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Optimizing Public Relations In the Financial Industry

PART I:
How to Avoid Pitfalls in Fast Moving Waters

By Jennifer Connelly, CEO, JCPR

In an industry based on trust, reputation is everything. Right now, the financial industry's tarnished reputation demands that firms reshape public perception. They must establish and build brands with lasting value and integrity, but that's not the only challenge. The latest trends show an increasingly crowded marketplace, so firms must also find new ways to differentiate themselves, tell a compelling story and position themselves as thought leaders. In this increasingly complex environment, public relations emerges as the optimal tool for both capitalizing on and keeping up with the fast-changing communications landscape. In fact, it plays a critical role in a company's success or failure.

PR professionals serving the financial industry must be highly specialized and integrated in the industry. They must demonstrate full capabilities for handling media requests, information queries and shareholder concerns, while fostering a positive corporate image, providing media strategy, and crafting editorial and creative communications. PR offers a thoughtful, cost-effective means for generating greater credibility by relying on third-party opinion – coverage that is particularly critical for financial firms. A study, "Exploring the Comparative Communications Effectiveness of Advertising and Media Placement," found that editorial coverage generated through PR has greater value than equivalent advertising.[1]

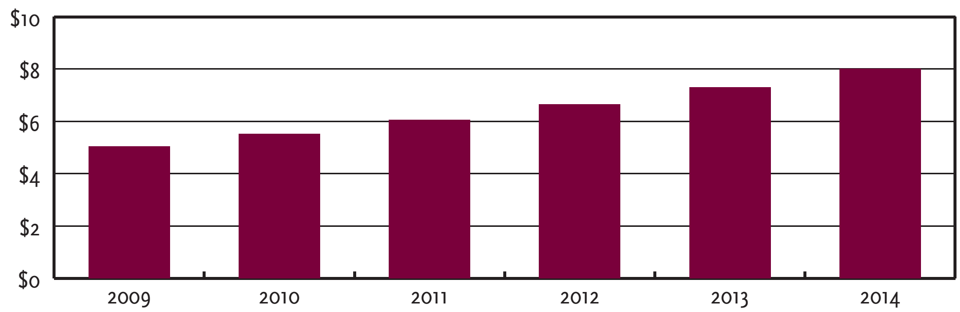
A growing number of forward-thinking financial firms depend on PR professionals to provide extensive industry knowledge, high-touch service, global reach, exceptional relationships and integrated marketing solutions that impact the bottom line. Other firms fail to grasp the advantages of PR or continue to execute outdated PR models.

This paper examines the dynamic between business and PR, and the troubling mistakes financial firms continue to make when they rely on PR methods that worked 10, 50 and 100 years ago.

The Symbiotic Relationship Between Business and PR

Since the early 20th century, PR's development has paralleled that of modern business, conforming more closely to the views, goals and concerns of corporate CEOs than any other communication or marketing discipline. According to the 2009 Veronis Suhler Stevenson (VSS) Communications Industry Forecast, PR and word-of-mouth marketing spending grew 7.1% to $5.2 billion in 2008, following a 12% increase in 2007, and culminating four straight years of double-digit growth. PR spending (not including word-of-mouth marketing within PR firms) grew 4.3% to $3.65 billion in 2008.2 Moving forward, VSS projects that PR and word-of-mouth spending will grow at a compound annual growth rate of 9.7%, reaching $8.01 billion in 2014.[2]

VSS Projected PR & Word-of-Mouth Spending 2009-2014 ($ in billions)



Assumes a compound annual growth rate of 9.7%.
Source: Public Relations Society of America, "PR Spending Forecast to Growth Through 2014," August 17, 2010

At its core, PR revolves around the idea that individuals behave based on their perception of the facts. Disseminating company information across various media channels enhances that perception – and this is especially true at the industry level.

Researchers Yankelovich Partners and Harris Interactive conducted in-depth interviews with 505 key executives across all major business segments and found that, increasingly, trade media form the centerpiece of an effective business marketing/PR program. Among the findings:[3]

- Executives cite trade magazines as their top source for "influencing or supporting purchase decisions," over and above newspapers, general business magazines and television.
- Executives who read trade magazines read 4.6 titles every month, and spend an average of 2.25 hours each week reading them.

