

# REBUILDING TRUST THROUGH COMMUNICATION FUNDAMENTALS

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THE ASSET MANAGEMENT INDUSTRY HAS A TRUST PROBLEM.  
BETTER COMMUNICATION IS NECESSARY TO THE SOLUTION

Asset management is fundamentally a relationship business. But it hasn't always been an easy relationship for the client. In recent years, investors and institutions have expressed frustration at an industry that demands major commitments of capital and charges significant fees while producing uncertain outcomes.

In this paper, we will argue that trust has eroded between asset managers and their clients. To restore it, asset managers need to reconsider the way they communicate. We believe they need to start not by focusing on touchpoints and engagement, but on fundamentals – the messages and methods that are known to build trust.

## THE PROBLEM IS TRUST

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*“The issue is that the active business has lost the trust of its client base, and the only way you’re going to recapture the trust of your clients is to restructure the business arrangement between the two of you.”*

*– The Man Who Could Eat Half the Profit in Fund Management: A Q&A with former AllianceBernstein CEO Peter Kraus. Bloomberg, April 2018*

The truth is, asset managers are trying to pull a rabbit out of a hat: maintain long-term, committed relationships with clients despite offering almost nothing of immediate value<sup>1</sup> in an environment they can't control. To meet this goal, client satisfaction is just a starting point – what you need is client *trust*.

The [Edelman Trust Barometer](#) is an annual survey created by Edelman, a multi-industry PR firm with global clients. They use the survey to identify trends in the relationship between large institutions and their marketplace.

On this score, financial services companies fall short. Their 2018 survey found that trust in the industry overall has declined over the past year. But among the informed public – influencers who are college educated and media aware – trust has fallen by 20 percentage points in one year.

Of course, the best way to evaluate trust is to follow the money. According to [Morningstar's annual fund flow report](#), investors shoveled nearly \$700 billion of new investment into passive investment

strategies in the U.S. in 2017, while active strategies suffered yet another year of net outflows. Clearly, investors want access to the market but don't trust traditional industry experts.

## COMMUNICATION IS A BUSINESS ARRANGEMENT

When Peter Krause talks in the quote above about "restructuring the business arrangement," he's primarily talking about reducing or restructuring fees. Indeed, most industry analysts interpret the rise of passive strategies as a revolt against fees.

But when Edelman posed the question, "what factors decrease trust in financial services companies," the top response was not that fees are too high. The top answer was, "no product or cost transparency."

[PwC, in its Asset & Wealth Management Insights](#), defined the problem in a similar way: "Investors, too, are demanding greater transparency. As inexpensive forms of beta become easier to access, the market place has begun to break down where asset managers add value."

Major industry players have been hesitant to talk about fees in the past, allowing prospectus-style boilerplate to do the work for them. But the industry has paid a price for this silence: Clients legitimately do not know what they're paying for. That's not a business model problem. That's a communication problem.

Top 5 factors decreasing trust in financial services companies:

1. No product/cost transparency
2. Confusing products/services
3. Unwanted selling
4. Not responsive
5. Difficulty addressing problems

Source: Edelman Trust Barometer 2018

## THE MISSING LINK

Asset managers are concerned with good content, and an increasing number are establishing content strategies. But according to industry research conducted by PAICR and P&I,<sup>2</sup> the #1 challenge for executing those strategies is creating quality or engaging content.

We see that as well. It's our experience that content strategies are highly focused on client touchpoints and delivery technologies that create engagement opportunities. But we also find that our clients are not consistently effective at creating content to feed into those strategies.

There are any number of reasons that asset managers struggle to create effective messages and engineer a unified company voice. Some of the problem is...

<i>...Cultural</i>	<i>...Organizational</i>	<i>...Client-specific</i>	<i>...Cost and risk</i>
<ul style="list-style-type: none"> <li>■ Senior leaders come from environments of hard analysis and may not be comfortable with "softer" practices of communication</li> </ul>	<ul style="list-style-type: none"> <li>■ Lack of alignment among PMs, Sales / Marketing, Legal</li> <li>■ Competition for resources</li> <li>■ Pain around centralizing and controlling messages</li> </ul>	<ul style="list-style-type: none"> <li>■ Large differences in the needs of Institutions vs Individuals vs Intermediaries</li> <li>■ Complex subadvisor relationships</li> <li>■ For larger firms, US and non-US clients</li> </ul>	<ul style="list-style-type: none"> <li>■ Costs of content development resources</li> <li>■ Involvement in a risky social media landscape</li> <li>■ Regulatory demands</li> </ul>

Content strategies that lack effective messages do not create trust with audiences. And systems that fail to drive messaging alignment result in overly complex, highly inefficient processes that appear untrustworthy. Fortunately, fundamental communications techniques can address these problems while also significantly reducing the manhours needed to produce content.

## COMMUNICATION FUNDAMENTALS THAT BUILD TRUST

We recommend that asset managers focus on two critical activities:

- Construct a storehouse of *core company messaging*, rewritten to better reveal company ideas and resonate with the needs and concerns of the audience.
- Implement an *iterative process* for feeding those messages into content campaigns, one that builds and reinforces company alignment over time.

