

P E R S P E C T I V E

It's Banking First, Social Next



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At its most basic, banking can be defined as “the business activity of accepting and safeguarding money owned by other individuals and entities, and then lending out this money in order to earn a profit.” It’s that simple. Yet, I doubt many banks see this definition, or would believe in it, for that matter. They are more likely to think that this is an antiquated view, one no longer relevant to today’s society and the role that they, the banks themselves, want to play.

If you’ve wondered at the marketing hoopla surrounding contemporary banking, you’ll know what I’m hinting at. And now, with social media capturing the imagination of banks’ marketing departments, the noise has reached fever pitch.

In the last few years, the talk in banking circles has revolved around the importance of having a social media agenda and how those without one are at risk of being left far behind. This feeling is particularly acute in mature markets, like the United States, United Kingdom and Australia, where high Internet penetration and highly networked consumers have combined to sustain the hype and confusion around ‘social’ and the power of being in the conversation. How did banks, a traditionally conservative bunch not given to experimentation, succumb to social lure? Looking back, I can trace this to the mid 90s when marketing saw the advent of the Internet as their opportunity to re-invent banking’s image to something exciting, engaging, and more than just banking’. This vision slowly worked its way into the heart of banking, as marketing started to lead the business, and began to take visible measures to reposition their banks’ brand and the industry, which were perceived as trustworthy, stable and somewhat staid, to something that was emotionally engaging and a lifestyle choice. Over the ensuing decade, this led to the proliferation of banking products, and brand personalities moving away from being straightforward banking solutions.

And now, with the spread of the Internet and social technology, brands are no longer a one-sided marketing portrayal under the control of the organization; rather they’re the product of two-way conversations, driven mainly by their customers. Marketing’s response has been – borrowing from what Domino’s Ramon DeLeon once said – to “put out social media fire with

social media water” by using social tools to participate in these conversations and convince customers that banking is indeed exciting.

However, while ‘social’ is probably the most potent phenomenon of our times, it is not, I should think, the future of their business. As banking marketers obsess over the social opportunity, banks themselves may do well to not get distracted from their core business. And the truth is that customers think of banking as a utility business, one that plays a very important role no doubt, but like any efficient utility supplier, is best left in the background. The last thing they want to do is spend time and energy engaging with their banks or micromanaging their banking needs.

This is not to say that customers don’t discuss banking. They do. But they would rather have those conversations with family and friends or even like-minded strangers. The reason for this is that they don’t trust their banks anymore. Customers’ distrust of banks, which had been building over the years, was greatly amplified by the confluence of the recent financial crisis and the re-tweeting of customer voice around the world in seconds. Banks are making it worse by marketing to customers at in opportune moments, hard-selling products they don’t need, and engaging them in conversations that don’t interest them. And ironically, they’re using social media, along with their other channels, to propagate this agenda. But their customers aren’t listening.

This clearly tells us that banks and their customers are thinking about banking in very different ways. Banks need to bridge this disconnect by going back to the basics and doing what customers expect of them, which is to make it easy to select and use the products on offer. And they can achieve this by making sure that their proposition to customers is loaded with the following attributes:

- Simplicity
- Transparency
- Flexibility
- Availability
- Approachability

Simplicity: Simplicity is about staying relevant to customers, by offering them easy to understand

products that make good on their promises. Over the years, the fine print, variants, terms, and conditions associated with banking products have clouded them over, such that only their features but not their benefits are visible. The fact that banks are designing products for profitability rather than customer value has much to do with this. Some banks have gone so far as to create 50 different mortgages in the hope of cashing in on the long tail of their customer base, when studies show that more the choice given to customers, higher the likelihood of them making a bad selection and consequently becoming disenchanted with the service provider.

Keeping customer interaction simple is even more important. When customers contact their bank to seek help with a problem, the last thing they need is to be asked to navigate the organization until they find 'the right person' to assist them. Unfortunately, this is standard customer-service fare at most banks, served up in every channel of delivery.

Transparency: Transparency goes hand in hand with simplicity. Fees skillfully hidden behind an asterisk should either be brought upfront, or if they're not justified, eliminated altogether. Banks must also share information more openly with customers, of course, subject to the laws of the land. Banks have colossal information at their disposal, which they can convert into analysis through data visualization and other technologies, to feed their information-hungry customers. This is also self-serving because by sharing fact-based insight into how their organization, brands and products add value to customers, banks can rebuild trust.

Flexibility: Customers are right to expect that they be allowed to bank on the channels they are comfortable with. Banks owe it to their customers to keep their channels relevant, reliable and up to date. Unfortunately, while customer need and behavior has changed beyond recognition, channels haven't kept pace. Branch banking is a prime example, staying more or less the same over decades. Given that there are so many expedient self-service alternatives, it is hardly surprising that branches, in their current guise, are no longer relevant to customers. And except for a few banks such as Barclays in the U.K. or Umpqua

in the U.S. that have experimented with 'retail' formats, there's little indication that branch banking is changing to accommodate customer expectations. While what those expectations are exactly may be open to debate, it is clear that good service is one of them. However, even today, long queues in front of teller windows are a common sight, plain evidence of the disconnect between what customers ask for and what they get.

But finally, flexibility is about giving customers the power to decide how they will use the many channels of banking available to them. With the power of technology now available, banks have little excuse for the poor experience delivered to customers and the rigid boundaries they've set.

Availability: Customers expect banks to be available to them at all times, on any channel they choose. So, this is how banks must use social media - as one more channel on which customers can easily reach them, to be heard and responded to, a point that I'll come back to later.

Approachability: Isn't that another word for trust? Banks need to get the other four elements in place before they can be trusted by their customers. That means opening their doors, responding to evolving needs, and initiating a win-win dialog with them. Interestingly, retailers-turned-banks - such as Tesco and Sainsbury's in the U.K. - are doing this better than conventional banks by engaging customers, being simple, transparent, flexible and straightforward, and adapting their business to market need, setting a great example for traditional institutions.

It is only when customers perceive real value in engaging with their bank (as they do with retailers), that they may be willing to entertain conversation, seek advice, and trust again. The downside to this is that banks that run too fast to offer 'advice' (often a thinly veiled marketing message) when none is needed, or when trust is still to be won, will erode this relationship further. This is especially true for social media conversation, which banks view as an opportunity to sell, while their customers see anything but.

This aside, I believe that banking and social do have an agenda together, in which social media's role is not to market or monetize but to

listen, respond and serve. Its job is to focus on customers and on servicing their needs. This is a lot more important than it sounds.

It is apparent through observation – and studies confirm – that banking customers have little actual loyalty; inertia and the possibility of going from one mediocre bank to another, keeps them from leaving. That being said, customers will shift quickly to a bank that delivers better service. It is the one thing that customers value above product choice, channel availability and brand image. It is the one thing that banks can use to differentiate themselves and earn the trust of their customers. It's not hard to figure out what this implies for social media, if it is developed into the service channel of choice for customers.

To conclude, while the hype surrounding social media in banking may be misplaced, it has an important role to play as a listening and servicing channel. At the same time, it is not, and should not be, part of banking's central proposition. Today, banks in mature markets are paying too much attention to social banking which is distracting them from their core purpose. It's time they did a reality check, got back to banking basics and did the simple things right.

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