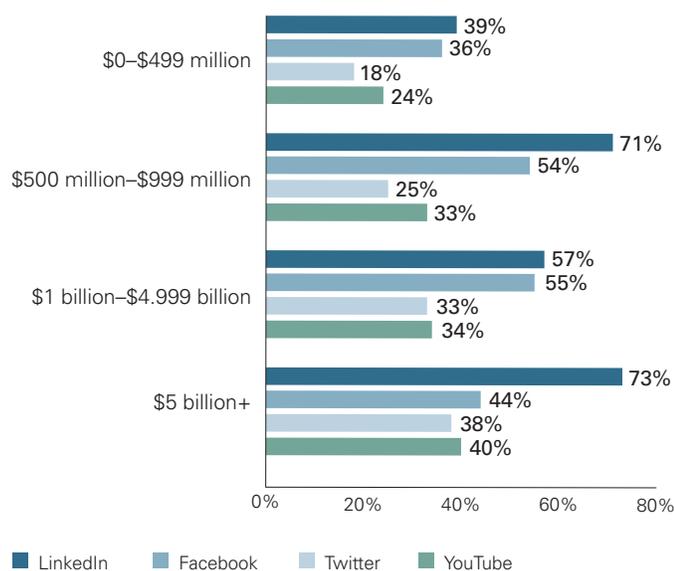
Regional differences also exist. Institutional investors in Asia are consistently higher users of all forms of social media sources than their counterparts in North America or EMEA. This may be attributable to several factors. There is a much higher availability of professional data (e.g., Bloomberg terminals) in

## “At Least Monthly” Users of Social Media Sources for Financial Topics—Type of Institution



Note: Based on 256 respondents in 2014.  
Source: Greenwich Associates 2015 Social Media and Investing Study

## “At Least Monthly” Users of Social Media Sources for Financial Topics—AUM



Note: Based on 256 respondents in 2014.

Source: Greenwich Associates 2015 Social Media and Investing Study

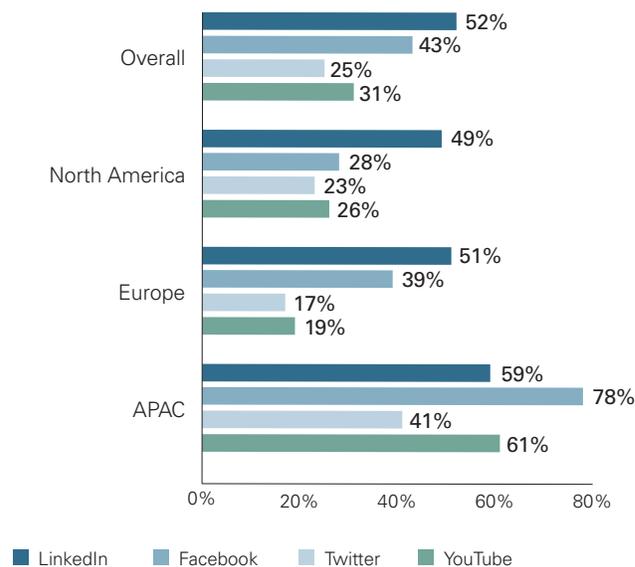
North America and Europe, leaving investors in Asia to utilize public sources more frequently. Investors in North America and Europe are also heavier users of investment consultants, which takes away some of the need to research asset managers online. Lastly, Asia has long had an advantage over the West when it comes to technology and connectivity, rendering its educated population even more connected than those in the U.S. and Europe.

## Uses and Influence of Social Media

As the name implies, social media was originally developed to help people communicate with one another in a group setting. While this still remains the primary goal of most major social media sites, the application of social media to financial services yields different priorities.

The value of social media would evaporate if platform users only consumed but did not contribute. Yet as investors continue to use social platforms more and more, their level of contribution is dwarfed by their consumption of content. Access to timely news was the top reason noted for turning to social media at 48%. While investors could turn directly to the underlying news sources or a news aggregator for the underlying story, social media improves the process by allowing their online connections to note which news they found most interesting.

