

FAMILY OFFICES TIPTOE INTO THE SPOTLIGHT

Content marketing offers a controlled way to convey messaging and ideas to outside constituencies and stakeholders, but many are also tapping into PR strategies and launching websites to better compete in more sophisticated strategies.

CONTENTS

Introduction	1
Websites	4
Website Case Study	5
Public Relations	6
PR Case Study	7
Content Marketing	8
Content Case Study	9
About BackBay	10

METHODOLOGY

To conduct the study, BackBay Communications used Trusted Insight's ranking of "The Most Influential Family Offices" to analyze which organizations had websites, communicated with the media through third-party PR representatives, and produced content in some form, either owned, earned, or paid media.

FAMILY OFFICES: CAPITALIZING ON AN EVOLVING OPPORTUNITY

In 2010, when *The New York Times* reported that Oprah Winfrey had established a family office to manage her vast wealth and investments, it was billed as an antiquated choice. At the time, in the wake of the global financial crisis, the number of family offices was on the wane.

The Family Office Exchange, in the same article, estimated that roughly a fifth of the family offices operating in the U.S. would either pare back the scope of their responsibilities or shut down altogether. Fast forward 10 years, and their most recent estimate shows that the number of family offices has instead grown considerably and now may exceed 10,000 separate single- and multi-family offices in the U.S.

To be sure, much has changed over the past decade. The financial markets, for one, had maintained a historic and unrelenting trajectory higher. In fact, over the past 11 years, S&P 500 companies have collectively produced 13% annualized earnings growth, while the index has registered 16% annualized appreciation, representing the longest economic expansion and bull market on record. Of course, this run abruptly ended when the COVID-19 pandemic pulled the brakes on the markets and the global economy in early March, but the wealth created over that time has established a new force on the broader investment landscape.

The role of the family office has also evolved. When Oprah Winfrey established her SFO, the prevailing appeal of the structure was privacy and control, even if it meant absorbing significant startup and maintenance costs. Today, while control is still crucial, privacy is taking a back seat. High-net-worth families are now competing directly with fund managers for deals. Many more are also using their family offices to convey and advance their values through mission-oriented investments. And some, who have built out the necessary infrastructure to stand up a family office, are now monetizing their investments through opening their platforms to other like-minded and similarly endowed families.

In the past, given the preferences for privacy, family offices had little, if any, use for public relations or an externally-facing content strategy. Today, that too is changing.

FAMILY OFFICE DRIVERS

To get a sense of why family offices have a new appreciation for marketing, it helps to better understand the catalysts fueling their growth. And one number helps to explain why family offices have become such a force in 2020: 168,030.

That's the number of ultra-high-net-worth (UHNW) households globally, each with net assets of at least \$50 million according to Credit Suisse's most recent Global Wealth Report. That number has roughly doubled over the past decade, while the number of billionaires has experienced a nearly threefold increase since 2009, according to *Forbes*, and now well exceeds 2,000 globally.

Beyond just the massive wealth creation over the last 10 years, looking at the sources of wealth and where it is accumulating speaks to why so many ultra-high-net-worth investors are opting for the family-office structure. The 2019 Billionaire Census, published by Wealth-X, noted that while New York has the most billionaires, San Francisco is the leading "billionaire city" on a per capita basis. As these geographies might suggest, banking and finance professionals represent approximately one out of every five billionaire households, while technology produces the wealthiest billionaires, whose average net worth is nearly \$6 billion.

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It's thus not surprising that these households would create family offices to facilitate hyper-sophisticated, bespoke strategies that better meet their specific financial objectives. In the case of tech entrepreneurs, family offices also provide a vehicle that allows them to pay it forward to other promising startups, while taking advantage of their deep networks to source and fund venture capital investments.

In fact, the most recent UBS Global Family Office Report underscores the preferences of family offices to invest in private equity directly versus through fund investments. It's not just about avoiding the fees; the report highlights that direct investments in companies have yielded average returns of 16% for family office investors versus an 11% IRR for fund commitments. This strategy, however, requires more staff, deeper specialization, and more assets to avoid concentration risk and appropriately diversify across sectors and by vintage year (itself, a driver of more multi-family office formations).

