



## Five Ways to Optimize Banking Customer Relationships With Social Media

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**S**ocial media is a critical element to customer-facing operations. Too often, however, it's left to a solitary department to own. Or worse, it's exploited as a cheap broadcast tool rather than the valuable one-to-one interaction platform it should be.

Departments such as marketing, sales, customer service, product development, and others can benefit from a deeper understanding of customers based on insight gained and interactions conducted in social media. This white paper defines how banks can approach social media strategy across different departments to optimize activity and uncover opportunities to grow relationships in a holistic way.



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## Banking Relationships Matter

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 people about what's important to them in their lives, and the products and services will follow.

This new paradigm requires banks to learn as much as they can about their customers in order to be relevant, valuable, and interact with them at the right time. And 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 sales, marketing, and service decisions that will help consumers in their lives.

Social engagement is simply 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. There is a tremendous amount of insight being discussed in the social space directly or indirectly related to financial services. And as smartphones



**Social engagement is simply the new way of doing business.**

continue to be the intersection of mobile and social, banks need to be ready to meet customer needs in that world.

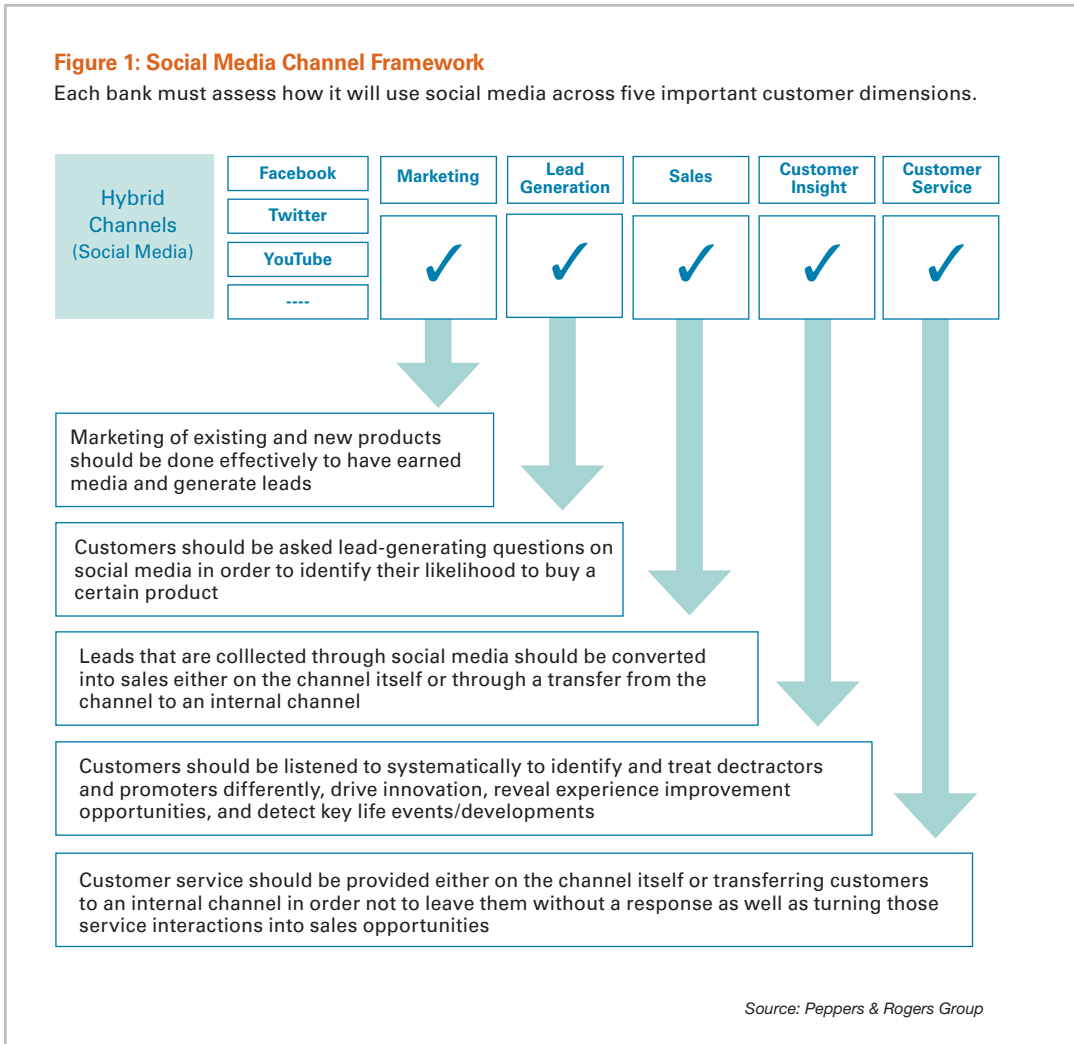
The social media vision and reality are still very far apart, however. “Only a select group of the world’s leading banks have finally grasped the opportunities of social media such as Facebook and Twitter,” according to the *Social Media in Banking 2012* report from Myprivatebanking.com. The report states that more than two-thirds of the leading banks worldwide still miss out on leveraging the new opportunities provided by social media.

