

Virtual Relationships

Why banks should be friends with social media



IBM

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Introduction

The rise of social media represents one of the most enigmatic changes in customer behaviour to face the financial services industry in the last ten years. The growing inter-connectedness of the world's customers underscores the complete transformation of how we all interact with our trusted networks, including the companies we choose to provide us with services. While these changes can be confusing and concerning to established players, IBM believes that they offer a great opportunity to financial services companies – and banks in particular.

In this paper we look at why a bank would want to use social media – and particularly social networking sites such as Facebook and Google+. IBM offer a solution – in the form of a social network 'banking hub' – and provide some simple steps for financial services companies to follow in order to create a successful banking experience through a social network.

The integration of social networks and banking has become something of a buzz concept recently. Many banks have already created presences on social networking sites. These have ranged from profiles focusing on corporate activity (such as Royal Bank of Scotland), to online webchat via social networks (Auckland Savings Bank in New Zealand), to virtual banks (Tookem by Credit Agricole in France), to fundraising sites (Chase Manhattan in the US). Other banks have launched successful Twitter accounts (Bank of America) or YouTube channels (Fifth Third Bank in the USA). To support this push, many banks have recruited social media managers, yet progress has been patchy. It has largely been driven by the perceived need to do *something*, compounded by a lack of industry consensus around what that something should be. This is well illustrated by the fact that many of the social media accounts set up are now inactive.

What is banking through a social network?

We believe banks should offer banking services through social media. So what does that mean? A simple definition is: 'a convenient online space where banks build long term, profitable relationships with customers by offering relevant content and functionality'. When banks move beyond using social networks as a new channel for wacky marketing gimmicks this will be achieved through engaging, entertaining and educating customers, connecting them to their friends and enabling them to transact. Later in this paper, we will describe how this can be done through a social network 'banking hub'.

Why offer banking through social networks?

So why should banks get into this space now? There are two reasons – customer behaviour and the need to rebuild trust.

Customer behaviour has changed and banks need to be where their customers already are. The penetration of social networks has grown significantly over the last few years with customers spending increasingly long periods of time logged into social media. UK users spend on average over six hours a week on social networking sites, and the younger the customer is, the more they use social media. At the top end of the European adoption curve, Spanish users aged 15-24 spend around 11 hours per week on social networking sites¹. In parallel, the dramatic growth in mobile Internet means that, increasingly, interactions can happen anywhere and at any time. Financial services companies need to engage with customers through their medium of choice whenever, wherever and whatever that happens to be.

Where a financial services site can offer customers the right mix of content and functionality, large numbers of users become engaged. For example, in the UK, over 9.5 million customers a month use the MoneySavingExpert.com site². Popular discussion threads on the site have up to three million posts – and these customers are discussing financial services products, services and brands. Banks need to engage in the conversations that customers are having about them.

Trust is the other reason why banks should be getting into the social media space. Just Google the word ‘occupy’ to see the problem. Since the credit crunch, banks have struggled to regain customer trust. In a market where customers no longer visit a branch regularly, it is increasingly unlikely that they will have built a person-to-person relationship with their bank. As traffic into branches reduces over time, this problem will be amplified. Creating a digital relationship with customers through a ‘banking hub’ on a social networking site is a way to bridge this gap.

