

P E R S P E C T I V E

Making Social Media Part of Multi Channel Strategy



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Today, the banking community is hotly debating the role and relevance of social media to its business. While it is true that banks, which are cautious by nature and need, have not plunged in, there are signs that social media has already changed the way they do certain things. Take customer communication, for instance. Many factors including the squeeze on marketing spend brought on by the recession, and the uncertain ROI, limited reach and sheer cost of conventional media have reduced banking institutions' exposure to traditional marketing channels such as print and television. Banks have also cut back on direct mail and phone campaigns for similar reasons.

But does this mean that financial institutions have stopped talking to their customers? Not quite. In fact, the intensity of communication has actually gone up thanks to the evolution of social media. Today, instead of conducting market research to understand what customers are saying, banks are tuning in to their voice on social networking platforms. They are participating directly or otherwise in social forums to gain firsthand feedback, catch emerging trends or spread viral marketing campaigns. Some, like Wells Fargo, have established their own social communities where customers can interact with each other and the bank; avail of a financial management facility; play educational games; and resolve issues. Apart from adding value to customers, such initiatives also benefit banking organizations in several ways – for instance, allowing them to feel the market pulse or seek inspiration for innovation and product development.

In parallel, non-banking entities offering personal financial management, and financial planning and advisory services to banking customers have started to emulate other social-savvy industries by reaching out and connecting to a wider audience through social media. In this way, they are ready with a solution when they find prospects or customers consulting their peers on financial matters in social networking sites.

While these are exciting developments, it is clear from the above examples that social media is still only a channel of communication for banks, rather than a channel of banking. This paper explores the need for banks to accept social

media as another channel and accord it 'full member' status in their multi channel strategy.

But first, is 'social media' really a channel?

Not to the older generations who have been brought up on branch banking perhaps, but certainly to Generations Y onward, which seek to conduct as many of their daily activities as possible online and within social networks. To them, banking is just one more chore, like learning, sharing, deciding or purchasing, to be accomplished online. Indeed, some forward thinking banks have created virtual representative entities on social networks to connect customers to the bank directly from the networks itself. The idea of accepting a Facebook or Twitter identity as customer identification (pretty much like the mobile number is today) is already doing the rounds. Hence, the day when a customer can send a balance request to his bank while on Facebook, be authenticated automatically, and receive the reply in his secure inbox, is not that far way.

And now, the reason why social media must be part of banks' multichannel strategy.

The reason that banks pursue a multichannel approach is twofold: they want customers to enjoy unified experience and the organization to have full visibility into customer activity across all channels so that they can service them equally well on any. But, by using social media only to communicate with customers without incorporating it into their portfolio of multiple channels, banks have not been able to translate their multichannel intent into reality. To remain successful in future, banking multichannel strategy must positively factor in two-way customer interaction leveraging the social medium, which would enable banks to strengthen their relationship with customers. That being said, multichannel strategy will only reap the benefits of social media if it is blended in as a key component.

Therefore, what banks need to do is connect social networks to all their channels, including the branch, ATM, kiosk, call center, Internet and mobile banking, to open up new frontiers for customers to communicate with each other and society at large, and they themselves must be

part of those conversations to pick up market insight and feedback on their services, quickly and cost effectively.

In recent times, financial institutions that are into micro-payments and lending have also started to make good use of social channels. Here too, enabling the model with a social media component would only strengthen the entire micro-payment and lending process. This is because microfinance also works on a multi channel model - from the time that customers are brought on board until the time they are given the loan, they interact with the financing institution directly or through business correspondents and other agencies.

While low cost and expedience are among the principal benefits of social media, they are not the only ones. When they surveyed several banking institutions, a research firm found that many respondents believed that integrating social media into their multi channel strategy had contributed to topline revenue growth.

Moreover, social media also alerts banks to imminent negative developments. This is because unhappy customers share their unpleasant experience with friends and peers online, much before they do so with their bank, if at all. By being present in those channels, banks might have a chance to fix the damage before it becomes public. At the very least, they would get to know about what's coming, directly, rather than hear of it from third party sources when it's probably too late.

How must banks approach their social media-enabled multi channel strategy?

To think that social media is more relevant to some channels such as online or mobile banking than others, is incorrect. First of all, a truly multi channel approach does not differentiate between channels. Second, channel strategy is most effective only when it encompasses all touch points equally. The benefit of according social media status equal to any other channel is best illustrated with an example. Say that a bank is running a marketing campaign for a particular product. It can tailor the campaign to the needs of the target customers if it already knows their preferences and expectations from

their conversations in social media. On the other hand, if it does not have this information, it would have to run the campaign on instinct, which could be a risky and costly proposition.

Once banks decide to adopt social media within their multi channel strategy, they must implement it correctly by ensuring that customers are provided consistent, relevant and contextual experience on all channels. But for that to happen, the same information must be available to all channel solutions. At the start of this millennium, channels solutions supporting kiosks, branches, call centers, and ATMs etc. were hardwired so that information could flow from one to the other; these were not capable of providing a common customer view, nor did they carry context and relevance across channels. Since 2010, the multi channel concept has been strengthened by integrating channels instead of hardwiring them, and providing information about customers' accounts, preferences and previous interaction at a layer that is commonly available to all channel solutions for consumption.

The previous multiple channel strategy was driven by technology vendors, whereas the current multi channel strategy is led by banks, who are insisting that the context and content of every transaction be exposed equally to each channel.

Going forward, multi channel strategy will evolve into a universal channel strategy, spanning all channels of all banks where customers hold accounts. Customers can use the 'window' of their principal bank to see an aggregated view of all their accounts at other banks. In other words, universal channel strategy will be independent of platform, products, services and banks, and its integration will be more intelligent and interactive compared to that of multi channel strategy.

Again, this is best explained with an example. Say that a customer wants to withdraw cash during an overseas trip. He logs into his mobile banking service to find the closest ATM from which he can take funds out of his account in his home country. If the channels are intelligently integrated, mobile banking will immediately pinpoint his current location and accordingly suggest the nearest ATM. If social media is also

integrated, he will be able to reach out to his peer community from his laptop and even talk about the good experience he had with the bank!

The flip side to social media-based communication and interaction is that it carries an element of risk arising from fake sites, as well as the possibility of a breach of confidentiality. Banks must establish sound security mechanisms and customer education programs to prevent such mishaps.

Finally, social media enabled multichannel strategy cannot be drafted in sequence or silos; it must mesh seamlessly with the banks' overall customer acquisition and retention strategy.

Banks would need to create a social media strategy as the drivers of this strategy could vary based on customer segment and age. Banks driving their business strategy to acquire and retain more customers and build relationships must have convergent social media and multichannel strategies.

Summary

Social media has much to offer banks. It enables them to connect directly with customers and prospects, understand market trends, gather positive and negative feedback, and gain

other valuable insights. Although social media is primarily being used as a channel of communication by banks, it has the potential to become a key component of their multi channel portfolio. That will happen only when banking institutions link social platforms to their other channels, so that customer information and context is available equally on all. At the same time, social media strategy must align with banks' overall customer acquisition and retention initiatives.

Although social media promises several benefits, it also carries security risk. Therefore, banks must provide watertight protection to their social platforms, as well as educate their customers about prudent social media usage practices.

That being said, banks that have adopted social media as another banking channel believe that it has contributed to topline growth. This is one more argument in favor of what is already an interesting proposition.

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