Where are the intertwining paths of PR and business heading? The worst financial crisis in the past 70 years has created a trust deficit in the financial industry. According to a recent NBC News/*Wall Street Journal* poll, 58% of respondents do not believe that the stock market is now fair and open due to "corporate corruption and broker practices."[4] A FUSE Research Network survey of 1,037 near-retirees or retirees demonstrated that trust is the biggest influencer of wallet share. Participants who indicated the highest level of trust in their primary investment provider had an average of 45% of their net worth with that provider. Those with minimal trust in a relationship had on average 25% of their net worth with their primary provider.

Quality, finance-oriented PR functions as a proven means for rectifying public perception and regaining trust among wary investors. It also addresses the trend of rapid growth in the industry by serving as a key differentiator, with the amount of media coverage tied directly to closing more sales.

Avoiding Pitfalls in the New Financial Climate

Despite the rapid adoption of PR strategies for improving communication, profitability and crisis management, many companies still languish in "old school" models of PR. Below are some of the key stumbling blocks to avoid:

1. Generating copy without results.

As in business, PR agencies must stay focused on impacting the bottom line. Effective PR tells – and sells – the story. Therefore, financial firms need to view themselves as storytellers and idea generators, not talking heads. Journalists trust PR agencies that build long-lasting relationships with reporters, editors and producers in the business. These media outlets are hungry for sharp story ideas that go beyond pure promotion. The PR agency must evolve with changing times, continually setting the bar higher, and pursuing bigger stories, quality media outlets and targeted exposure. And they must do it across all fronts: media relations, thought leadership, digital relations, messaging and content strategy.

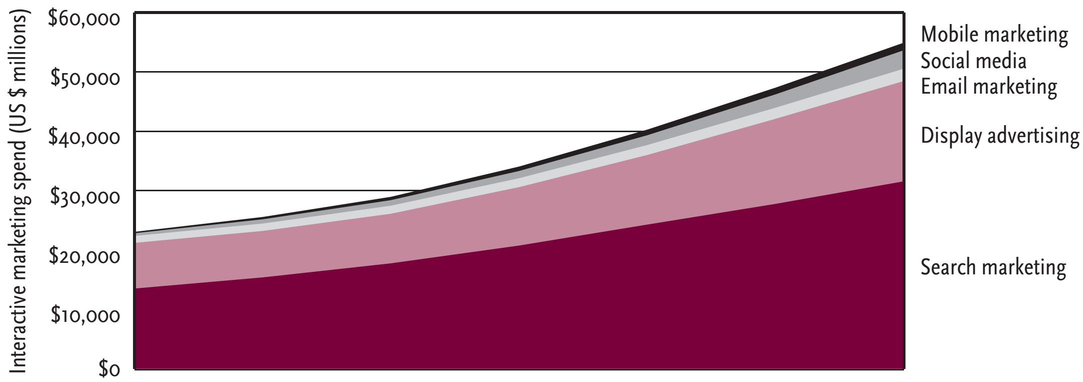
2. Static messaging.

PR must stay abreast of industry trends and challenges to identify their impact on the client company's ever-evolving story. Companies that believe they can still do "top-down," megaphone-style branding often fail to control the message. Top-level PR evolves with changing times, interacting and engaging audiences with fluid and relevant content.

3. Failure to keep up with the digital age.

The digital revolution requires companies to engage audiences in ongoing dialogue across multiple channels versus the old one-way messages through advertising. PR helps companies engage in the conversation. It creates more opportunities for relaying and emphasizing the core message by pursuing once-difficult-to-reach audiences. Instant communication means greater transparency for consumers. This creates the potential opportunity to reach wider audiences in more engaging and creative ways than ever before. The flip side is that company secrets go public at lightning speed, and those organizations that eschew online media and digital communications are most likely to suffer negative consequences.

Because the World Is Moving Ahead



	2008	2009	2010	2011	2012	2013	2014	CAGR
Mobile marketing	$232	$391	$561	$748	$950	$1,131	$1,274	27%
Social media	$455	$716	$935	$1,217	$1,649	$2,254	$3,113	34%
Email marketing	$1,170	$1,248	$1,355	$1,504	$1,676	$1,867	$2,081	11%
Display advertising	$7,699	$7,829	$8,395	$9,846	$11,732	$14,339	$16,900	17%
Search marketing	$13,516	$15,393	$17,765	$20,763	$24,299	$27,786	$31,588	15%
Total	$23,073	$25,577	$29,012	$34,077	$40,306	$47,378	$54,956	17%
Percent of all ad spend	9%	10%	11%	13%	15%	17%	19%	

Source: Forrester Research Interactive Advertising Forecast, 4/09 (US Only)

4. Being unprepared for or mishandling a crisis.

Despite the ongoing threat of crisis and damage to reputation, a number of companies continue to operate without a sound plan for dealing with media catastrophes. PR professionals specializing in the financial industry understand how to prevent critical and controversial media stories, and manage them when they occur. They work with clients to ensure that business practices, messaging and positioning are in sync with the company's core principles.