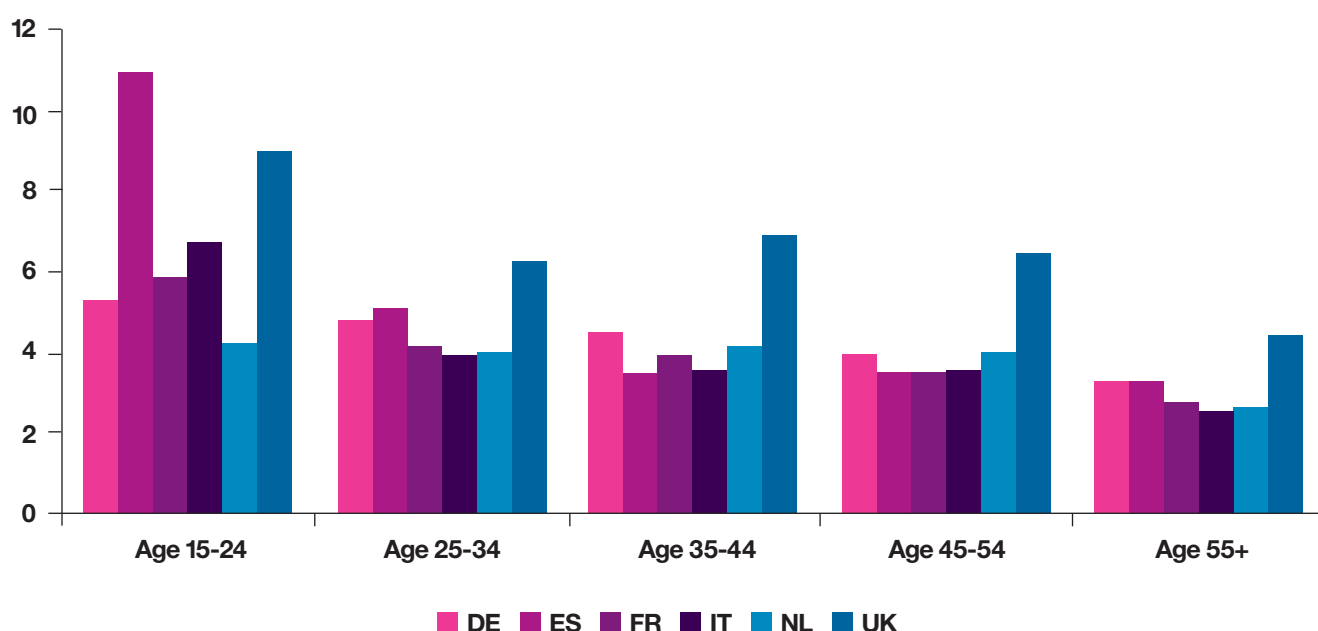


Figure 1: Average hours spent on social networking per visitor across Europe

Source: December 2010, comScore Media Metrix

What does a 'banking hub' need to offer to be successful?

A 'banking hub' would comprise a bank's web pages embedded within a social networking site. Through it, the bank should offer the following to attract and retain customers' attention:

- **High quality content is critical to building a successful relationship.** Many of today's efforts have involved setting up a 'flat' social networking site with limited or no content or functionality and a simple micro-blogging site. This is not sufficient to engage customers. By mid-2011 the UK's most successful financial services Facebook page had only 24,000 followers³. By comparison, the most successful social networking sites on the web, such as Coca Cola – which has over 35 million followers on Facebook, are successful because they engage customers with rich and timely content. Even Aleksandr Orlov – the Compare the Market meerkat has over 785,000 followers. Customers want to be interested, informed and entertained by a social networking site. This means financial services firms need to offer stimulating content – perhaps games and videos – as well as useful tools in order to attract users. That content needs to be served frequently to keep the users coming back.

- **It is essential that the content offered is not interpreted as hard sell or insincere.** These types of message will get a negative reaction from users – a common lesson learnt from some social marketing campaigns of the last few years. Instead, banks should focus on providing content that users will want to recommend. This could be entertaining applications or neutral financial information – an approach taken in the UK by Lloyds TSB's 'Advice & Guidance' pages⁴ – a significant opportunity for UK banks. Social networks provide an environment where financial services companies can explain and demonstrate products without being seen to be selling. Banks can then analyse the comments of their users to both refine site content and improve product offerings.

Customers want to be interested, informed and entertained by a social networking site.

By mid-2011 the UK's most successful financial services Facebook page had only 24,000 followers.