Not to be overlooked, according to a survey in the Wealth-X census, philanthropy is by far the most ubiquitous of billionaires' outside interests, particularly as wealth accumulates. Among those with \$5 billion or more in net assets, 65% are actively involved in philanthropic endeavors, according to the report. The family-office structure, through its flexibility, better facilitates strategies that can marry a family's desire to protect and grow assets to strategies to reinforce legacies through impact investments that advance specific social goals.

These trends, beyond stimulating family office formations, also speak to the shift from a more seclusive posture typically associated with HNW investors to one more comfortable in the spotlight — or least more desirous to control the external narrative. This explains the increasing frequency at which family offices are launching websites, pursuing traditional PR, and creating content.

BY THE NUMBERS

Given the growth of the family office population, preferences around marketing and PR can fall anywhere across a very wide spectrum. Some, for instance, remain very content to avoid any and all publicity. Anecdotally, though, PR firms are fielding more inbound inquiries from family offices — as well as from asset managers hoping to reach these investors — and this interest is translating into more family offices that have launched websites, engaged in public relations, and started producing content over the past few years.

To get a sense of how these investors are approaching their external communications strategy, we looked at the most influential family offices as identified by private markets information provider Trusted Insight and analyzed which tactics family offices are employing, how their approach to marketing differs from other asset managers, and tried to identify best practices being deployed. While it's just a small sample of the family office universe — and perhaps less representative since it's focused on the largest and most influential names — the findings demonstrate that family offices are indeed emerging out of the shadows and using their collective weight to disintermediate certain investment strategies, rethink what's possible through impact investing, and use their influence as investors to help shape the public discourse.

Out of the 20 family offices cited in the Trusted Insight listing, our research found that more than half, or 55%, have launched websites. Even more, 70%, have tapped either third-party public relations firms or have hired PR representatives in house. And a full three out of every four, or 75%, produce content regularly.

However, while this 20,000-foot view shows that the family office segment is indeed more interested in marketing than in past eras, in looking at specific examples, one might be reminded that each family is different in their own unique way.



Have launched websites



Have hired PR professionals



Produce content regularly

WEBSITES

Nowhere are the differences more obvious than in the websites of family offices that have sought to establish an online presence. And just looking at the different approaches speaks to the respective goals of each organization.

At one end of the continuum are the family offices that have created a website almost solely to provide a means for deal sources to reach them or understand their specific appetites. For instance, Willett Advisors, LLC, which manages the philanthropic assets of Michael Bloomberg, has a website, but restricts access to those who have filled out a form and been approved by an administrator. Those who are granted access can then enter what would otherwise be considered a bare-bones website that offers additional information about its investment approach, its direct-investment criteria, and the bios of its investment professionals and support staff.

On the other end of the continuum, though, are fully branded websites that incorporate sophisticated design elements, mission statements and taglines, and all of the elements most traditional asset managers would normally include — from dedicated pages for press releases, news articles, and thought leadership to access to investment portfolios, bios, and contact information. Again, it's difficult to generalize, but a common thread among the more developed and comprehensive websites seems to be a focus on impact-oriented investments. This would make sense because it's the most prominent instance in which family offices, rather than being the recipient of solicitations, are themselves advocating for a cause.

ZOMA Lab, for instance, is the family office of Ben and Lucy Ana Walton, whose investments are focused on environmental solutions and facilitating workforce and economic opportunities in Colorado and Chile. Their website outlines the needs being addressed, initiatives undertaken — both philanthropic in nature and investment-oriented — and the impact of their efforts. The site also emphasizes their core beliefs that revolve around collaboration, innovation, and accountability. Their website, through promoting their advocacy, highlighting their investments, and publicizing their results, helps to advance those key tenets.

CASE STUDY

New Strategies, New Approach

The ongoing push from family offices to rethink their brands and market presence speaks to the competitive environment. And it's not just the rapid expansion of their peer set; as family offices encroach on private equity's terrain in their hunt for direct investments, many have realized a need to highlight their value proposition and convince sellers and company founders why a family office presents a better alternative.

Like any branding project, it's about understanding the advantages a family office can deliver and then ensuring those messages are embedded into a compelling narrative. BackBay worked with one family office, for instance, seeking to access new sources of deal flow and position themselves against private equity competitors as a longer-term owner, unconstrained by the holding periods and realization timelines of most traditional PE funds.

This was a family office whose lineage traced back nearly 100 years. BackBay's initial branding work, through discussions with the family, investment professionals, and other constituencies and stakeholders identified that the more permanent funding source of the family office (allowing it to hold assets indefinitely), coupled with the long-term track record of the family (extending across multiple generations) were two of the more prominent attributes. And this value proposition drove the narrative that informed the design and messaging of its website.