## “At Least Monthly” Users of Social Media Sources for Financial Topics—Geographic Dispersion



Note: Based on 256 respondents in 2014.

Source: Greenwich Associates 2015 Social Media and Investing Study

If you are a bond investor, for example, then it is likely that most of your social media connections are also focused on fixed-income investing in some capacity. As they read various news sites or blogs and post them back to their social media profile, the resulting news feed is not simply fixed-income news, but one that your peers have self-selected as interesting and useful. This feed often leads not only to mainstream news sites, but to niche blogs and news outlets that would likely have been missed if only picking up traditional publications like *The Wall Street Journal*.

With only 15% of participants stating they post to social media in addition to consuming, where does all of this self-selected content come from? While our research focused on the end investor, the financial services industry has many additional constituents. Social media users including asset managers, hedge funds, banks, news outlets, research firms, and service providers actively feed the engine that investors increasingly like to consume.

Additional reasons cited for using social media are plentiful, although most fall in the buckets of investment research or networking. Research topics include learning more about specific asset managers, products and services, and learning about market events. Networking—the core of social media—is focused on

## Reasons Why You Have Turned to Social Media



Note: Based on 256 respondents in 2014.  
Source: Greenwich Associates 2015 Social Media and Investing Study

connecting with peers, seeking dialog with specific asset management firms and joining groups and discussions.

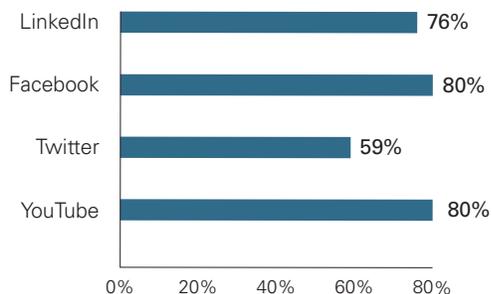
### Largest Platforms and How Investors Use Them

While we've been discussing social media as if it is a single entity, the reality is the various platforms covered by our study bring very different value propositions to institutional investors.

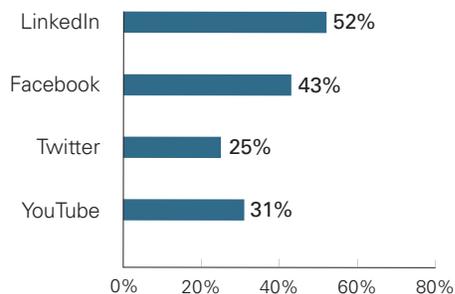
While Facebook and YouTube continue to lead the pack for personal use, it should come as no surprise that LinkedIn was the top-noted platform of investors for work-related purposes, cited by over half of study participants. LinkedIn is by far the top platform for business networking, used by many as the primary location of their resume as well as a directory for past, current and potentially future colleagues. Interestingly, Facebook was used frequently as well, showing some crossover from a place to show pictures of your kids toward a site to consume real-time news.

## Social Media—Personal vs. Professional Use

"At Least Monthly" Personal Social Media Usage

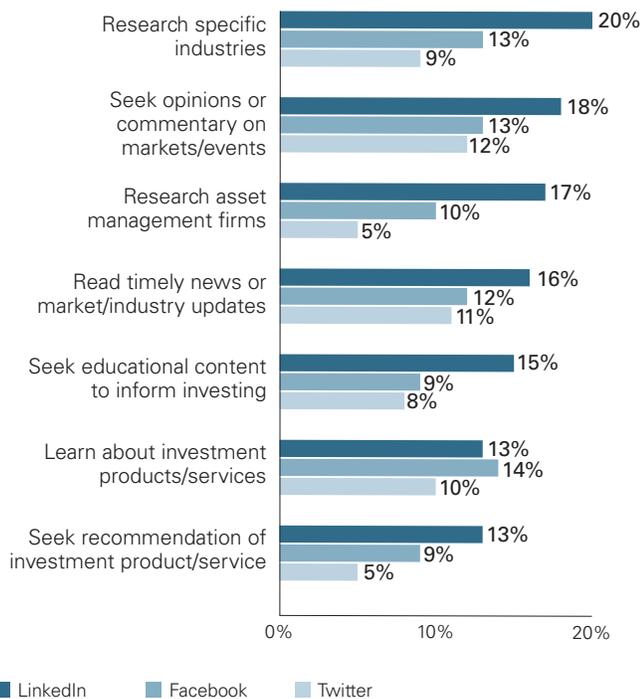


Recently Used Social Media Resources for Financial Topics



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Source: Greenwich Associates 2015 Social Media and Investing Study

## Use of Social Media by Platform



Note: Based on 256 respondents in 2014.