AnyBank Social Network

You are logged in Help
 Welcome Mr Smith

This week we focus on making the most of term deposits...

Calculator

Discussion

Expert advice

Image or Embedded video

Site Highlights

See the new lending game!
[234 people like this](#)

Just out – latest financial analysis for investors!

New thread on your favourite forum topic!

See this week's blog entry from xxx on FX dealing!
[2 of your friends like this](#)

Your Status: Love the new lending game!

Your wall

Your bookmarks

Your groups

John Jones
 Check out this report on shares – really good...
[32 people like this](#) | [5 comments](#)
[Like](#) | [Comment](#)

Anita Brown
 Check out this report on shares – really good...
[12 people like this](#) | [2 comments](#)
[Like](#) | [Comment](#)

Your profile

2 new messages
 Your preferences

Your tools

By product
 By tool
 Transactions

Your friends

John Jones
[Send message](#)

Anita Brown
[Send message](#)

Phoebe Gillis
[Send message](#)

Tony Szubert
[Send message](#)

Figure 2: An example of a social network layout and content

- **Data sharing is one of the most persuasive aspects of social networks.** It has evolved into a way to crowd-source wisdom or get encouragement through the controlled release of personal data. By integrating the 'banking hub' with core banking systems, customers can be given the opportunity to share personal information in a secure and simple manner. However, for this to work customers must control what data they choose to share and with whom.

Scenario 1 – Closed network

(All members must approve new joiners): a customer is seeking to achieve a saving goal in order to pay for a wedding. They select a group of known friends and relatives and arrange to make available to the group their saving account statement. This will allow friends to review progress and offer advice and encouragement.

Scenario 2 – Open Network

(Anyone can join and all information is public): a customer is worried about the cost of their utility bills. They elect to share their regular payments with a wider group of other users on the regular payments forum. The users review the payments, identify which are high and offer the customer advice on cheaper suppliers or money saving tips.

As long as these variables remain transparent and configurable, customers will have confidence that they are only sharing information on their own terms and in their own best interests.

In the UK, 86 percent of 18-25 year olds surveyed by IBM were interested in receiving financial services via their social network.

- **By securely connecting the 'banking hub' to core banking platforms, servicing and transactions can be completed through the customers' social networking sites.** In the UK, 86 percent of 18-25 year olds surveyed by IBM were interested in receiving financial services via their social network. The most desired services were viewing balances and statements and making payments⁵.

