Social Banking

The Social Networking Imperative for Retail Banks

accenture

High performance. Delivered.

• Consulting • Technology • Outsourcing

Table of contents

Introduction

By 2012, 90 percent of financial services organizations will dedicate funds for social media initiatives.[1] This makes sense, given burgeoning consumer demand for a comprehensive social media presence. Indeed, whether they are seeking service, advice, new offers, or something else entirely, consumers have a long list of expectations for their bank's participation in social media channels. And, we are finally not just talking about Facebook and Twitter: Such social networks are really just the tip of the iceberg.

However, the majority of banks today consider themselves to be social media novices. As such, simply setting aside a budget will not be sufficient for unlocking the full value of engaging customer, partners, and employees through social media technologies.

To do so, banks must lay a solid foundation. Depending on the bank in question, this might mean managing the rules and regulations that hamper responsiveness, acquiring or developing new technology, establishing executive support, or plugging talent into organizational gaps. In the following pages, Accenture will provide detail on key social media success factors, and present a clear way forward for banks looking to use social media effectively.

No more waiting on the sidelines

Today's financial services customers demand an ever-widening array of service and communications choices from their banks. Indeed, the days of visiting a local branch to conduct most transactions are long gone. And with the growing amount of time consumers spend online, and with social networks and social site features, banks are regaining an opportunity to make up for the lost personal interactions traditionally conducted in the branch.

Outside of financial services, consumers already are connecting with many of their preferred brands via social media, and recent Forrester research shows that a sizable portion (42 percent of online adults on social networking sites) are interested in engaging with their financial providers as well.[2] In fact, when asked the top three ways consumers would like to interact with their financial services firms via social media, they listed the following (in descending order):

- Alert me about upcoming promotions and specials
- Offer customer service
- Let me read reviews from other customers
- Offer financial advice
- Present relevant financial offers to me
- Reward me for recommending the brand
- Post educational information about personal finance
- Let me post reviews, complaints, and questions
- Access applications to improve my financial situation
- Create a profile page so I can become a fan

It should come as no surprise that consumers have this long list of expectations: Such interaction via social media is what they have come to expect from the other brands.

For those recognizing this, many have made aggressive plans to join the conversation. By 2012, 40 percent of financial services firms expect to invest between 2 percent and 10 percent of their overall marketing budget in social media—which is especially significant given the low costs of social media compared with more traditional media. Furthermore, 70 percent of firms already have a dedicated budget or specific funding for their social media initiatives, a portion that will grow to 90 percent by 2012. However, 60 percent of these banks currently consider themselves to be social media novices.[3]

Clearly, now is the time for banks to get serious about social media, beyond declaring they will throw budget at it. However, this is easier said than done. Social media is a vast, dynamic, and confusing area of competence and poorly conceived initiatives squander valuable time, resources, and leadership support if not executed effectively. This is likely to already have had a significant impact on individual organizations' ability to embrace social media. This is compounded by the fact that today's major banks operate across multiple lines of business, each with their own leadership and business functions.

Thus, before banks set out on any major social media initiatives, they first must align social media with concrete business goals, think about social media across the organization, take careful stock of industry-specific challenges, and bear in mind that mastery of social media requires long-term commitment.

Why social media matters for banks

The good news is that whether a bank's ultimate goal is enhancing its brand, reducing costs, increasing customer satisfaction, boosting innovation, or driving revenue, social media can be a valuable pursuit.

Enhancing the brand

Social media can play an important role in differentiating brands and making them more relevant to consumers. Much of its power in this regard derives from the fact that in a consumer's mind, the most credible spokesperson a company can have is a "person like me." In fact, research shows that the number of people who trust such a hypothetical person more than they trust brands or organizations increases around the world each year.[4]

How can banks take advantage of "people like me?" American Express, for one, created OPEN Forum, an online community dedicated to connecting businesses with each other and providing valuable content to customers with which the company wants to have relationships. Today, OPEN Forum has more than 10,000 businesses involved, monthly traffic has reached as high as 1.5 million visits,[5] and the majority of content is produced by the community. The result is a new touch point that drives brand affinity, provides American Express with an immense opportunity to create brand impressions, and gives the company a chance to be at the center of important conversations among its customers.

Reducing costs

Social media can be a major contributor to banks' ongoing cost reduction efforts, especially as they pertain to service, sales, and marketing. For instance, banks can use social media as a low-cost channel to distribute messages, host conversations, provide customer service, identify dissatisfied customers, and increase the impact and reach of traditional media efforts.