## Where to Prioritize

Before deciding on how to implement social media, banks must take stock in when, how, and why they currently interact with customers. This includes interactions in social media and other channels. 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 tries new things along each of the dimensions.

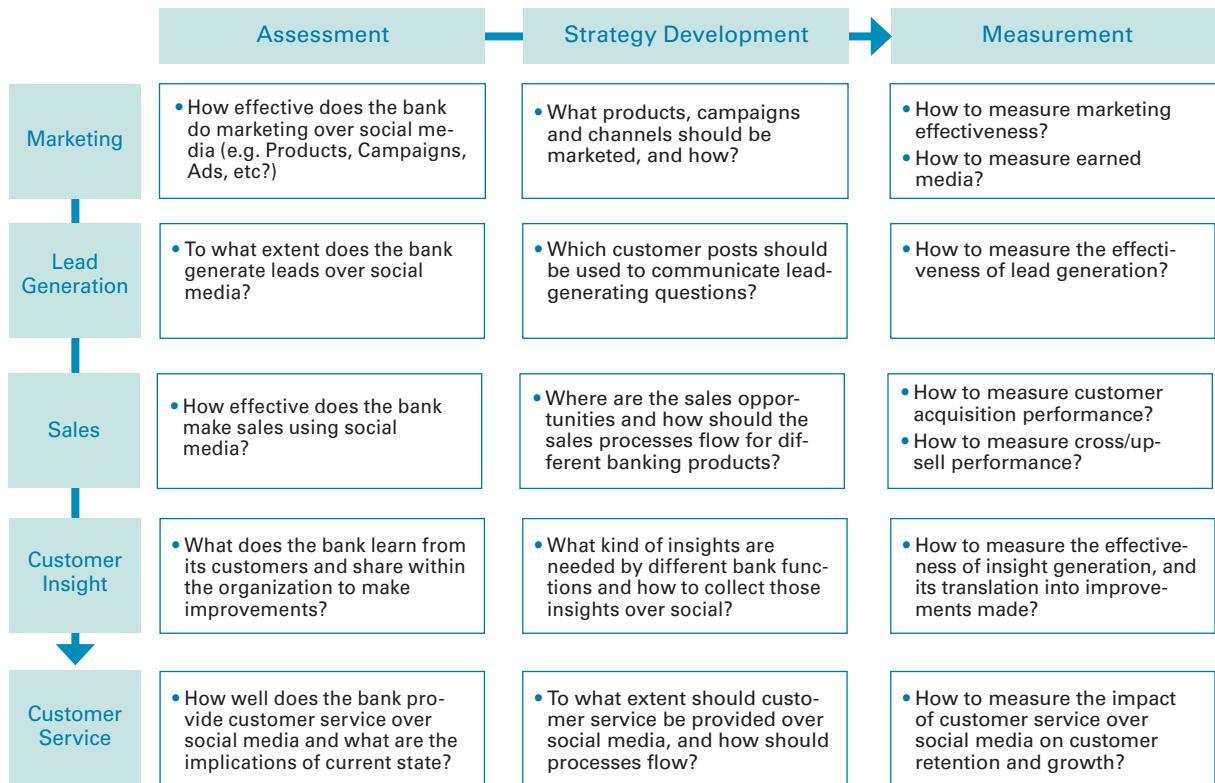
Peppers & Rogers Group has defined a framework to assist banks in their investment decisions on social media (see Figure 1). It categorizes social media activity as it relates to five important customer dimensions: marketing, lead generation, sales, customer insight, and customer service.