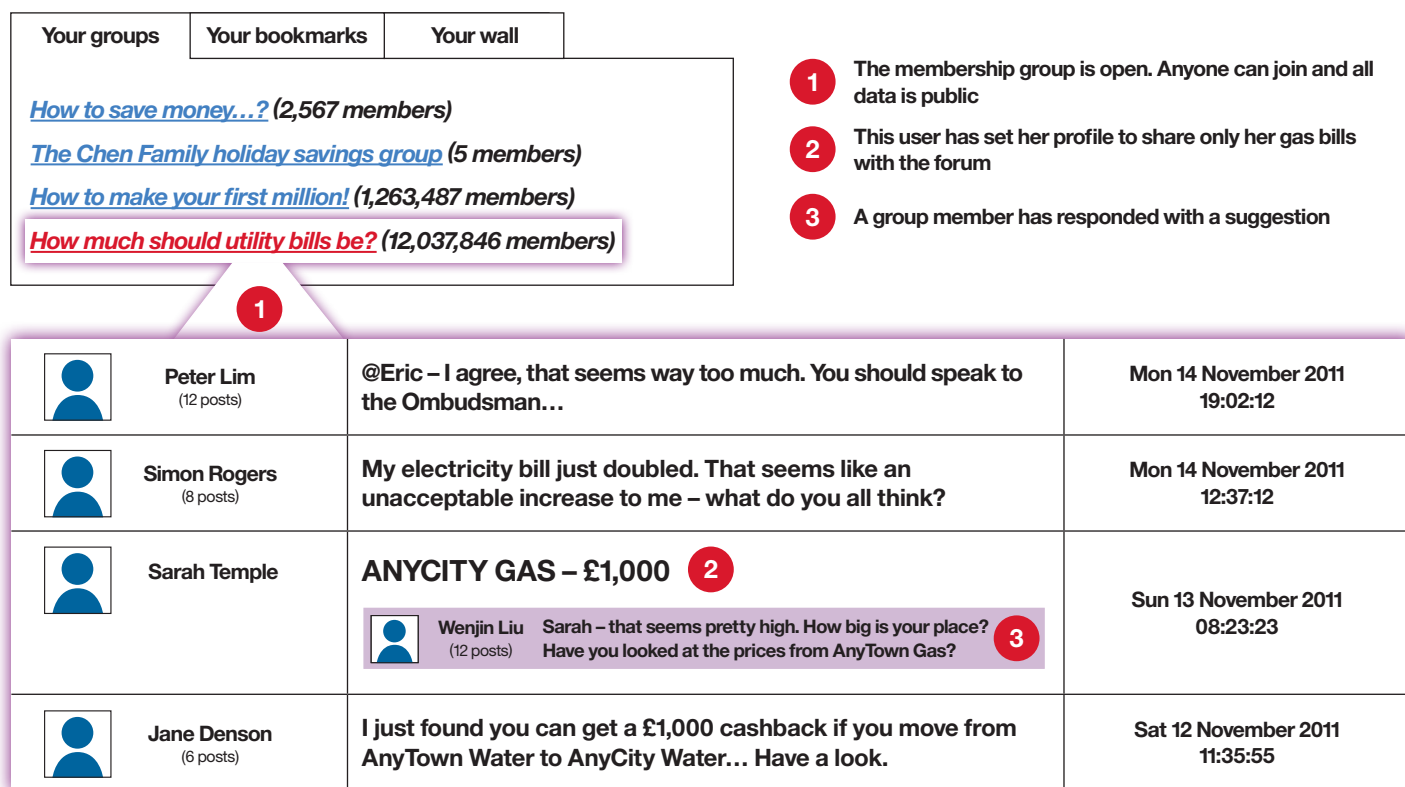


Figure 3: An example of open multiple user activity

What are the benefits to the organisation of offering banking through a social network?

Brand consideration and customer recruitment: creating a social media presence with high quality content offers a tremendous opportunity for recruiting new customers. By integrating a 'banking hub' into an existing social networking site, a bank can employ the users' existing social networks to spread their brand message. By sharing information on products in a neutral, non-sales fashion and creating engaging content, a bank can improve its brand consideration with online users – both those who are existing customers and those who are not. Through a simple registration process, new to franchise users can subscribe to a 'banking hub' and begin to build a relationship with the bank.

Education of customers: offering neutral, non-sales information to customers will help them become more financially savvy and this information can also easily be shared with customers who do not already hold bank products. People with access to useful information will be better able to identify their own financial needs and find products available from a trusted source to meet them.

Data on customers: the quality of social graph data which can be gathered from a social network bank is invaluable. The bank can learn from customer preferences, behaviour on the site, the user generated content and the friends users have. All of these factors can be used to refine offerings, marketing plans, segmentation and customer management strategies.

Improvements in customer retention: understanding customer preferences and targeting content and marketing accordingly will result in customers feeling that their bank understands them and that they are getting a personalised service. By integrating the service with an existing social networking site and providing an effective mobile interface, the 'banking hub' becomes the convenient access point for online users to interact with their bank. Customer dissatisfaction can be identified quickly and addressed publicly through social media – as Bank of America has shown with their Twitter profile. Maintaining a grown-up and honest relationship with the customer will also help banks to build trust.

By sharing information on products in a neutral, non-sales fashion and creating engaging content, a bank can improve its brand consideration with online users.

