



Mining for Social Customer Gold in Retail Banking

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Executive Summary

Social media strategy isn't new. And the question of how to monetize its value is just as old as social media itself. Progressive social organizations have realized that the value of social media interactions lie in leveraging the wealth of information customers share online. By integrating customers' social identities with offline customer data, banks can create a deeper holistic picture of individual customers and interact with them in more relevant, timely, and profitable ways.

True social organizations don't just monitor the social space for company mentions; they map insight collected online to their overall customer interaction strategies. Peppers & Rogers Group advises companies to connect social media data to the phases of the customer lifecycle to improve the relationship and move customers to the next level.

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.
- Social media insight can be linked to customer lifecycle events along the customer purchase cycle, triggering outreach in an appropriate and advisory way through the most appropriate channels.



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The End of Social Media Strategy

You read it right. Social media strategy is not important. Not on its own, anyway. It's time to throw out the notion that social media is a single, independent channel. 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. 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. It's not just knowing which products they 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 traditional customer value segmentation, social activity can generate insight to create behavior and needs segments that can be prioritized to allow the bank to interact in the most appropriate and cost-effective way.

The social media space is a great area to learn about your customers and prospects. It's necessary to identify what conversations are happening, then segment customers based on this insight and social activity. Non-obvious insights can be generated. 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 shed insights 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

Segmentation can also be done 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.

Social influence, demographics, behavior, and even sentiment of individual customers and prospects is all available online if you takes the time to look for it. But it's only the beginning.

Figure 1: The End of Social Media Strategy

Eliminate the focus on banking products and channels. Align your business around the customer.



Source: Peppers & Rogers Group

Customer data integration

On the surface, this social media monitoring is nothing new. But progressive social organizations are taking it a step further by integrating customers' social identities with offline customer data to create a deeper 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, etc.) 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, AmEx 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.

Make an impact across the customer lifecycle

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. Financial services firms can act on lifecycle changes that are identified through social media activity.

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

Awareness At most companies, social media activities have already made up a considerable share of the overall marketing budgets. Although the outreach impact of mass media prevails, unique benefits of social media — knowing demographic details of the audience, knowing whether the target audience is exposed the advertising message or not, for example—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 decided to allocate nearly 20 percent of its overall marketing budget to run awareness campaigns on relevant social media channels including:

- Its accounts in Facebook and Twitter
- Community websites, considered to be used by its target audience
- Mobile applications popular with its target audience

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 social sites. One U.S. bank, for example, now includes comparisons of other credit card rewards in its ads over social media.

Purchase Closing the sale with the help of social media can be done in one of two ways by financial services firms, depending on the complexity of the product. For complex products such as investment accounts, banks may prefer to collect the contact details of prospects/customers who demonstrate certain interest via social media, and then call or chat with them in



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Figure 2: Connect Social Insight to the Customer Lifecycle

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5. Loyalty & Renewal

Reward customers for social and multichannel activity. Build a trusted relationship through transparency and competence.

4. Customer Support

Create an environment so customers go to social channels first for support and suggestions.



1. Awareness

Make your business known in a cost-effective channel to relevant prospects.

2. Search & Consideration

Show external product comparisons and customer reviews on your social sites.

3. Purchase

Close the sale for simple products through social media. Start the conversation for complex products.

Source: Peppers & Rogers Group

order to provide a human touch. Whereas, 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 via self-service.

Support Of course, the relationship does not 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 an environment where customers first check the social media space to find information or support about the products they use, or make product improvement suggestions. In addition, most banks have already invested a lot in their websites, in design, online self-service tools, live chat, etc.

But the reality is that customers prefer to find support in whatever channel they are already using instead of maneuvering across different channels. It is a challenge for many banks to balance its activities on its website and social media platforms. For example, should the web-chat team serve both platforms, or how much budget should each channel get?

As mentioned above, success is found when banks design a comprehensive business model that encompasses all customer touchpoints, knowing their cost-to-serve, benefits for the banks as well customers and, if possible, their ROI. The answer is be everywhere your customers want you to be, and migrate them to the most appropriate support channels on their terms.

Loyalty/Renewal Customer loyalty comes from a trust-based relationship that provides value to both parties, and in which the company is both competent and has good intentions. Social media's transparent nature provides a great opportunity for companies to demonstrate its trustworthiness to build that loyalty.

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Conclusion

Social media may be old news, but the discussion about social media as part of overall business and customer strategy is only just beginning. Social media activity cannot thrive in a vacuum. It is merely one platform through which banks can interact with customers. Progressive firms are beginning to link social media insight to customer lifecycle events, acting in an appropriate and advisory way through the most appropriate channels. The time is right to connect the online and offline worlds, using customers as the common bond. ■



5 Social Media Efforts in Action

According to Mashable.com, retail banks use social media most often in five ways: to build their customer community and gain referrals; gain product development insight through customer suggestions and crowdsourcing; facilitate customer service interactions; expand marketing and promotional efforts; and be more transparent and efficient than in other communication channels. Below are examples of how some banks put these social media efforts into action.

1. Community Building

As a branchless bank, Fidor relies on its social infrastructure to grow. 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 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 in a YouTube video. The initiative helped grow Danske Bank's Facebook fan base from 2,000 to more than 8,500. As of November 2011 the 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 or find out more information about new products such as loans and savings accounts, or find 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.

4. Marketing and Promotion

Nicolet National Bank in Wisconsin shares ideas and information through a series of blogs, podcasts and videos in a community called "the Vault." It's designed to be a financial information resource "direct from experts" such as Chairman and CEO Robert Atwell, President and COO Michael Daniels, and Nancy Johnson, vice president and trust officer.

5. Transparency

Right now transparency is typically a one-way street in the banking world. Customers provide every type of information for a bank to make decisions based on credit scores, income, etc., but many banking practices are hidden from customers and the public. The transparent nature of social media will eventually permeate into banking activities if they are to sustain social media activity that consumers find valuable. Already some banks like Wells Fargo have decided to post negative comments from Twitter and Facebook consumers, then respond with appropriate responses and escalation steps.

About the Authors



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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[®] 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.