More than two-thirds of banks miss out on social media opportunities.



**Figure 2: Golden Customer Questions**

A list of some hypothetical questions banks should ask as they craft their social engagement strategy



Source: Peppers & Rogers Group

Figure 2 presents a diagram of golden questions to ask around a bank’s social media assessment, strategy development, and measurement across each dimension. There are unique goals and attributes of social media for each dimension, which are detailed below.

## Marketing

When social media began gaining popularity, many banks saw the opportunity to build brand awareness and market their products. In many cases, however, social media became another noisy marketing channel, not a valuable customer resource. There was no alignment with traditional media planning or external channels, so customers ended up with message fatigue. Banks treated social media as a low-cost channel to market all product portfolios without proper planning.

When banks align their overall media planning to include social media, it is possible to measure the *Earned Media Effect*, which is the main key performance indicator showing whether a company can reach more audience at a lower cost using social media. To build earned media effect, many companies have created innovative campaigns to drive more customers to either add their accounts or like them (e.g. Facebook).

**>Strategy in Action:** Citibank has incorporated its Thank You Reward network into Facebook. Customers that connect their Facebook profiles to their Thank You account can earn points via social gaming, transfer points to other customers, and pool points among Facebook friends to redeem large rewards.

## Lead Generation

Social media also enables banks to create qualified sales leads in a much more effective and cost-efficient way compared to external media. There are three ways leads can be generated over social media. The first is the conventional mass marketing messages, providing customers with information about how to act if they are interested with the product or campaign.

The second way is a more complicated, yet more effective approach: combining CRM and social media to offer the right products and/or campaigns to the right customers with the right customized message. In order to do that, banks need to match social ID of customers with their banking IDs (account number, card number, etc.), identify their propensity for different products using their own databases and deliver lead generating message over social media.

The third way to generate leads is unique to the social channel: screen consumer activity to identify the potential likelihood someone may be interested in interactions and potential products and services. This requires banks to have advanced Voice of Customer (VOC) listening and analysis tools.

**>Strategy in Action:** HSBC in Britain celebrated the launch of its student Facebook page with a scholarship contest last year. Students, both customers and not, were asked to submit 90-second videos about how they intend to make their mark on the world. According to Mashable.com, “the bank promoted the competition exclusively on Facebook and received enormous community participation, including 3,000 comments on the videos and 40,000 votes.” The community voted along with the bank, and HSBC awarded eight students £15,000 for their university studies. Contest participants shared their information with the bank and are now part of the company’s database.

To make the most out of social media, banks should measure how many leads they generate by all of these three methods. Few banks use all three, and fewer still break down the results by each product or customer segment. A CRM executive working for one of these banks recently told us, “Regardless of whether we can convert the lead into sales or not, the lead generation process we apply over social media enables us to learn much more about our customers and enrich our customer data, paving the way for future sales.”

## Sales

Lead generation and Sales go hand in hand for many banks; many times customers reach out to a bank looking to make a purchase by walking in a branch or calling the contact center. This also happens in social media. A customer can post that he or she wants to buy a product (e.g. apply for a credit card, open an investment account, etc.). This is the point where the bank should transition the conversation to a one-to-one channel (e.g. offering web-chat, or asking for the customer’s phone number to make an immediate call, etc.).

## Customer Insight

One of the most important opportunities that social media provides banks with is the opportunity to listen to what their customers and prospects think about them. There are numerous ways banks can benefit from listening to the voice of their customers to help with:

- New product development ideas (e.g. a credit card with different features)



HSBC created a video contest on Facebook that generated new leads.