Source: Greenwich Associates 2015 Social Media and Investing Study

Twitter fell toward the bottom: though a common tool in institutional finance, it has thus far been shunned by the end investor.

Further research found that although respondents may have indicated they use Facebook for professional purposes, most confirmed that they would not consider Facebook a professional tool as yet. With the limited launch of Facebook at Work earlier this year, however, the company is poised to expand into the corporate space.

**The user groups I belong to through LinkedIn help me to get information and views specific to my investment set.**

**– Institutional Investor at a Government Pension Fund**

When comparing these platforms for key investment-related uses, LinkedIn comes out ahead in nearly every category. LinkedIn particularly excels for researching specific industries or asset management

firms, as well as seeking educational content to inform investing. Facebook was used frequently for learning about investment products and services; this could be driven in part by the retail-oriented nature of some large asset managers who look to advertise their mutual funds and retirement offerings directly to individuals, rather than institutional customers.

Twitter's strength was in seeking opinions or commentary on market events. Institutional investors found that while using Twitter as a news feed was helpful, the stream of updates they review on LinkedIn was more targeted, as it reflected their professional ties more closely.

## Social Media Influence and Future Outlook

While usage statistics are interesting and show promise for social media offerings looking to break into financial services, gauging how much influence these platforms have on actual investment decisions is a more telling metric for success.

Nearly half of respondents using social media confirmed that the information they consumed through the platform caused them to take action. The most common next step was to further research a topic that was brought to their attention via the social media site. This again illustrates the growing importance of social media as not just a place to communicate, but also as a platform to consume information.

Roughly one-third of investors confirmed that information they have consumed through social media has, in fact, impacted their investment decision process. While some used the information to further conversations with senior management and investment consultants, others stated that the information learned did impact their investment decision and/or their selection of an asset manager. Knowing that these decisions can result in the allocation of hundreds of millions of investment dollars, it is certainly notable that social media platforms are now playing a more frequent role in achieving such results.

To this end, Greenwich Associates concluded that asset managers and other investment firms looking to attract investment dollars from pensions, endowments and insurance companies should consider the nature of their social media presence. Having an updated company page should be considered table stakes, with

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## Social Media Influence

### Information from Social Media Resulted In:



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Source: Greenwich Associates 2015 Social Media and Investing Study

stand-out firms also acting as regular contributors of content and insight, drawing potential customers back to their page again and again.

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**Individuals in my network that publish articles or facts regularly will get my attention and following.**

**– Institutional Asset Manager**

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Greenwich Associates also believes there are tremendous benefits to be had by utilizing the personal brands of key employees as part of the firm’s social media strategy. While company updates are useful, social media is rooted in personal interactions. As such, interacting with a strategist directly to gain insight into published research or a chief investment officer who can expand on public statements about market trends creates a much more captivated audience than a faceless company page.

That said, even the most social-media savvy asset manager will see little success if the content they distribute—and ultimately their fund returns—are sub-par. While the importance of fund returns is paramount, the impact of content that is unique, insightful, and ideally, actionable can be significant. For successful firms to retain and grow their footprint, using social media to distribute the company’s messages and ideas could bring a greater return than a full-page ad in the financial press. Either way, we know this for sure: Social media is officially part of the financial services mainstream.

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*The data reported in this document reflect solely the views reported to Greenwich Associates by the research participants. Interviewees may be asked about their use of and demand for financial products and services and about investment practices in relevant financial markets. Greenwich Associates compiles the data received, conducts statistical analysis and reviews for presentation purposes in order to produce the final results. Unless otherwise indicated, any opinions or market observations made are strictly our own.*

