WHITE MARBLE

# Quarterly US Trends Report

April 2022

# Contents



With the first quarter of 2022 now in our rearview mirror, it is important to reflect on the multiple trends and challenges that have and will continue to shape the asset management industry. Growing inflation concerns, the continued influence of the pandemic, political unrest, as well as heightened regulation and investor expectations around ESG have led to increasing client demands. Often, it falls upon the marketer to keep up with these changes, while providing insightful collateral and delivering a personalized marketing strategy. It is those who can understand and adapt to these challenges that will find the greatest success.

In this report, we provide insights into some key trends currently shaping the US asset management industry, along with some suggested best practices for marketers on utilizing these trends in their marketing strategy.

# Trend 1

## Inflation

As gas prices hit a record high with the national average at $4.25 per gallon, many Americans are feeling the pinch. They are having to contend with rising mortgage rates, food costs and other living expenses that have pushed inflation to a 40-year high. As highlighted by the Labor Department, consumer price index jumped 7.9% annually, the fastest pace since January 1982. The rising prices and political uncertainty place increasing pressure on asset managers, who must now respond to the changing economic landscape.

## What does this mean for marketers?

When the market is underperforming or there are elevated levels of market volatility, asset managers' clients tend to think in the short term. This short-sightedness can lead to rash decisions and questionable investment choices. During volatile markets, both advisors and their clients can benefit from proactive communications to allay concerns. The following strategies can help both marketers and asset managers communicate more effectively with clients during challenging times:

- **Remind them of their time frame:** In times of high inflation, it is important to remind clients that you have built their financial plan and investment strategy to withstand short-term market turbulence. Although some clients might feel increasingly nervous during volatile market conditions, altering their long-term plan just because of temporary volatility may be more harmful in the end.
- **Tell them what you are doing:** Advisors maintain a more secure job when the market is doing well. When the market is underperforming, it is most important to demonstrate his or her value by reassuring clients and performing the duties of an advisor. Responsibilities include demonstrating the value of their services to clients and finding ways to reassure them. They can accomplish this by showing clients how you have invested their money in a way that protects their assets and encouraging them to remain connected. Ask questions, chat online or send email updates, newsletters and host webinars to keep clients informed about developments and inform them of any changes in your strategy.
- **Give context with historic economic trends:** Events can take on new meaning when viewed with a historical perspective. One of the benefits of reviewing past events is that it can provide context for current trends. It also helps to remind clients that, although past performance is no guarantee of future performance, markets tend to bounce back to some degree after they have been down.

At the end of the day, communication is key to financial planning, especially when it comes to something as emotional and personal as a client's life savings, hard-earned money, retirement, etc. A savvy financial advisor is one that will make it a point to understand his or her client's emotional needs and adjust communication accordingly.

# Trend 2

## Flexible Work Environments

Flexible work from home (WFH) options are becoming more widely accepted in the asset management industry. As companies grapple with the impact of new Covid-19 variants and 'The Great Resignation'[1] , there is a growing need for firms to provide benefits that attract and maintain talent. In a recent Deloitte survey of 400 senior investment management executives, it is expected that asset managers will invest what is needed to strengthen their talent organizations, including WFH policies. However, as we continue to work in our separate corners of the world, we must not forget that investment management is highly relationship-oriented. This is recognized in that same survey. It shows that 38% of respondents from digitally advanced firms expect significantly better revenue prospects in 2022 compared to just 13% for other, less digitally advanced firms. This supports the notion that digital interaction is becoming increasingly valuable.



## What does this mean for marketers?

As marketers, one of the most significant challenges that the more widely accepted workplace flexibility has caused is how we can effectively communicate with clients. While in-person meetings and conferences were replaced with Zoom calls and dress pants ditched for sweats – maintaining your brand's voice through flooded online channels has not been simple.

With WFH continuing to keep people apart, companies have turned to maxing out their content capabilities to put out timely webinars, blogs, reports, and podcasts in the hopes that they will engage their audiences. Nevertheless, as we see more and more marketing material being published each day, we need to be mindful of content overload. Below are some key things to keep in mind before developing your content strategy.

