

Industry Insight | Financial Services by Orkun Oguz, Dietrich Chen, and Alpay Akdemir

Mining for Social Customer Gold

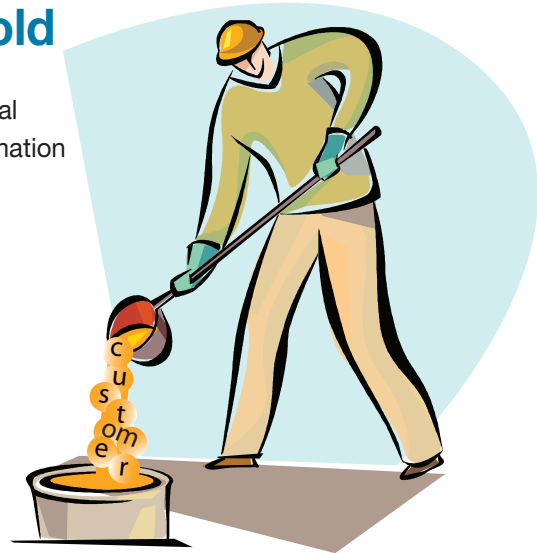
As business moves beyond the hype of social media, the real value is in the ability to identify and align social media information to different stages of the customer purchase cycle.

Banking customers don't want to buy an IRA; they want to retire. They don't want to buy a mortgage or compare interest rates; they want to live in their dream home. Nor do they want a small business loan; they want to start or expand their own business. The tide is shifting in the financial services world away from a product-centric focus to one where customers are at the center of the business strategy. Connect with consumers about what's important to them in their lives, and products and services that sell will follow.

This new paradigm requires banks to learn as much as they can about their customers in order to be relevant and valuable, as well as to interact with them at the right time. A social media strategy can be a critical tool in making those relevant connections with customers. Banks have the opportunity to use social media to gain valuable customer information that can inform and drive profitable sales, marketing, and service decisions that also will help consumers in their lives.

Social engagement is the new way of doing business. And the financial services industry in particular is a perfect fit for connecting with customers and prospects in the social world. Money and finances are extremely personal to most people. Their financial situation translates into the lifestyle, career, and family decisions they make. Therefore, there is a wealth of insight being discussed in the social space that directly or indirectly relates to financial services.

Consumers make the choice to publicly reveal valuable



information about themselves on social media platforms. It may be a Flickr photostream of a family's new baby, a LinkedIn update about a new job, or Foursquare check-ins at important places close to someone's office or home. This provides an opportunity for banks to identify relevant conversations going on across the social Web that are indicative of life events related to financial needs. The business value of social media is in the ability to identify and align this social media information to different stages of the customer purchase cycle. Contrary to popular belief, monetization is possible within the social world. It starts with putting customers at the center of your business.

The end of social media strategy

Social media strategy on its own should not exist at this point. Instead, a customer-focused business model that includes social media as part of the overall integrated business strategy is required to meet customer needs and expectations consistently across channels.

Channel strategy isn't relevant anymore, either. Social media is not a channel to customers. Neither is mobile. Customers don't think in terms of channels. They think of your business as one entity, and expect consistent experiences and interactions across them. They want the ability to chat online, use a mobile app, call a contact center, walk into a branch, or use an ATM. The easiest way to align all of these channels is to eliminate the focus on products and put customers first.

To do that, you need to know your customers. And we mean *really* know them, not just know which products they

At a Glance

- The tide is shifting in the financial services world away from a product-centric focus to one where customers are at the center of the business strategy.
- Progressive social organizations integrate customers' social identities with offline customer data to create a deeper holistic picture of individual customers.
- Social media insight can be linked to customer lifecycle events along the customer purchase cycle, triggering outreach in an appropriate and advisory way through social or other channels.

3 Social Media Efforts in Action

According to Mashable.com retail banks use social media most often to build their customer community; gain product development insight through customer feedback; facilitate customer service interactions; expand marketing efforts; and be more transparent. Here are examples of how some banks put these social media efforts into action:

1. Community building: As a branchless bank, Germany's Fidor relies on its social infrastructure to help grow its business. The bank encourages consumers to interact with one another with advice and insight, getting and giving social loans, discussing product and service pros and cons, and more. Community members discuss product evaluations, use calculators and product comparison tools, and work with financial advisors. Customer profiles are accessible and integrate with Facebook, Twitter, eBay, and business social network Xing, allowing for easy sharing of information and connection to non-customers.

