

Internet

Not embracing social media presents a new risk

Slowly but steadily, banks are getting away from the clichés on social media: UGC (User Generated Content) is too risky, social media is just for new or direct banks, it is for generation Y only, there is no proven ROI (Return On Investment), social media is nice to have and banks must focus on the basics first. The risk from UGC can easily be controlled with the appropriate guidelines and a moderation process. The real risk is to miss the growing importance of social media.

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Let's stand back and check where we are in social media:

Social networking: Facebook counts over 175 million active members, the fastest growing demographic is people 35-year-old and over (source: facebook.com).

Blogging: 184 million people (over 40% of the internet users worldwide)

have started a blog (source: Universal McCann, March 2008), over 133 million blogs are now indexed on Technorati.

Micro-blogging: Twitter already has over 8 million unique monthly visitors (source: compete.com, March 2009) and already counts over 1.4 billion tweets posted.

Social networks and blogs are now the 4th most popular online activity ahead of personal email, member communities are visited by 67% of the global online population, time spent is accounting for almost 10% of all internet time (source: Nielsen Online, March 2009).

How could you still be sceptical? The increasing popularity of social media fundamentally changed people's expectations and reach. And there is more bad news: choosing deliberately not to participate won't prevent your detractors from expressing themselves. Instead, participating will give you a unique opportunity to explain yourself, show you care, and turn those detractors into brand advocates.

Nowadays, the question every financial institution should ask itself is not 'shall we embrace social media?' but 'where shall we start?' Indeed, in such a tough market today, tapping social media is one of the most efficient and cost effective ways to support your business objectives, differentiate your company



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and drive customer advocacy. It is critical to start where it makes sense. Not every single web 2.0 technology is relevant to your bank. For instance, why should you become the Xth bank to launch a virtual branch on Second Life?

An overview of social media in banking. In the last couple of years, an increasing number of banks have started to participate to social media, which is promising. However very few have been successful due to a lack of subject matter expertise and a focus on the wrong areas. Go beyond the 'the ticked box' approach and make sure you do it right. It is difficult enough to get executive support and find a budget, so make sure to spend it wisely to achieve success. You should focus on people, not technology.

Banks are experimenting, don't miss out. Let me give you an idea of the current context in financial services: in my social media directory on visible-banking.com I listed over 20 online communities in the small and medium enterprises space, 20 blogs, and I am currently monitoring over 60 financial institutions on Twitter.

Financial Institutions like Wells Fargo or Advanta, the leading credit card issuer to the SME market in the US, managed to successfully leverage social media. The reasons behind their success: executive support, social media champions, subject matter expertise, no fear to experiment, and a commitment to innovate. Here is a list of the best practices:

Brand advocacy: 'ideablob.com' by Advanta.

Customer feedback: 'blackboard' by ABN AMRO.

Customer support: 'BOfA_Help' on twitter by Bank of America.

Financial education: 'StageCoach Island' by Wells Fargo.

Recruitment: 'ACE Manager' by BNP Paribas.

A phased approach to social media. There are six key phases in a successful social media strategy: learn, listen, participate, engage, measure, improve.

Learn: keep track of what's happening in the financial services space. Make sure you are aware of what worked and what didn't in financial services. You don't want to make the same mistakes as your competitors. You want to differentiate yourself and be seen as innovative. How much do you know about Personal Financial Management (PFM), Peer-to-Peer Lending, and Social Savings? The future of online finance is happening now. I strongly recommend you find out more about the likes of Mint.com, the leading PFM online community with over 1million members, and Smartypig a leader in goal-oriented savings. Most of them are positioning themselves as enabler, and seeking partnerships with financial institutions. Don't reinvent the wheel, white-labelling their intuitive award winning platforms is definitely an option to consider.

Listen: identify your influencers. It is critical to monitor online discussions about your brand. As a first step, I strongly recommend you register and leverage all the free tools available online such as Technorati, Google blog search or Netvibes. Then search your bank presence on the popular social media sites. Chances are you will be surprised! Your goal is to identify the sources which matter, your advocates and your detractors, and start building a trusted relationship with them asap.

Participate: regain ownership of your brand. Register on all the most popular social media sites like Facebook or Twitter to create your official company page. I advise you do it immediately even if you are not ready yet to actively leverage those new communication channels. It takes time to reach a critical mass of users, and if your brand is well-known, some people will follow you or become fan, whatever the content. Then, you may choose to be more proactive and launch your own blog or online community.

Engage: reward your members —people first! It is one thing to launch a blog or a community, it is another one to achieve success. In social media, technology is not critical as long as your interface is intuitive, simple and offers the right level of features. The challenge lies in your ability to engage with people: drive adoption of your platform, drive traffic, urge people to contribute

and recommend your platform. You must reward your members for their contribution. I've identified four key types of reward: online visibility, exclusive content, competitions, and fun/entertainment. Be innovative. Don't see social media as another sales channel, and don't just duplicate the same info. Be different, focus on emotion not products.

Measure: set up realistic targets. You need to have an idea of the critical mass of users you'll need. Be realistic and manage expectations from your management, as there is not one single set of indicators to measure success. Depending on your business goals, it could be traffic, active users, content produced, number of comments, and/or search results. It takes time to build a community so plan a budget for ideally two or three years.

Improve: towards an integrated social media strategy. Too often, social media remains tactical and not strategic. Most of the blogs and online communities in financial services have stalled and banks are lost for directions. Identify any opportunities to leverage your current initiatives internally and have them support other parts of the business. Work with a subject matter expert who will help you take your initiatives to the next level.

Recommendations. There is not one type of ROI from social media. Even though social media should not be seen as a sales channel, it will still help you increase your share of voice, brand intimacy, hence the propensity to buy. Social media will also help you reduce your customer service costs, drive online banking usage, or recruit the most talented people out there. How much do you value customer advocacy?

I am not trying to say that social media is the answer to all your challenges, but I strongly believe that in such a tough market, social media is a cost effective way to drive customer advocacy and capture customer feedback. It is also one of the rare opportunities for customer facing innovation.

So start experimenting now, but spend your money wisely. Don't try to reinvent the wheel. Make it simple to register, visit your site; spread the word, and then reward your members for their contribution.

Visible-banking.com is the leading independent blog 100% focused on social media in banking and financial services. ■