Consider Bank of America, which was the first and largest bank in the world to use Twitter for customer service. The bank uses a dedicated Twitter page on which a wide variety of real people—with their actual photos—help customers solve their issues. User feedback reveals the sentiment among customers that receiving help through this page is easier and faster than traditional customer service. In addition to driving customer service costs down, the page creates brand impressions across consumers' social graphs, thereby allowing other consumers to see the value of the channel for a variety of goals.

The channel also can enhance the impact of marketing. Consider, for example, how Discover Bank recently created a Facebook identity for "Peggy," a character from its popular series of TV

ads. Today, that character is "liked" by nearly 9,000 consumers, and interacts with them several times a day. Such campaigns create millions of additional brand impressions inside of Facebook, as well as new opportunities for brands to interact with their customers in a low-cost format.

Creating and improving innovation

Banks can use the channel to create better, more innovative products and services that reflect real-time consumer demand. Chase, for example, created an online community of mass-affluent consumers and tasked the group with designing a credit card purpose-built to their specific wants and needs. The result: its highly successful Chase Priority Club Rewards card.

Chase also created a Community Giving program that allows consumers to direct the bank's donations to specific charities. As of this writing, that community had directed more than $5 million to 100 local charities. Through this initiative, Chase's philanthropic entity is opening up its decision-making to crowds and involving millions of people in the process

Increasing revenue

While the use of social media to drive revenue within banks is still in its infancy, results from other industries further along the growth curve are encouraging. Avis, for example, has been able to use a variety of coordinated social media efforts to boost its sales by 9 percent—in a competitive, commoditized industry with flat or declining revenues.

As an example of a more specific and successful effort, USAA, a financial services provider for members of the US armed forces, allows site visitors to rate products like auto insurance or home equity lines of credit and add a written review. In fact, USAA customers have added thousands of reviews to products, and consumers have responded strongly: In the first year of adding product reviews to the site, USAA claims incremental sales of over 15,000 products. This tactic clearly shows a direct impact on growth and demonstrates the value of "people like me."

In both cases, using social media to unlock increased revenue requires firms to focus on fundamentals. Providing service that customers want to talk about and delivering products that are worth recommending. Once those conditions exist, the chance of successfully using social media to drive revenue goes up exponentially.

A uniquely challenging industry

For many banks, all of the examples in the world are not enough to get off the starting blocks.

Typical challenges include:

- External communications are strictly governed by a host of rules and regulations that limit what they can and cannot say.
- Banks must observe strict rules regarding consumers' personal information and data security.
- Sanctioned employees, whether from customer service, marketing, or another functional group, must be knowledgeable about products, services, rules, and how to get things done within the bank—and they must be mature enough to make decisions and craft responses to difficult questions.

Plus, all this must be done within the strict legal and regulatory framework that banks inhabit and occur within real time in order to be effective.

For many banks, technology itself is a major concern when it comes to implementing a social media strategy. Banks must identify and implement the tools they will need to be active in social networks, from simple listening platforms to sophisticated tools that enable the integration of social media with legacy CRM systems, customer service tools and workflows, reporting and record keeping requirements, and overall marketing analytics.

Finally, some banks will need to overcome a lack of organizational structures and in-house talent to derive full business value from social media. More specifically, many banks may find they have to close talent gaps and bridge internal divisions between product-oriented teams, all while gaining senior leadership support for a company-wide approach to social media. This is no small task, especially given the fact that most senior leaders are not well-versed in social media.

A path toward social media mastery

While the preceding paints a picture of industry-wide challenges, there is a path that banks can use to begin their social media journey. It starts with gathering critical knowledge that will guide the development of their strategy and assure positive outcomes.

To begin, banks must strive to understand what their customers, prospects, and competitors are discussing online, as well as the social technologies that seem most relevant. This includes developing profiles of how various customer segments actually use social technology and understanding the practical implications of those uses. For example, strategies for student loan customers may vary widely from those designed for private wealth management clients in areas of execution, content, and technology.

Banks also must assess their current social media capabilities and activities: All too often there are separate, potentially conflicting social media initiatives under way, as well as underutilized technology, insights, and experience. Banks must begin to consider their collective presence versus that of individual lines of business. Consumers don't make those distinctions, and neither should banks.

It is critical for banks to get a firm grasp on what competitors are doing in the social media space, and where "white space" exists. Bank of America, American Express, and Chase all have done this with their respective social media efforts, but that does not mean no space is left to establish a presence. To find this space, banks have to ask two questions of themselves: What can we deliver to our customers that we don't offer today, and how will it provide them with value?

