Many of the world’s most successful organizations rely on Infosys to deliver measurable business value. Infosys provides business consulting, technology, engineering and outsourcing services to help clients in over 30 countries build tomorrow’s enterprise.

© 2011 Infosys Limited, Bangalore, India, Infosys believes the information in this publication is accurate as of its publication date; such information is subject to change without notice. Infosys acknowledges the proprietary rights of the trademarks and product names of other companies mentioned in this document.

For more information, contact askus@infosys.com

www.infosys.com

IN THIS ISSUE
- Harnessing the Power of Social Media in Financial Services
- The Facebook Phenomenon: How to use existing Social Media to Better Engage Consumers
Preface

From the Editors’ Desk

01. Harnessing the Power of Social Media in Financial Services 05
02. The Facebook Phenomenon: How to use existing Social Media to Better Engage Consumers 11
03. Designing New Financial Products for the Social Banking Age 19
04. Improving Customer Advocacy: How Banks should use Blogs, Ratings and Reviews 25
05. Moving from Managing Customer Relationships to increasing Customer Engagement 29
06. Banks: To Tweet or Not to Tweet? 37
07. Overcome the Social Barriers in Retail Banks 47
08. Corporate Banking and Social Media - a Paradox? 57
09. Emerging opportunities in Capital Markets 63
10. Supporting the Enterprise: Social Media can make the difference 69
11. Developing Insights from Social Listening and Social Analysis 75
The growth of social networking offers several opportunities for banks—viral marketing, co-creation of products with consumers, providing self-help and co-operation through forums, and more. Social networking also offers opportunities for designing and offering new financial products and services not previously possible or feasible.

With banks not having much of a choice today but to join their customers as they go forward with social networking, let us look at the potential offered by social networking, and how banks must leverage the opportunities available to design new products and services around social networking. The idea is not merely to link financial products to social networking in some way, but to really understand the potential that social networking offers and use that potential to define new products, or variants of existing products with an entirely new flavor.

Social networking offers a unique ability for established bank brands to think fresh and redesign or enhance their offerings to attract customers across generations. While social banking may not transform customer banking habits overnight, the onslaught of social networking is redefining the customer interaction. Banks that understand the scope and potential of social banking and financial social networks, have a much better chance of adapting themselves to the demands of modern times. Once banks start involving themselves with customers they get access to:

1. a dynamic network which keeps on growing (or shrinking),
2. the ability to record, monitor, and analyse social interactions, personal preferences and behaviour, and
3. instant feedback and reaction—instant communication from any device.
A banking product today undergoes the following life cycle (refer to Figure 1 for “Banking Product Life Cycle”). Social networks have given customers a powerful platform, enabling them to air their perspectives (positive or negative) to organizations. Banks can benefit from this medium if they can use it to co-create—harnessing the customer experience to fashion new products and services that the customer wants. Appropriately, designing a financial product for a social networking world will call for using social networking at all stages of the product life-cycle:

While the use of social networking at all stages of the product development lifecycle itself is an innovation which has yet to see strong adoption amongst the financial sector, it is something that the manufacturing and retail businesses around the globe have already played around with. For example:

**SteelMaster** - A manufacturer of pre-fabricated steel buildings, SteelMaster explored a completely new market by using social networking. Their Facebook page gave opportunities to customers from the untapped market such as chicken farms and woodworkers, to look at their steel solutions in a new light with fresh solutions to their problems, thereby opening doors for a completely new segment.

**Nokia-Maemo** - Nokia promotes an independent community of over 22,000...
developers who are constantly working on making the open source-based Maemo platform better. The community of developers works with open source tools and processes and helps develop new software for both the platform and on top of the platform. The unique thing about this initiative is that Nokia did not create a new community, but enabled an already popular community.

Lenovo – Lenovo enables their customer community to suggest changes to their existing product range, thereby helping to extend the life of a product and at the same time being more useful to their customers.

Stylefactory – A furniture manufacturing company, Stylefactory allows their prospects, fans and customers to vote on their designs before they take them to production. Once enough people have promised to buy the object, it goes into production, thereby not only ensuring a customer preferred design, but also discovering committed customers before the product is launched.

Dell – Dell uses the Ideaforum customer community to get ideas from their customers and also to improve their products by conducting surveys to find out customer views about new initiatives. This allows Dell to gauge customers before they launch their products.

Fiat – In Brazil, Fiat called upon customers and interested fans to help them build a new car—the Fiat Mio. Fiat built a web platform to gather inputs and received as many as 10,000 suggestions, around size, environmental specifications and entertainment options.

Kaboodle – Kaboodle is a social shopping site that enables customers to look for products that are being searched by other customers too, share their search, and co-shop with shoppers across geographies. Customers can make recommendations to each other as they discover new products and deals.