Product innovation: by providing a place where consumers can engage with their trusted networks about financial products it becomes possible to create innovative offers. For example, a savings product giving a better rate of interest if all group members make a minimum deposit each month. This approach could also work for group investment funds or for groups paying off debts. This interactivity would make bank products more sticky and could help to attract deposits. Smartypig (www.smartypig.com) and Bobber (www.bobberinteractive.com) are two current examples.

What steps need to be taken before a bank can offer banking through a social network?

Building relationships with customers through social media represents an opportunity for financial services companies. However, in order to turn this opportunity into a growth strategy, there are a number of steps that need to be taken.

Define objectives: many organisations that have already set up social networking sites have done so without a clear view of what they were trying to achieve. As a result, they are failing to meet customer or organisational expectations. The first question to consider is ‘what does your business seek to achieve through a social media strategy?’ Once the objective has been defined, it becomes possible to focus on delivering the right service through the social network bank. For example, attracting new to franchise customers, deepening relationships with existing customers or offering a value adding service to high value customers would each require a different approach.

Integrating your ‘banking hub’ into an existing social networking site will make it easier and more convenient for customers to access your services and content.

Understand the customer base: what will be the ‘so what?’ factor for your customers? What will make this service useful to them and keep them coming back? What content do they want? Where is the most convenient place for your customers to access your site from? Understanding these factors will enable you to tailor your ‘banking hub’ – and create a higher quality online relationship with customers.

Determine the nature of your content: the frequency, quality and relevance of content are critical to the success of a social network bank. Whilst customers will generate some of it through forums, the headline content will need to be supplied by the bank itself. This is what provides the impetus for customers to return to the site and continue to engage. It is therefore important to ensure that you understand customers’ areas of interest and concern.

Integrate your offering: the social media strategy can be made significantly more effective by integrating the banking front and back ends. Integrating your ‘banking hub’ into an existing social networking site will make it easier and more convenient for customers to access your services and content. By integrating the back end with a core banking system, it becomes possible for a user to perform transactions through the ‘banking hub’. It also allows the bank to learn about customers, based on their behaviour on the site, and add rich data to central customer records.

Design your operating model: to deliver a successful ‘banking hub’, your Internet division’s operating model will need to change. A detailed view of essential activities can be used to design the new roles required, with the most critical changes being around generating assets to display on the site and moderating its content. Internet banking departments do not need to do all this themselves though, by working with external agencies, copywriters and internal SMEs, the Internet banking department can take a co-ordinating role and act as content moderator if necessary.

Provide effective security: in a social networking situation, the correct balance must be struck between security and convenience. Where financial information is not being divulged and user generated content is being moderated, security should be kept light, so as not to discourage users. Where transactional functionality has been added to the site, it is critical that security is as good as that of the ‘traditional’ Internet bank. However, online security measures should be placed at the point of transaction, not at login where it would discourage casual and prospective users from entering.

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Manage mobile access: customers are increasingly driven by convenience. As a result, it is important that all sites render effectively across mobile devices – both tablets and smart phones. This can be achieved either through native applications or via mobile browser rendering – dependent on business need. A micro-blogging service should also be available. Ideally the (frequently updated) content will encourage users to re-tweet, thereby amplifying its reach.

IBM consultants can help you create a focussed social media strategy to meet your business needs. Our business analytics experts can help you segment and understand your customer base and customer data. Our in-house design agency, IBM Interactive, along with our technical experts can help you to implement the solution you require.

About the author

Alex Bray is a retail banking and digital professional with more than 10 years' experience.

Alex joined Lloyds TSB in 2000. During his time at Lloyds, he worked in both product teams and distribution. Over the past few years, Alex has specialised in Internet and mobile banking and was the product owner for loans and mortgages across the Lloyds TSB, Halifax and Bank of Scotland Internet channels.

While at IBM, Alex held implementation roles with UK online banking clients. He also consulted on retail, corporate and business Internet and mobile banking and social media in Europe and Asia.

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