### Measuring Effectiveness of Social Media-based Sales

To measure the sales performance, we recommend banks track the following three KPIs:

- Number of sales orders received over social media
- Number of sales done as a result of the orders received from social media
- Average duration between the receipt of sales order and closure of sales for those orders processed (agility of the bank in making the sale)

- Product and channel improvement ideas (e.g. a transaction that is not available in a certain channel today, etc.)
- Process improvement ideas (e.g. a customer complaint that takes longer than it should because of lack information collection at the first step of the process, etc.)
- Marketing improvement ideas (e.g. a customer who complains about the fact that s/he became aware of a certain product/campaign too late through a certain channel, etc.)
- Employee improvements (e.g. a customer who rightfully complains about a low level of service s/he received from a certain employee, etc.)

**>Strategy in Action:** Social media offers fun ways to solicit and gather feedback. Danske Bank in Denmark created a Facebook application called Idebank that allows customers to submit new product or improvement ideas, as well as like, share, and comment on others. So far customers have contributed hundreds of ideas about proposed iPad apps and mobile features, some of which will be implemented.

Collecting customer insight is key, but acting on it is even more important. We recommend that banks have a Voice of the Customer listening and analysis tools in place that can gather insight in multiple ways. They must also assign a dedicated team to use this tool, spot these ideas and share within the organization. And of course, KPIs must be set up, such as new ideas generated via social media that are observed or implemented in a timeframe based on social media.

## Customer Service

Many banks prefer to use social media for sales and marketing, not customer service. This way of thinking reminds us about a quote from an education administrator, who said: "I would have managed schools much better if there were no students." Social media for customer service in banking is simply not an option – it's a must have. Here's why:

First of all, your customers will share their experiences and/or complaints over social media. If you do not want to act on this, get ready to face attrition coupled with negative word-of-mouth that will have a snowball effect. It's important to note that word-of-mouth is not always negative. A customer who has his or her issue resolved in an effective manner can post positive comments about the company that can reach many customers. Again, this reinforces the value of a strong VOC program.

Second, banks should provide customer service over social media not only because customers would complain otherwise, but also because each and every customer service interaction provides an opportunity for sales if those interactions are managed well and timely.

**>Strategy in Action:** Westpac in Australia uses Twitter to proactively communicate with customers in real time. Recently the bank tweeted a scam alert warning of a fraudulent email that purports to advise Westpac customers to download a new security program.

That being said, it's important to note that providing customer service over social media brings additional costs because banks may need to accommodate new headcounts and buy new systems, such as web chat or VOC tools.



Idebank allows customers to submit new ideas, as well as like and share others.

### Measuring Effectiveness of Social Media-based Customer Service

Banks should track the following KPIs to justify the cost of serving customers in social media:

- Number of inquiries received in a day
- Number of inquiries answered in a day
- Number of leads generated out of the answered inquiries
- Number of sales done out the generated leads stemmed from inquiries
- Number of complaints received in a day
- Number of complaints resolved in a day
- Number of leads generated out of the resolved complaints
- Number of sales done out the generated leads stemmed from complaints

## What's right for you?

Using the framework above, we have assisted different banks in developing social media strategies, as well execution. However, defining the extent to which and how a bank should invest in social media only answers one part of the equation. At a higher level, banks should decide how customer-centric they should be in managing the value of their customers in fighting attrition and growing the value of their existing customer base.