2. Product research/crowdsourcing: Earlier this year Danske Bank in Northern Europe launched a Facebook application called "Idebank" that gives consumers an opportunity to suggest improvements for current products, including its mobile phone and iPad apps, mortgages, and other loans. The app focuses on one topic per month, says Thomas Heilskov, manager of group communications for the bank.

The initiative helped grow Danske Bank's Facebook fan base from 2,000 to more than 8,500. As of November 2011 customers have submitted more than 440 ideas, 400 comments, and 7,200 votes through Facebook. Ideas are then implemented based on their popularity in the community and feasibility of the change. Heilskov says communicating with the community about the idea implementation is critical to continued consumer participation.

3. Customer service: ASB Bank in New Zealand promotes its Facebook page as "just like a regular branch, only right here on Facebook." Users can live chat with a bank advisor to resolve customer service questions, find out more information about new products, such as loans and savings accounts, or access bank information. And understanding the sensitive nature of banking issues, ASB has put security measures in place to keep the chats secure even on the Facebook platform.



have or how much their deposits are worth. New technologies and available customer data mean that segmentation and customer management is easier and more insightful than ever. Instead of only traditional customer value segmentation, social activity can generate insight to create behavior and needs segments that can be prioritized to allow a bank to interact in the most appropriate and cost-effective way necessary to deliver impactful results.

Social media is teeming with non-obvious insights that banks can capture. For example, someone on Twitter posts a tweet complaining that her parents are connected to her bank account and constantly ask about why there is so little money in her account. This one tweet reveals many things:

- The user is most likely young (college or post-college) because her parents have joint access to her account.
- Her parents may be nearing retirement or empty-nesters, which provides insight about them, as well.
- She may be interested in money management advice.
- Potential products she may be interested in include text alerts about low balances or overdraft protection.

Banks can also segment based on customers' social value—the influence they wield within social circles. People with thousands of followers on Twitter, power users on message boards, or popular blog authors, for example, can be segmented by social value. How often people share posts and content is another social value indicator.

Customer data integration

On the surface, social media monitoring is nothing new. But progressive social organizations take it a step further by integrating customers' social identities with offline customer data to create a deeper, more holistic picture of individual customers. In order to manage this process in a seamless way, companies need to match their customers' unique identifiers (e.g., account number, Social Security number) and their social IDs.

In July 2011, for example, American Express launched a Facebook-specific promotion called Link, Like, Love. Opt-in customers link their credit cards to their Facebook accounts. In return, American Express offers relevant promotions and discounts based on their Facebook likes and interests. Customers can access their account statements via the Facebook app, as well. Future plans include exclusive rewards points, events, and other special offers. So far more than 25,000 people have "liked" the program.

Platforms such as Twitter, YouTube, LinkedIn, and Facebook offer great potential for these kinds of programs. However, while Facebook and its more than 700 million users provide a fantastic branding and awareness platform, its proprietary ownership of data makes it less than ideal for integrating social and offline customer data. On the flipside, Twitter is catching up in terms of volume of users, and its data is much more open. LinkedIn also offers valuable

customer insight that can be especially helpful when identifying financial services needs to integrate with offline customer data.

Internal social networks are also a great way to connect social and internal customer data. While some financial services firms operate online user communities such as Bank of America's small business community or Citi's Innovation Loop, most stop short of linking valuable social data that is created with other customer information.

For example, members of American Express's OPEN small business forum register with their card number and other personal data, which is integrated with their social activity within the forum. They view, comment, and share



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articles from the site, make direct connections with other members, and learn about offline events. And that data lives behind American Express' firewall.

The customer lifecycle link

True social organizations not only collect deeper levels of insight via social channels, they map it to their overall customer interaction strategies. Social media insight can be linked to customer lifecycle events along the customer purchase cycle, triggering outreach in an appropriate and advisory way through social or other channels. Progressive companies can act on lifecycle changes that are identified through social media activity.

Peppers & Rogers Group defines the customer lifecycle in five distinct stages: awareness, search and consideration, purchase, support, and loyalty/renewal. During each of these stages, banks can leverage social media insight to improve the relationship and move customers to the next level.

AWARENESS: For many companies, social media activities already make up a considerable share of their overall marketing budget. Although the impact of mass media outreach prevails, the unique benefits of social media—for example, knowing demographic details of the audience and whether the target audience is exposed to the advertising message—are driving banks to spend less on mass

media and more on social platforms to build awareness.

One U.S. financial service firm we work with recently allocated nearly 20 percent of its overall marketing budget to run awareness campaigns on relevant social media channels, including its accounts on Facebook and Twitter, online communities its target audience participates in, and mobile applications its target customers use.