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PUBLIC RELATIONS

Historically, family offices have traditionally had a contentious relationship with the press. Cornelius Vanderbilt IV, legend has it, was “disinherited” by his family when he became a newspaper publisher. But as family offices tiptoe into the spotlight, many are beginning to recognize the value of cooperating with the media to help convey a message and build credibility as investors and philanthropists.

In many ways, the gradual appreciation of public relations activities is following the same curve witnessed in private equity 15 years earlier, as the industry matured, became more competitive, and recognized that a strong brand could make a difference when fundraising, sourcing new transactions or in the fight for talent. Similarly, family offices are now realizing many of the same benefits, as press mentions — in the right publications that reach the right audience — can augment and improve the pace and quality of dealflow and also aid their philanthropic efforts.

For family offices that have taken the time to create a brand, PR often represents a critical next step to share their narrative with the world. The recent efforts of the extended Pritzker family, for instance, provides a good example of the power of PR to create differentiation and understanding around the unique and often nuanced missions of family offices.

Following the passing of Jay Pritzker in 1999, the redistribution of the family’s assets saw a massive single-family office become many. In turn, the different branches each took care to create and nurture a distinct narrative. And PR has been a vital element to take that message to the market.

The Pritzker Group, overseen by JB and Anthony Pritzker, has used the press to convey their ambitions to be more than just a family office, in the mold of Berkshire Hathaway and fashioned, in their words as “a professional and world-class investment firm.” Separately, Joby Pritzker, who formed Tao Capital Partners with his father Nick, has been a longtime advocate for cannabis legalization and has used press releases to promote Tao Capital’s deals in the sector. Leisel Pritzker, meanwhile, who launched the impact-investment focused Blue Haven Initiative with her husband Ian Simmons, has recently used their media relationships to share how the COVID-19 pandemic shaped their recent commitment to the Open Road Alliance, a program that supports “mid-implementation” projects to keep the philanthropic efforts on track.

One press mention will have little impact, but a steady drumbeat of profiles, deal announcements and recurring commentary on relevant trends, collectively, help to form a mosaic that can depict a more complete picture.

Even for family offices keen to take a less proactive approach, public relations capabilities provide a useful function just serving as a news bureau, to help manage surprise calls from the media, vet reporters, or run interference when inquiries turn intrusive. PR can also prove useful for crisis communications to mitigate the risk or exposure when family drama enters the public view — not an insignificant consideration for one of the few segments in financial services that attracts paparazzi attention.

CASE STUDY

First Movers Get the Covers

Given the traditional reluctance to seek press attention, not to mention the intrigue historically associated with family office activities, we've found that an opportunity exists to capitalize on a first mover advantage for family offices who endeavor to build relationships with key reporters. Again, it's not unlike the maturation witnessed in private equity 15 years earlier. Many of the industry's most respected leaders today, from David Rubenstein to Steven Schwarzman, took pains early in their careers to build relationships with the press.

It normally doesn't happen overnight, but we've found that with family office clients, the media pickup can be accelerated. The strategy is typically very similar to any other segment, as introductions are made through media tours and spokesperson emails; momentum is created through publicizing news developments and sharing perspectives on trends; and relationships are maintained by understanding how to serve as a valuable resource for key reporters.

Family offices benefit from the fact that this segment remains harder to access. In most cases, a media tour is typically a way to introduce a client to reporters and create a foundation for future opportunities. With family offices, however, the first mover advantage means these introductions generally pay dividends sooner. In one case, a day-long media tour initiated and conducted by BackBay translated into four cover stories and profiles for a family office client. This could be more exposure than some may be seeking, at least initially, but it speaks to the demand within the media for family office sources and outreach can be tailored to meet specific client appetites for coverage.

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CONTENT

Of all the marketing tactics available, content is probably the most familiar to many family offices. Even 130 years after he first penned “The Gospel of Wealth,” Andrew Carnegie’s manifesto on the charitable responsibilities of the wealthy remains a foundational piece that still resonates in philanthropy circles today.

Given the mission-centric orientation of many family offices, content is a preferred tactic to share views around public policy or bring attention to specific causes. In fact, it’s not at all uncommon to find these views shared on the op-ed pages of national newspapers or magazines. But the one-off opinion piece probably doesn’t reflect how central content can be to the coordinated efforts of family offices to shape opinions and influence markets.