5. Cutting the PR budget during lean times.

Traditionally during tough economic times, companies slash budgets and dial back PR initiatives – a shortsighted position for all the reasons outlined above. According to research conducted at Penn State's Smeal College of Business, firms that establish proactive marketing and PR initiatives during a recession achieve superior business performance. They recognize an opportunity and take aggressive steps to capitalize on it.[7] As one example, Financial Design Group LLC boosted its PR efforts as part of a larger, new business plan.[8] A study conducted by Context Analytics determined that high-involvement brands such as Goldman Sachs should invest a large proportion of the marketing budget in PR to build confidence during turbulent times.[9] In fact, Goldman Sachs did just that last year,

Crisis Management

Bad news affects public perception and reputation. It also affects the stock market. Take, for example, Steve Jobs. When he denied his illness and then took a leave of absence to undergo a liver transplant, Apple's stock dropped.[5] Controlling the message becomes critical in times of crisis. Below is an example of the mishandling of a public crisis:

In 2005, state Attorney General Eliot Spitzer forced insurance brokerage Marsh & McLennan to pay $850 million and apologize to settle charges that it took kickbacks and fixed prices for insurance. CEO Jeffrey Greenberg failed to respond appropriately, refusing to change the secretive nature of his company's culture.

Marsh's mishandling affected its stock price, and the company's competitive advantage and ability to attract talent suffered. Rather than resigning, Greenberg waited until he was forced to resign by the Board. Marsh's sister company, Putnam, also suffered an enormous decline in assets under management because investors viewed the firm as non-responsive in the face of public scandal.

An Oxford University study found that companies that mishandled crises ended the year after the crisis with stock prices down an average of 15%, while companies with an effective crisis response closed the year after the crisis with prices up an average of 7%. The difference between effective and ineffective crisis response was, on average, 22%.[6]

launching a public relations campaign to tout the company's role in raising capital for a clean energy project, among other such community-minded projects.[10]

6. Underestimating the power of social media.

Blogs, podcasts, online video and social networks have transformed the dissemination of information into conversations at the community level. For the financial industry, this poses an opportunity – and a potential hurdle. Firms must aggressively influence and respond to word-of-mouth communication. Case in point: Toyota's worldwide recall of close to 10 million vehicles in 2010. The company's reputation foundered under the influence of Twitter alone, with news of the recall reaching individuals with historic, almost instantaneous speed. As the recall story subsequently hit all other major forms of media, the Twitter word-of-mouth fury continued, with dozens of new Tweets every 30 seconds.[11]
In response, Toyota fought fire with fire. It launched a branded channel on TweetMeme to aggregate and organize Twitter conversations regarding Toyota. The site coalesces the top stories Tweeted about Toyota. It also offers popular videos and images being shared about Toyota on Twitter. The channel includes Featured Tweets from Toyota's Twitter account and

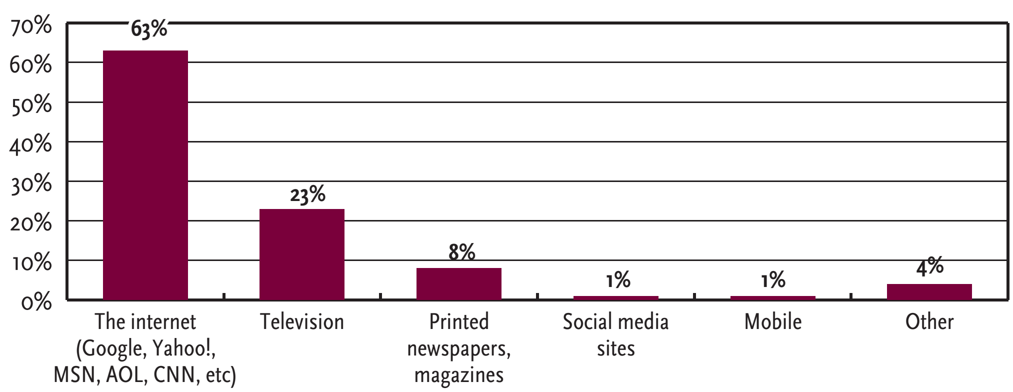
press room as well as AdTweets, which are TweetMeme's retweetable ads for Toyota.[12]