Social media sponsors must critically review risk. Specifically, they must identify specific social media concerns, assess their likeliness, and establish processes to handle adverse events. Prior to involving senior management, it is necessary to have answers to these questions, examples of how others have navigated similar waters, and concrete ideas on the trade-offs between risk and reward.

And as mentioned earlier, banks must establish clear business objectives and map them to specific areas in which social media can generate value. All of the above becomes a moot point if efforts are not driven by real business goals. By addressing each of the preceding areas, social media teams can build senior leadership support for and sponsorship of overall social media efforts. In Accenture's experience, successful initiatives typically involve one or more executives with deep passion for and experience with technology and social media. It is crucial to find and engage these people and use their influence to open the eyes of the broader C-suite.

Crafting a social media strategy

All of this work will prepare banks for the successful development and implementation of a comprehensive social media strategy.

To be effective, such a strategy must encompass the following areas:

Crafting the Vision

With an overarching framework in place, social media can be designed from the ground up, versus as a collection of disparate tactics. It also can focus on specific segments and experiences, as well as on the necessary internal "piping" to implement social media connections across channels. Indeed, every good customer experience is carefully designed, and good social media experiences must follow suit.

Defining and Measuring Success

A bank's social media strategy must encompass well-defined metrics that reflect progress toward the bank's business goals (as defined in the vision). However, first and foremost, they must align with the same type of metrics that drive the business today. For example, a social media strategy focused on sales as an outcome should look at driving traffic from social media, converting that traffic into leads, and successfully cross-selling and up-selling customers that are interacting across social media channels. In effect, viewing the efforts through the same eyes that traditional channels evaluate success.

Governance

A social media strategy should include clear governance and effective organizational structures, whether that means establishing a dedicated social media center of excellence or appointing social media champions across the bank's functional groups and/or product lines. Regardless of the specific measures or structures in place, the bank's goal should be to support efficient, effective engagement in social media with the right skills, staff, and controls. This structure must be nimble, include processes for iteration, and have senior leadership included.

Technology

Perhaps counter-intuitively, it is only when the vision, metrics, and organizational structures have been defined that the bank should start thinking about technologies and the tactics they dictate. Banks should start with basic learning and listening platforms that allow them to "test the waters" and identify areas of potential engagement, and then progressively integrate that platform with existing CRM tools to achieve a single view of customers. Banks must also consider what technologies are appropriate for record keeping and adherence to policy.

Recognizing that not all starting points are the same

The relative social media maturity of a bank dictates the level of detail and the specific questions a social media strategy should address. For instance, banks that lack any significant experience with social media should pay particular attention to scope: which functional areas will be involved with the initiative, which business goals will be most important, and which business processes can help achieve those goals (for example, lead management or market intelligence).

Many banks new to social media also will need to focus on building engagement among key stakeholders and assessing their willingness to participate in the initiative This is as much about creating an initial "coalition of the willing" as it is about telling a compelling story on how social media can positively impact business results. It also is a great time to lean on agency partners and others that have been through the fire before.