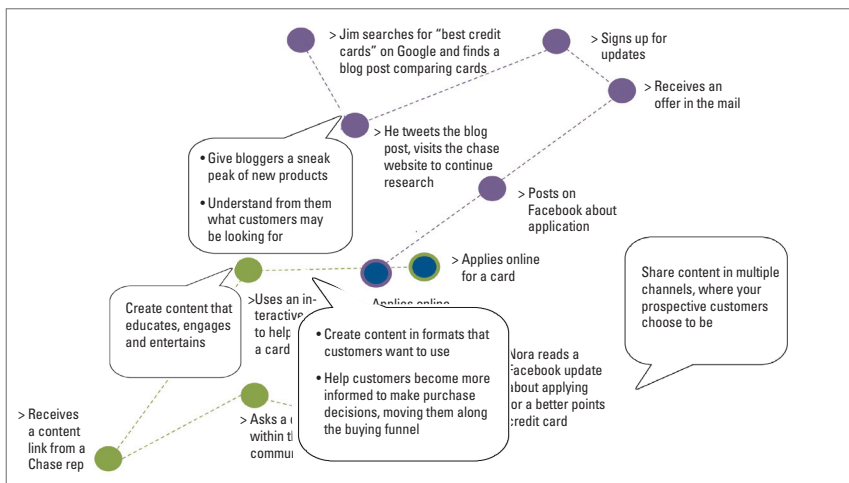
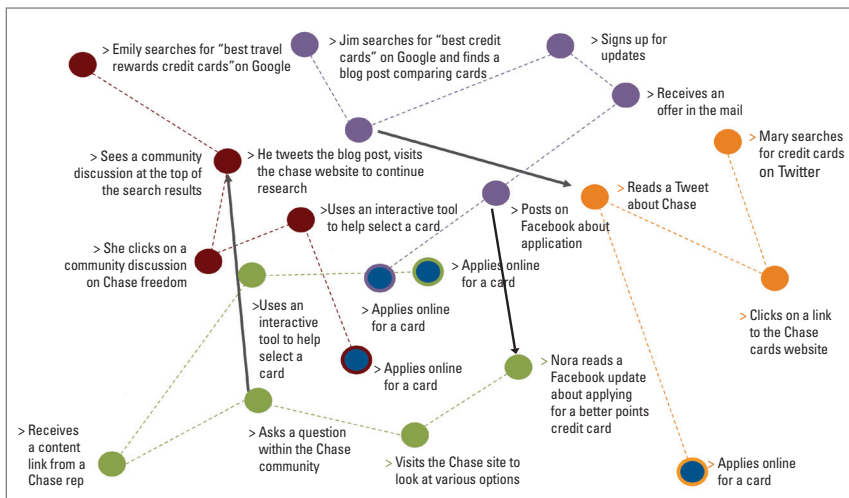
Therefore, the main question that should be answered in detail from our point-of-view is how to provide the right product/offer/service to right customer at right channel, at the right time, and with the right message.

Another critical aspect to social media endeavors is how to avoid the temptation to do too much at once. The allure of gaining social media insight is strong, but to succeed you must not boil the ocean. Instead, determine target segments to work with, learn what their needs are, and interact in the most appropriate way.

Defining how to invest in social media only answers one part of the equation.

**Figure 3: Mapping customer paths**

The following illustration shows different ways customers arrive at the decision to apply for a bank credit card. By understanding customer behavior beyond traditional segmentation, banks can identify new ways to serve customers needs with social media activity along these paths.



Source: Peppers & Rogers Group



## Conclusion

The promise of social media is great, but figuring out how best to incorporate it into your business is a challenge. Banks can use social media across a number of customer dimensions to leverage insight and interaction opportunity for sales, marketing, lead generation, customer insight, and customer service.

Remember that every company is different, and there's no silver bullet when it comes to customers. Using the power of social media in a strategic and holistic way will help banks connect with people about what's important to them, letting the products and services follow. ■

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## About Peppers & Rogers Group

Peppers & Rogers Group is a management consulting firm, recognized as the world's leading authority and acknowledged thought leader on customer-based strategies and underlying business initiatives. Founded in 1993 by Don Peppers and Martha Rogers, Ph.D., Peppers & Rogers Group invented the term 1to1<sup>®</sup> marketing to illustrate the importance of treating different customers differently, and transformed the concepts into practical methodologies driving financial results for companies.

By combining a global perspective with deep expertise in customer strategy, Peppers & Rogers Group helps clients create more successful businesses by building the value of their customer base. We construct methodologies through which clients can put the customer at the center of the enterprise strategy by designing the customer experience, implementing enabling systems, and realigning the organization. These elements not only serve as a guide to developing customer-centric capabilities, but also as a lens through which to evaluate progress during this transformation.

**Peppers & Rogers Group's Financial Services Practice** Using our unique tools and frameworks, we help financial institutions formulate strategies to increase revenues, manage different customer portfolios better, and increase sales and service effectiveness. Better customer experience management is an overarching enabler that increases the effectiveness and ROI of all other customer-centric initiatives.