Consider this significant passage from "Twitter Usage In America: 2010," a report from the Edison Research/Arbitron Internet & Multimedia Study:

> *The percentage of Twitter users who follow brands is more than three times higher than similar behavior expressed by social networking users in general. Significant percentages of regular Twitter users report using the service not only to seek opinions about companies, products and services, but to provide those opinions as well. Users of social media monitoring services should be aware that these behaviors may be far more prevalent on Twitter than on other monitored sites and services, which may introduce a bias into the data provided by social media monitoring platforms. As such, Twitter's most natural path to revenue may be to commercialize these interactions, providing the "plumbing" for enterprise Social CRM (Customer Relationship Management) efforts.*

The chart below comes from a study, "Social Media Use By Financial Professionals," conducted by the Mergis Group in 2010.

The Majority of the News/Information That You Consume Comes Through:



Source: Mergis Group, "Social Media Use By Financial Professionals," 2010

The asset management industry, in particular, falls far behind other industries in its adoption of social media as a marketing tool, according to a study conducted by FUSE Research Network and SwanDog Strategic Marketing. Three reasons for this resistance include:

- Industry is too heavily regulated to use social media
- Advisors are not using social media at the personal level
- Firms have no control over the dialogue

These reasons are valid, but those who wait for generational change or full-fledged adoption run the risk of falling behind the curve. In terms of controlling the dialogue, asset management firms generally "lecture," sending information out without keeping their ears open for shareholder response.

Social media functions as true dialogue, but many in the industry find the new environment uncomfortable. Nevertheless, the conversation about a firm and its products is ongoing, with or without the firm's participation. Firms should view social media as a new form of engagement and an opportunity to correct misconceptions and share perspective.

The Microsoft "Millennials and Baby Boomers Banking Channel Preference Survey 2009," conducted by Washington, D.C.-based KRC Research, found that the generation gap affects the way consumers do their banking.[13] Financial institutions must keep pace with the diverse needs of their customers while staying abreast of emerging trends in social media.

THOUGHT LEADERSHIP: Are You Getting It Right?

Thought leadership means you have earned distinction in your field through action, relationship-building, and, ultimately, by becoming a trusted resource, advisor and industry bellwether. As an aspect of the brand, it's about maintaining a coherent message and gathering speed.

That said, here's a checklist of what thought-leadership is NOT.

- Always directed from the top
- Isolated facts and figures
- One-way communication
- A thinly disguised sales pitch

While your firm's value proposition may be unique, to translate into thought leadership it must reflect a vision that is bigger than the day-to-day business operations. Think of it this way: Apple isn't a thought leader for assembling mobile devices; it's a thought leader for pro-consumer innovation.

Conclusion

The best PR agencies in the financial industry offer deep knowledge and long-standing relationships in the financial world. They are creative, tenacious, and have a firm grasp of old and new media, performing with agility, speed and endurance in a field that should be viewed as a marathon, not a 40-yard dash. They serve as an extension of the firm itself, becoming embedded in the company culture so that they can quickly turn around fresh, targeted and relevant messaging. Finally, they demonstrate a proven record for helping high-caliber clients in highly complex and competitive marketplaces maintain brand equity and emerge as public thought leaders with staying power.

Footnotes

1. *Michaelson, David, and Don W. Stacks; Exploring the Comparative Communications Effectiveness of Advertising and Media Placement, Institute for Public Relations, 2006; http://www.instituteforpr.org/topics/advertising-media-placement-effectiveness/; accessed March 14, 2011.*

2. *Public Relations Society of America; PR Spending Forecast to Grow Through 2014; http://www.prsa.org/searchresults/view/8749/105/pr_spending_forecast_to_grow_through_2014; accessed April 13, 2011.*

3. *2001 Yankelovich/Harris Study; American Business Media; http://www.americanbusinessmedia.com/abm/Yankelovich.asp; accessed February 24, 2011; accessed March 14, 2011.*

4. *Teixeira, Ruy Teixeira; Public Opinion Snapshot: The Public and Wall Street; Center for American Progress; May 17, 2010; http://www.americanprogress.org/issues/2010/05/snapshot051710.html; accessed March 14, 2011.*