SEARCH AND CONSIDERATION: Once potential customers are exposed to the desired awareness message over social media, it only takes a matter of minutes for them to search the competition and read independent reviews of the bank's products and services to inform their decision to become customers. Banks can make the most of social media by transparently showing external product comparisons with customer product reviews on their own social sites. One U.S. bank, for example, now includes comparisons of its credit card rewards program alongside competitors in its social media ads.

PURCHASE: Financial services firms can close the sale with the help of social media in one of two ways, depending on the complexity of the product. For complex products such as investment accounts, banks may prefer to collect the contact details of prospects or customers who demonstrate certain interest via social media, and then call or chat with them in order to provide a human touch. For non-complex products, such as small deposit accounts or credit cards, banks might prefer to automate the purchase process by providing prospects with online steps to complete the transaction via self-service.

SUPPORT: Of course, the relationship doesn't end there. Social media can be a valuable channel to help customers manage their accounts. And many banks do communicate to customers that they have a presence on social media (most commonly Facebook and Twitter). However, few banks have created a perception that customers should first check the social media space to ask for information or support about products and services, or make suggestions on improvements. In addition, most banks have already invested a great deal in their websites, in ease of use, online self-service tools, live chat, etc.

But the reality is that customers prefer to find support in whatever channel they're already using instead of maneuvering across different channels. Therefore, banks need to design a comprehensive business model that encompasses all customer touchpoints, even though it's still a challenge for many banks to balance sales and service between their websites and social media. For example, should the Web-



Golden Customer Questions

Banks should ask themselves the following hypothetical questions as they craft their social engagement strategy:

	Assessment	Strategy development	Measurement
Marketing	How effectively does the bank use marketing over social media (e.g., products, campaigns, ads, etc.?)	What products, campaigns, and channels should be marketed, and how?	How should the bank measure marketing effectiveness and earned media?
Lead generation	To what extent does the bank generate leads over social media?	Which customer posts should be used to communicate lead-generating questions?	How should the bank measure the effectiveness of lead generation?
Sales	How effectively does the bank make sales using social media?	Where are the sales opportunities and how should the sales processes flow for different banking products?	How should the bank measure customer acquisition performance as well as measure cross/upsell performance?
Insight generation	What does the bank learn from its customers and share within the organization to make improvements?	What kind of insights are needed by different functions and how should the bank collect them over social?	How should the bank measure the effectiveness of insight, and translate that into improvements made?
Customer service	How well does the bank provide customer service over social media and what are the implications of the current state?	To what extent should customer service be provided over social media, and how should processes flow?	How should the bank measure the impact of customer service over social media on customer retention and growth?

chat team serve both platforms? How much budget should each channel get to ensure a consistent experience?

LOYALTY/RENEWAL: Customer loyalty comes from a trust-based relationship that provides value to both parties, and in which the company has both good intentions and the competencies to carry them out. Social media's transparent nature provides a great opportunity for companies to demonstrate their trustworthiness to build that loyalty.

Tactically, social media provides companies with the advantage of doing outbound and personalized marketing more cost-efficiently than mobile or direct marketing. Successful companies can use social media effectively to foster customer loyalty and drive customers to make repeat purchases, renew their subscriptions, or deposit more of their assets. For example, banks can run exclusive loyalty and renewal campaigns in limited timeframes within their social media communities. It's also an easy platform to encourage recommendations and advocacy on the part of the customer, if the relationship is strong.

First steps

Before diving into what and how banks should invest in social media, we suggest taking a step back and defining the roles and benefits of different channels. For instance, a company may want to use a contest on Facebook to generate earned media and leads, but use Twitter for customer service. This requires a bank to have constant and instant two-way communication with its existing and prospective customers.

Once banks understand how they currently operate in the social media world, they can create a strategy that improves on what works, changes what doesn't, and provides the flexibility to try new things. The chart above shows a diagram of golden questions to ask related to a bank's social media assessment, strategy development, and measurement across social media's five dimensions.

The allure of social media insight is strong, but to succeed banks must not boil the ocean. Instead, determine a target segment to work with, such as small business customers or college students. Then go deep to understand their needs and interact in the most appropriate way. Focusing on all customers or even too many segments may result in stretching too thin before best practices are created.

At a higher level, banks should decide how customer-centric to be in managing the value of their customers to fight attrition and grow the value of the existing customer base. Therefore, the main question that should be answered in detail when it comes to incorporating social strategy into a financial services business is how to provide the right product/offer/service to the right customer in the right channels, at the right time, and with the right message. With the customer in the center, all else will follow. ■

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