- **Leverage resources from strategic partners:** One of the best strategies for avoiding content overload is by not putting out messaging already available to your clients. Before sharing a new blog post, look to see if there is any content from current clients or strategic partners that can be used to fill gaps in your content. This will not only enable you to spotlight a strategic partnership but will also allow you to streamline your content creation efforts better.
- **Quality > Quantity:** While your content should be timely and relevant, your goal should not be to talk about something just because it is trending. Before hopping on a trend, it is essential to analyze it from your brand's perspective - see if there is an opportunity to engage in an authentic way that can add value to the conversation. If there is, then ensure your message is shared in a personalized manner that is relevant for your desired audience.
- **Get Creative:** When sharing content, it is also important to stand out by thinking of new ways to get your messaging across beyond the typical blog or podcast. Whatever your message is, think beyond the status quo and share it with your audience in a creative, visual way. Could your latest blog be transformed into a thought-provoking infographic? Maybe your report's findings can be shared through a series of LinkedIn polls. The more you can insert creative assets into your content strategy, the better your chance of breaking through the noise in a client's inbox or feed.

As flexible work environments continue to become more widely accepted, it will be unsurprising to see content as a critical priority for brands. To achieve continued success, companies need to be working smarter with well-produced and engaging content. One of the best ways you can accomplish this is by utilizing a benchmarking platform such as Beacon, which allows marketers to benchmark content performance and customer engagement against a peer group. As a 100% data-driven platform, Beacon enables asset management marketers to see what content consumers are responding to, and make more strategic marketing decisions.

1. According to a December 2021 ResumeBuilder.com poll of 1,250 American workers, about 23% of employees will seek new jobs in 2022, while 9% have already secured a new position.

# Trend 3

## Digital Transformation

Increasingly, asset managers are looking to cloud-based systems, artificial intelligence and other digital technologies to create competitive advantages. These solutions can, if used effectively, provide increased efficiencies, general cost reductions, and hyper-personalized experiences for clients. For this reason, it is unsurprising that deeper integration of technologies across all levels of business functions is a trend we anticipate will continue as more businesses embrace digitalization.

### Cloud-Based Systems and the Outsourcing of Data Management

Approximately 52% of firms in Europe and North America with assets under management (AUM) of $10-100 billion use the cloud for data management. This is according to a recent survey on the integration of data management systems. The same study found that a further 28% plan to migrate data management to the cloud in the next 12-18 months. Additionally, almost half plan to have a data warehouse in the next 24 months. This shift towards outsourcing data management functions can be accredited to competitive and regulatory pressure in the industry. Additionally, outsourcing brings cost reduction, the ability to free up internal resources, and increased flexibility/scalability, to name a few.

### Artificial Intelligence (AI)

The last couple of years have shown us that businesses need to be fluid, adaptable, and innovative. AI has proven to be an essential ingredient to success. According to a PWC survey of US companies, 67% invest in AI to improve customer experience, 54% seek to improve decision making, 53% hope to innovate products and services, and 50% want to achieve cost savings. Analytics Insight noted that because of AI, the industry has experienced a "disruption in some of its core practices," including Portfolio Management, Data Effectiveness, Trading, Digital Advice, and Operational Efficiencies. This gives insight into the enormous potential asset managers see in AI to improve various business functions.

However, before diving into the vast sea of opportunity that is 'emerging digital technology', it should be recognized that, like the ocean itself, there are still many unknowns. Expectations should be set accordingly before shelling out money for new tech. As BlackRock highlights technology is only as good as the hands it is in. The ultimate success of applying any technology relies on human expertise to develop and refine it. Additionally, sustainable innovation requires a culture of collaboration and constructive debate. And while there are many upfront costs to acquiring innovative technology, it may take many years before you see any pay-off.