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11. *DeBord, Matthew; Did Twitter Topple Toyota? The Big Money; February 17, 2010; http://www.thebigmoney.com/articles/judgments/2010/02/17/did-twitter-topple-toyota; accessed March 14, 2011.*

12. *Rao, Lenna; Toyota Turns to Twitter to Repair Its Image; TechCrunch; March 2, 2010; http://techcrunch.com/2010/03/02/toyota-turns-to-twitter-to-repair-its-image/; accessed March 14, 2011.*

13. *Technology Key to Bridging the Gap Between Millennials' and Baby Boomers' Banking Needs, Reports Microsoft Study; Microsoft News Center; Nov. 3, 2009; http://www.microsoft.com/presspass/press/2009/nov09/11-03bridgingbankinggappr.mspx; accessed-March 16, 2011.*

About FUSE Research Network LLC

FUSE Research Network was launched with the view that research and consulting support for asset managers has failed to evolve with the changing needs of the client. The future competitive environment will demand that clients make important business decisions within shorter and shorter timeframes.

In order to support clients in this setting, FUSE provides a dynamic research platform that covers our clients' current and future decision areas (strategic and tactical). Our goal is to become an invaluable business partner through the delivery of highly informed and forward-looking recommendations that are among the critical inputs our clients need to optimize results.

INNER WORKINGS OF FUSE

It is the goal of FUSE to develop a level of partnership with each client that transcends traditional vendor relationships. In order to achieve this, the day-to-day activities of FUSE are guided by the following principles:

- Ardent Client Advocacy
- Absolute Candor and Objectivity
- Incisive and Tangible Guidance

Our ability to adhere to these principles is supported by our commitment to constantly be looking for ways to improve our support offerings through ongoing feedback and innovation. In addition, we will take steps to insure that FUSE staff members are among the best informed in the business so as to achieve a thought-leadership position on the behalf of clients. Finally, we will provide a superior level of client service that sets FUSE apart from all other decision support firms. It is important to note that the FUSE service model accepts the fact that we do not have all of the answers in-house, but our network of contacts, which is one of the best in the industry, helps to insure that we will always know someone who does.

Other Differentiators:

- Formal evaluation of client needs to initiate relationship
- Customized service offering
- Dynamic research support...not static annual updates
- Proactive advice, guidance, and recommendations
- Formal periodic review of service and support

About JCPR

JCPR is an award-winning public relations and marketing communications firm maintaining highly specialized practice groups in Financial, Financial Technology, Professional Services, Corporate Communications and Crisis & Issues Management. Distinctly integrated into the industries it serves, the firm offers a full suite of comprehensive PR services and specialty marketing and communication services, including media relations, corporate writing, event planning, reputation management, commissioned authorship, marketing support, social media strategies and more. JCPR is headquartered in Parsippany, NJ with satellite offices in Manhattan and Washington, D.C. For more information, visit www.jcprinc.com.

AN APPROACH THAT DRIVES HIGH-IMPACT RESULTS

Unique Specialization

Our expertise is rooted in hard-earned experience. Every day, we demonstrate excellence in representing our clients because we understand the unique environments in which they operate. We bring in-depth knowledge and hit the ground running on Day One.

One-Stop Solution

Our infrastructure, resources and knowledge base allow us to deliver top-flight PR and marketing solutions. From media relations and strategic communications to creative development and editorial support, we offer streamlined individual services combined with dynamic strategic thinking.

Ambitious Execution

We're an unabashedly ambitious bunch, working toward a shared mission in a culture seeded with passion, high energy and tenacity. We push for results, constantly reset the bar, and deliver time and again because we want our clients to win.

A Reputation for Success

We are recognized leaders in our field. We've built a wide network with the media and within the practice areas we serve. We have a great reputation, and we're proud of it.

A FULL SUITE OF SERVICES

Comprehensive Public Relations

- Media Relations
- Writing and Editorial Services
- Executive Thought Leadership

- Reputation Management
- Message Development and Positioning
- Analyst Relations
- Digital Relations

Specialty Marketing & Communications Services

- Brand Development and Positioning
- Advocacy Campaigns
- Commissioned Authorship and Publishing Consulting
- Corporate Writing Services
- Crisis Communications
- Creative Services
- Social Media
- Event Planning
- Internal/External Communications Support
- Marketing Support
- Research
- Speaker's Bureau Program
- White Papers