Let's look at the way these two actions create, sustain, and enhance trust.

### Core Company Messaging

Almost every company we work with has brand documents and RFP databases and presentations and web sites with robust "About Us" pages, but they still struggle to know what their message is and how to articulate it in various client settings. Moreover, the content they have often fails to deliver the kind of messages that help trigger trust in clients and prospects.

What kind of messages create trust? The simple answer is, messages that connect your company's ideas to the needs and concerns of your audience.

#### To Create Trust Your Company's Messages Must...

- Define company drivers that are at least as powerful as money
- Discuss your strategies, services, and methods in the context of client outcomes
- Talk openly about your experiences with client relationships
- Frame yourself not as someone who knows the answers, but as someone who will find the answers
- Explain what you use fees for and why you are worth it
- Help clients anticipate risks and opportunities

The most important point to remember about your messages is that they are not about you. They are about what you are doing to support your clients' best interests. The more you can speak the client's language and prioritize their perspectives, the better you will be at fostering client engagement and trust.

### Iterative Process

Process is the "body language" of written communication. Regardless of messaging, if your materials are shoddy looking, inconsistent, sporadic, or late, you will come across as less trustworthy.

The key to a successful content creation process is to move away from thinking of each piece or campaign as a unique project with a beginning and an end. Instead think of content development as an iterative, 4-stage process:

### **Plan**

- Identify the right core messages for the project
- Set standards for quality and efficiency in producing the content

### **Execute**

- Incorporate core messages into the content of the piece
- Consistently apply company style
- Track all activity

### **Review**

- Generate execution metrics (errors, efficiency)
- Review comments and edits for trends
- Discuss metrics and trends with internal partners

### **Realign**

- Update core messages/content development guidelines with findings from the review stage
- Identify process improvement opportunities for the next iterations



Obviously, a standardized content development routine that is defined by internal metrics around quality and efficiency is likely to produce better content outcomes more consistently. But the real advantage of this approach – specifically the review and realign steps – is the opportunity it provides to help coordinate the many leadership, sales, and marketing professionals in your organization.

For example, by simply asking your reviewers whether a specific edit represents a situational comment or a fundamental change to company messaging, you focus organizational attention on the most important information and limit “drift” in your core messaging.

In addition, when internal stakeholders have strong disagreements, those can be discussed and resolved outside of the production process, rather than via edits on individual end pieces. We find that reviewer disagreement is one of the most important factors impacting our client’s ability to produce consistent messages and deliver on deadline.

## **INTERNAL BENEFITS**

It's our experience that enhancing the trust content of your messaging, and installing an iterative process, takes more time the *first* time you do any standard content element. After that, it takes less time to do each iteration. We have used this approach to drive 20-30% reductions in overall manhours spent on content development activities, usually within 3-6 months. Where are these reductions felt?

- Investment managers and other subject matter experts spend less time responding to unique requests for company insight.
- Content producers have better inputs and can produce better content with fewer drafts.
- Content production happens on time and with fewer disruptions and last-minute changes.

It's critical that content strategists be able to demonstrate efficiency in this way. In a low-margin environment, content marketing approaches that cannot be done efficiently do not survive.

## THE TRUST PAYOFF

It's not news that people do business with companies they trust. But Edelman's research shows how wide the moat is when you create, sustain, and enhance trust consistently with clients over time. To reiterate – great communication isn't about the elegance or persuasiveness of the words you put together. Trust isn't a function of how often you communicate and in what manner. At a fundamental level, trustworthy communication is about the quality of your core messages, and the consistency of the routine you use to produce communication pieces.

You can't control the markets, and you can't control your clients. But you can control whether you engage with your audience in a manner that demonstrates a commitment to their needs and concerns. Focusing on the right fundamentals will remove the doubt, debate, and confusion in your content strategy, and pave a path for success regardless of what type of firm you are or marketing strategy you use.

### Edelman Research- The Payoff to Trust

"Thinking over the last 12 months, which of the following actions have you taken on behalf of a financial services company you trust?"

**41%** Chose to use their products and services

**31%** Recommended them to others

**16%** Reviewed them or shared a positive opinion of them online.

**15%** Paid a premium to use their services

**14%** Bought or recommended their stock

**12%** Defended them when I heard someone criticize them

Source: Edelman Trust Barometer 2018

## ACKNOWLEDGEMENTS

This piece was developed with input from many marketing, sales and consulting professionals who are part of the PurcellCom community. I would specifically like to thank the following colleagues for sharing their input, feedback, and personal experiences.

**Tom Mulligan**, Investment Management Marketing Professional, Vice President of [PAICR](#) (Professional Association for Investment Communication Resources)

**Andre Prawoto**, Chief Marketing Officer, Intech Investments

**Jessica Dravida**, Partner, Dravida Consulting

**Michael Gaucher**, Editorial Director, T. Rowe Price

**Stuart Ritter**, Sr. Financial Planner, T. Rowe Price

**Mark Fujii**, Investment Marketing Consultant

**Ilyssa Strugatz**, Product Manager, InvestEdge

**Malcolm Fitch**, Malcolm Fitch Consulting

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