## What does this mean for marketers?

- **Opportunity for increasing personalization:** One of the most significant opportunities that come with advanced technologies is that it offers sales and marketing teams the chance to improve their personalization efforts. Developments in technology enable firms to use data analytics to identify clients' interests, preferred content formats, and frequency of interaction. As a result, marketing and sales teams can now provide increasingly individualized experiences for their clients using tools like AI chatbots and customized reporting software that is based on user data. As we point out in a recent White Marble blog, 'newer technology can help to solve the challenge of being able to reach the right customer at the right time, with the right communication for their particular stage in the buying journey'.
- **Better ability to attract the millennial market:** Many wealth managers are concerned with attracting and maintaining millennial audiences. Based on a 2020 report from Infosys, it is estimated that between 2007 and 2061, nearly $58 trillion worth of wealth will be transferred to millennials. Their expectations are generally completely different from their predecessors and firms will have to adjust their strategy to win over this market. This same report notes that this can be achieved by embracing digital channels and providing personalized, multi-generational wealth management plans with technological capabilities to maintain clients when wealth is transferred.

**Changes required to tap into the millennial market**


Source: Infosys 2020

Overall, the integration of emerging technologies into marketing strategies can create opportunities to improve client experience and tap into uncaptured market sectors. While there is no one right approach to integration, steps should be taken well before the selection process to determine which approach best aligns with your business goals.

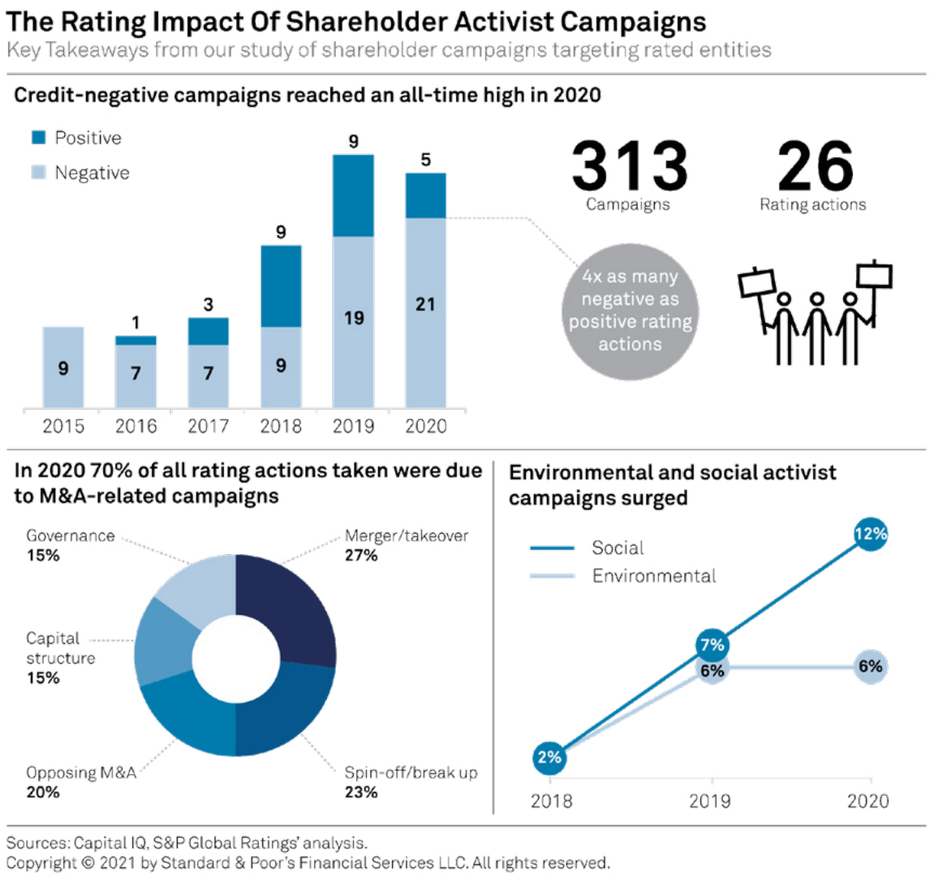
# Trend 4

## Increasing regulations, and consumer expectations around sustainability

One thing worth highlighting is that asset managers are more likely to use technology effectively when they also have a strong commitment to environmental, social, and governance (ESG) initiatives. According to a 2022 report shared by Infosys, companies with elevated levels of tech adoption and strong ESG commitment are four out of five times (81%) as likely to use technology most effectively. This relationship is attributed to the fact that ESG informs company culture and shapes mindset, setting the stage for purpose-driven decision-making. However, as we have seen more ESG-oriented funds, as well as more companies incorporating ESG initiatives into their operations, increasing regulations and client expectations around ESG have followed suit. Some of the recent updates and trends include:

- **Increased pressure on corporate boards and government leaders to enhance their ESG skills.**
  - Over the course of this year, it is expected that corporate and government leaders will face increased pressure to strengthen their ESG skills and integrate sustainability into their policy and planning strategies. The economic impact of climate change partly drives the greater emphasis on sustainability, as discussed in an article by S&P Global.
    - More specifically, in 2021, the U.S. experienced 20 storms with losses exceeding $1 billion. Additionally, in 2020 credit-negative ratings reached an all-time high seeing four times as many negative as positive ratings in action. This was recognized in May 2021. Shareholders voted to replace at least two members of Exxon Mobil's board with people nominated by an activist investor group over concerns the company is not moving fast enough to address climate change.

- **Increased mandated ESG disclosures by the Securities and Exchange Commission (SEC)**
  - Chair Gensler, other SEC commissioners and agency staff have said the commission will place a strong emphasis on ESG disclosures, with topics including board diversity, climate change, human capital management and cybersecurity governance.
    - In late September the SEC issued a "Dear CFO" letter. It gave a sampling of the types of comments the SEC makes about climate change and sustainability disclosures, with emphasis on the consistency of climate-related risk disclosures and financial reporting.
    - Last month, the SEC proposed a rule on climate-related disclosures that mandates publicly traded companies to report their greenhouse gas emissions, and financial risks linked to climate change, including any impacts on their business. The goal of this proposal is to provide consistency across these disclosures and to allow equity issuers to "more efficiently and effectively disclose these risks" in a way that benefits both the regulated community and investors.




- **Heightened scrutiny of ESG alignment led by the Russia-Ukraine conflict**
  - Until late February, investing in Russian markets was seen as an opportunity, as the U.S. gets 5-10% of its crude oil and refined products from Russia. Yet, as the Russian-Ukraine conflict continues, companies are needing to re-examine their stance on ESG issues and respond accordingly. Whether this means eliminating ties with Russia on a wholesale scale, the withdrawal from purchasing oil, or pulling all mutual fund and pension plan investments. We can already see the impact by looking at companies like Shell, which recently issued an apology after receiving backlash for its purchase of Russian crude oil. It subsequently announced that it will withdraw from involvement in all Russian hydrocarbons. Similarly, asset managers must consider their risk tolerance and decide what sacrifices they are willing to make to meet the increasing demand from customers and shareholders regarding ESG accountability.

## What does this mean for marketers?

As best emphasized by the Head of ESG and Sustainability Research at Jefferies Global, Aniket Shah: "We are seeing 2022 as the year when ESG not only becomes mainstream, but it starts driving markets a lot more." As the challenges of climate change, global conflicts, racial inequalities continue to dominate news headlines, asset managers will increasingly be called upon to discuss these issues with their clients. This is especially true as older generations pass their wealth over to their millennial and Gen Z heirs, who have taken a strong interest in sustainability. As marketers, we must be prepared for the questions clients and employees may ask, so that we can respond appropriately. Consider the following resources when making ESG-related decisions:

- **For the asset manager:** It is the fiduciary duty of the asset manager to act in the best interests of their clients. However, this is not as simple as merely having good intentions; it is equally important to stay educated on various dynamics and drivers in responsible investing and sustainability. This includes having a strong understanding of the current ESG fund and ETF landscape. To get an unbiased overview, read the ESG Baromoter report MainStreet Partners released in partnership with White Marble.
- **For the marketer:** When marketing ESG-related content in conjunction with your overall content strategy, it is essential to be authentic, consistent, and transparent in your efforts. Just like the asset manager, it is equally important for marketers to have a strong understanding of ESG, which can be acquired through participating in educational programs like White Marble's Responsible Investing Marketing Certificate. This certificate, which is broken down into five online modules and two live workshops, is especially designed to provide marketers with the tools to successfully market sustainability at brand and product level.


As we look ahead, we acknowledge that no one can predict with any certainty what the future will hold. Although we anticipate that pandemic-related and political issues will continue to impinge on our industry, as we have seen in the first part of 2022, new challenges will present new opportunities over the course of the year.