The famously press shy Charles Koch, whose family office, 1888 Management, doesn’t even have a website, is prolific when it comes to producing content. In one five-day span in April, Koch Industries’ “sponsored-content” campaign on *Axios* published three different articles on how the company was helping the COVID-19 response efforts.

Michael Bloomberg, obviously familiar with the power of content, also made it a central part of his presidential run earlier in the year, creating distinct strategies for each social media channel. The one that got the most attention was the campaign’s absurdist approach to drive engagement and shares on Twitter.

Other family offices and foundations will lean on research to advance specific causes or themes. The Walton Family Foundation, for instance, has created something of a library of white papers delving into everything from the impact of tariffs on the heartland economy to the economic benefit of bicycling in northwest Arkansas.

The overriding draw of content, particularly for organizations new to public relations, is that this tactic offers the most control in laying out a reasoned and persuasive argument that at the same time feeds into and helps elevate the brand.

CONTENT MARKETING: DEFINED AND LEVERAGED

CONTENT MARKETING

Strategic marketing approach to create and distribute insightful thought leadership to drive desired actions.

PR PITCHES

Use the discovery process of creating content to develop themes for compelling media pitches.

SOCIAL MEDIA

Social media offers a venue to reach a mass audience or a very targeted demographic through promoted posts.

EMAIL BLASTS

Create drip campaigns to maintain ongoing communication with key constituencies in a constructive and measurable way.

DRIVE SEO

Regularly post content online to create a dynamic, SEO-friendly website that, on its own, draws visitors.

CONFERENCES / PANELS

Use timely content as collateral to stand out at conferences or serve as foundational topics on panels.

To maximize the ROI of content, distribution strategies above should be incorporated

CASE STUDY

Feeding an Ecosystem

For many family offices, content can provide a way for the organization to dip its toes into the water and get comfortable putting its message out to external audiences. For many, too, content provides a valued strategy to stay in touch with external constituencies who help to facilitate deal flow, co-invest, or collaborate on community initiatives.

With one family office, to cite an example, we helped create a monthly electronic newsletter. The team was less interested in making inroads with the press or creating brand awareness, but the newsletter allowed them to strengthen ties within their existing ecosystem and maintain a regular cadence to stay in front of the constituencies that matter most to their business and investment strategy.

Content, and research in particular, can also allow family offices to put a stake in the ground and either own a niche or become a leading voice in an area important to them. We worked with a multi-family office to help create a gender-lens white paper that helped position the organization as a true thought leader in this area. The effort was designed to draw in other like-minded investors and provide cues around the firm's innovation and capabilities in impact investing. Research, we found, can also serve as a foundational piece that aids in pitching the investment team as spokespeople, while helping to open other doors, such as speaker opportunities at conferences.

CONCLUSION

Family offices, make no mistake, are not a new phenomenon, even if it seems like the rest of the world suddenly took notice over the last few years. In fact, ever since there has been great wealth, families have created structures to preserve and grow that wealth. The Mellons, the Morgans and other famed captains of industry all created family offices at the turn of the last century.

What many overlook is that family offices have been quite innovative operating outside of the limelight. In fact, the recent interest in direct PE deals follows in the footsteps of what Robert Bass did in the 1970s (creating the progenitor of TPG) or the Bechtel family accomplished when they launched the predecessor to the Fremont Group through their family office in the 1980s.

Today, many of the most prominent advances in impact investing can be traced back to the work of newer family offices, such as the Omidyar Network, Emerson Collective, or Cascade Investment Holdings. And the push from private equity to create long-dated funds would seem to be their answer to the growing competition from family offices. The difference this time around is that through public relations efforts and content, there will be a far wider audience who appreciates the family office catalysts behind the innovation.

BackBay Communications has been working with Financial Services clients for over 15 years to help conceive, write, edit, design and leverage thought leadership as part of an integrated PR and Communications Strategy.

BackBay offers a unique combination of content and creativity. Our services include public relations, branding, website development, marketing materials, videos, advertising and social media. With offices in Boston and London and international agency partnerships, BackBay serves financial services companies around the world.



SERVICES

- Public Relations
- Content Marketing
- Digital Marketing
- Branding

SECTORS

- Asset Management
- Financial Technology
- Private Equity and Venture Capital
- Family Offices
- Impact Investing

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