Journal Of Investment Management, Vol. 17, No. 2, (2019), pp. 89–90

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CASE STUDIES

"Case Studies" presents a case pertinent to contemporary issues and events in investment management. Insightful and provocative questions are posed at the end of each case to challenge the reader. Each case is an invitation to the critical thinking and pragmatic problem solving that are so fundamental to the practice of investment management.

USING SOCIAL MEDIA ANALYTICS IN THE MANAGEMENT OF INVESTMENT MANAGEMENT*

Seoyoung Kim[a]

Bob has recently been hired by a successful investment management boutique that caters to ultra high net worth families. However, he is surprised to learn that his new role is to provide a means of mass personalization to a nascent branch within the firm catering to smaller retail investors. Running a successful investment management practice, the managing partner explains to him, does not simply entail sound investment management practices; it also requires ongoing and customized life coaching of clients along with finely tuned sales pitches to attract and retain investors.

Traditionally, such bespoke solutions have been labor intensive, requiring dedicated relationship managers and personal bankers to ascertain clients' needs and to craft appropriate offerings. But now with increasingly tractable methods to draw inferences from more creative and unstructured data sources, "tailor-made" solutions are becoming scalable. Thus, armed with access to the google search histories and social media accounts of the clients in this nascent branch, Bob has been tasked with managing this aspect of his firm's investment management practice.

A year later, Bob reports back to the managing partner with a few exemplary success stories highlighting his efforts in leveraging social media analytics to mass produce customized solutions. For instance, investor client Jane, who is 35 and recently married, had been posting information about her upcoming baby shower on her Facebook account. Accordingly, Bob and his team reached out to Jane with information on qualified tuition plans and how to allocate the investment portfolio for an 18-year investment horizon based on Jane's savings target and risk-return preferences. In another example, investor client Sara's web

*The author may be reached at: srkim@scu.edu; 500 El Camino Real; Santa Clara, CA 95053.
[a]Associate Professor of Finance and Business Analytics, Santa Clara University.

searches revealed a passion for environmentally friendly products and practices. Accordingly, Bob and his team reached out to Sara to suggest funds comprised of firms scoring high on social responsibility indices, with a specific focus on the environment. Bob also reports that the urgency in reaching out to clients was escalated when search histories or media postings indicated that the client was shopping around.

In turn, the managing partner congratulates Bob on his progress, but also warns him that he runs the risk of alienating his clientele with disturbingly invasive social media analytics. That is, Bob must consider the likelihood of pleasing clients with the well-received, seemingly serendipitous recommendations based on these analytics, against the possibility of off-putting clients with presumptuous suggestions based on sensitive personal preferences and events gleaned from clients' social media postings. With that, the managing partner shakes Bob's hand and leaves him to his work.

Questions

What kind of mass-personalized life coaching is most beneficial in the investment management industry (and at what intervals)?

What existing products or services could be better pitched to a client throughout his/her life cycle?

What new products or services should be added that can be easily customized into this framework?

What types of recommendations or solutions based on social media analytics are more likely to be well received? What types of clients are more likely to be pleased rather than alienated by these unsolicited suggestions?

What other ethical or legal concerns may arise from the use of social media analytics in this context?