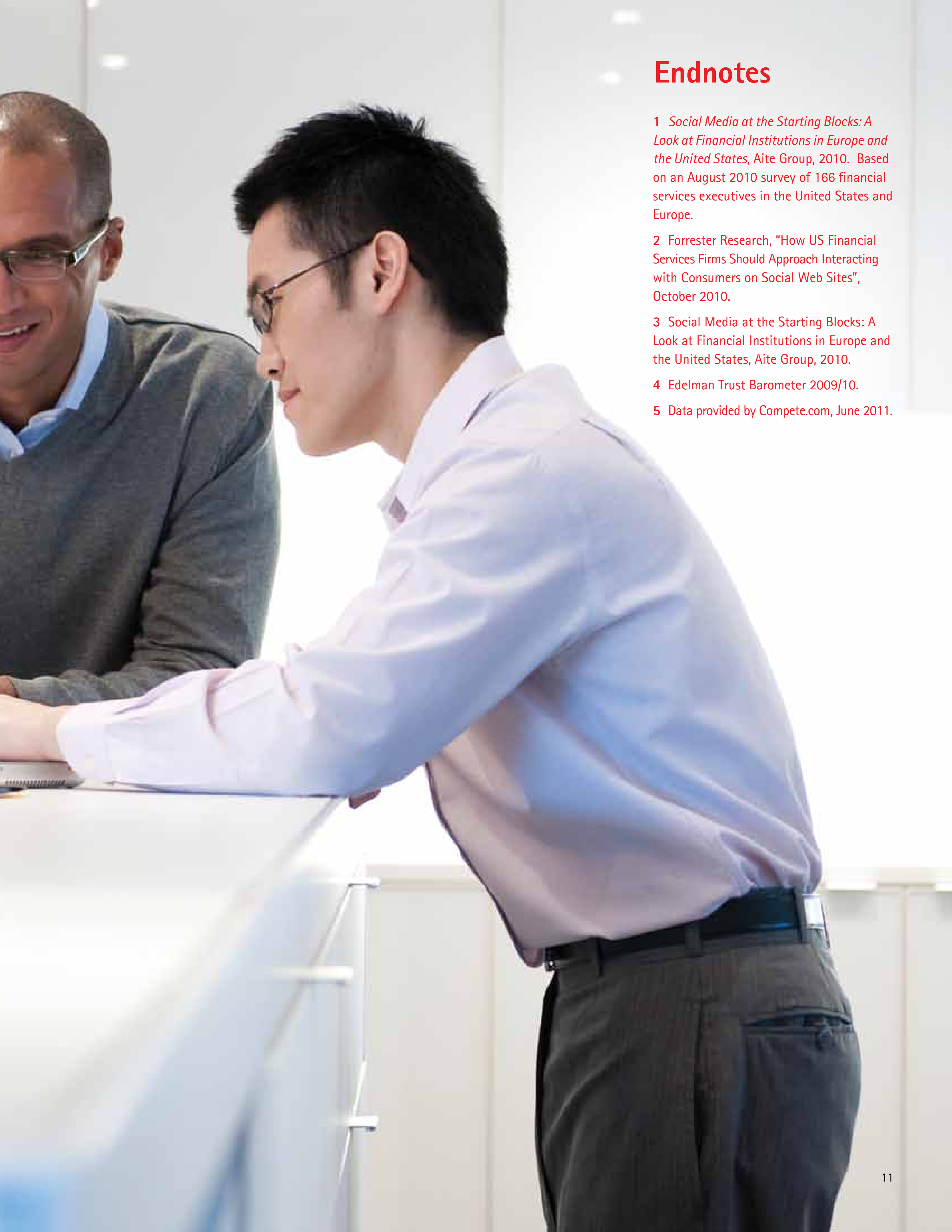
Banks that have significant experience with social media face a different set of imperatives, many of which are linked to the steadily increasing sophistication of their efforts. For example, such banks may find that their expanding range of social media analysis and reporting is beginning to overwhelm marketing staff, and merits the involvement of dedicated analytical and technical staff. In other words, social media champions within banks must know when it is time to seek help (from inside and outside the firm). As such banks get more sophisticated and expand the use of social media across product lines, they will have to design governance models that can keep pace, as well as focus on integrating social media technologies with CRM systems to achieve a truly holistic view of cross-channel, multi-product customers.

Finally, banks that have made some progress on integrating social media into their operations often have grass-roots efforts to thank: Typically, passionate leaders within the firm have led social media efforts for individual product or service lines. The key to moving beyond grass roots and getting the entire organization pulling in the same direction is actively engaging senior leadership. Only then will the full brand-building power of social media truly be realized.

Conclusion

For banks considering their presence in social media, the time has come to get serious. Indeed, because of the social media activities of leading brands outside of financial services, the growing expectations of customers, and the already-existent level of chatter regarding banks across the open Web, banks must get their strategies in motion now.

Any well-executed business is necessarily built upon robust strategy and leadership. With such a foundation in place, banks can find a successful way to design social media into their business and reap its benefits. And while it is likely that many banks will find themselves playing catch-up in this area, others will establish themselves as leaders. Indeed, those banks that place big bets and dive into this powerful channel will long be recognized for their innovation. Social media will, in effect, be part of their DNA, and will make positive contributions to the customer experience and to the bank's brand. In other words, social media will play a central role in their pursuit of high performance.



Endnotes

1 *Social Media at the Starting Blocks: A Look at Financial Institutions in Europe and the United States*, Aite Group, 2010. Based on an August 2010 survey of 166 financial services executives in the United States and Europe.

2 Forrester Research, "How US Financial Services Firms Should Approach Interacting with Consumers on Social Web Sites", October 2010.

3 Social Media at the Starting Blocks: A Look at Financial Institutions in Europe and the United States, Aite Group, 2010.

4 Edelman Trust Barometer 2009/10.

5 Data provided by Compete.com, June 2011.

About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with more than 223,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US$21.6 billion for the fiscal year ended Aug. 31, 2010. Its home page is www.accenture.com.