Social networking allows banks to connect with their customers, products and services being at the core of each of these initiatives.
Building Products with Social Networking in the Banking Space

Traditional banking players are considered intimidating institutions lacking a personal touch; this provides an edge to social bankers. Financial planning and investment advisory is another area of service that is quickly catching on in the social banking space. By the end of this decade, social banking organizations are expected to capture a sizeable market for retail lending and financial planning across the world. What follows are some innovative ways by which banks can turn the threat from non-traditional players into an opportunity and use social networking to reach out to Gen Y. An interesting observation here is that instead of attempting to copy the social banking style to the letter, banks can explore the idea of partnering with financial social networks offering services such as peer-to-peer lending, payment services from social network sites, and financial and investment advisory.

- **Social Lending**: In a social lending model, the bank merely acts as an intermediary. One customer lends to another customer. The financial institution facilitates the process of publishing the need, attracts others to lend, and aggregates the lenders. For example, Prosper.com is a site that facilitates the auction of personal loans enabling people who can afford to give loans to compete with each other to lend their money at rates they desire. People interested to borrow can put their needs on the same portal along with the rates that they can afford and the amount they are looking to borrow. This allows lenders to bid for the amount they can lend. On similar lines, Zopa provides an online money exchange service, where people who do not want to use their own money in savings accounts, can borrow loans from others who in turn bid by looking at the amount needed and the acceptable lending rates.

- **Community Products**: These products are designed to involve the community, though they are owned by individuals or a group of individuals. As an example, consider a marriage savings account where friends, relatives, and others are invited to contribute to reach a target amount so that the couple can afford a larger or more extravagant wedding.

Chase uses social networking to promote its corporate philanthropy crowd-sourcing initiative, encouraged by over two million hits on its Community Giving Webpage in response to its first campaign on Facebook. The interesting point here is that Chase did not created a community, but uses
already existing social networking platforms such as Facebook to increase awareness of their service.

- **Spend Comparison Products**: Banks can take a clue from spend analysis products such as Bundle which allows customers to analyse their individual spends across shopping, household, entertainment, and fuel with people across cities and regions. While this may not be of direct interest to customers to buy products, it provides a great opportunity for banks by simply looking at the customer spend insights. They can create personas enabling them to sell new services or products to the customers, and at the same time take data to analyse the fitment of services according to the regions.

A step ahead of Bundle is an offering from Mint, a personal finance manager, that pulls customer transactions from various accounts—be it credit cards, checking accounts, or PayPal. Apart from regular banking transactions, Mint also supports hundreds of other accounts including the ones from Macys, and other store cards and investment accounts. Apart from showing how much you spend across various sections, it also shows you how you can save; their “Ways to Save” page targets affiliated advertisements from various banks. They also track customers’ investment and suggest changes, if any, through their own tools, empowering customers with the right mix of investment tools across banks. Banks can look at a model such as Mint to increase their revenue per customer, at the same time providing customers with the right tools to manage their finances more effectively.

- **Split Money**: Personal payments are not easy. You paid for lunch and now need to divide and recover it from your friends equally. In such circumstances, banks can step in and make it easy by reaching out to involved parties and offering a variety of payment options. Obopay, a mobile payments company, offers a solution in this space—customers can split a paid bill just by sending messages to the person who took the cheque. This has also been extended to the scenarios where college students split their room rent, payment for books, etc. An extension of the above is another offering called Friendfund. Friendfund allows a user to pick a recipient from his/her Facebook or Twitter contacts, state the reason for the payment request, and, once everyone is on-boarded, the friends can be invited to make contributions to a gift pool.

- **Community Funds**: This consists of savings and investment products where individuals invest their funds, and these in turn are reinvested by the bank using community preferences rather than advice from Financial Advisors and Fund Managers. The community invests and the community decides how the funds are to be invested. The aggregate or average vote of the community on a real-time basis is used to reinvest and optimize the portfolio at periodic intervals. In short, the bank enables the community to make investment decisions and monitor the portfolio performance, while offering professional advice, sensible circuit breakers, and risk management and compliance restrictions.

**Challenges**

There are a host of other challenges, as enumerated below, which are delaying banks’ aggressive entry into social networking.
Banks, traditionally, have been averse to risks, given the fact that they are custodians of public money.

The very first trait of the consumers of today is that they are open to risks, they do not hesitate in trying new products, they do not stick to brands, and believe in moving to better products and services as they discover them.

Product strategy is more internally focused, with research more through own capacity, taking a longer time to come out of banks.

Consumers today want products or solutions to problems as they occur, in real-time, and with real-quick benefits, faster turnaround, and impact.

Banks have always kept their works, be it about launching new products or services.

Consumers today believe in creating, and buy products that are built on co-creation method, thereby bringing in the wisdom of brains across a larger set of consumers and developers.

Banking information was all these days the responsibility of banks, and they did for a long term serve as the only source.

Consumers today believe in taking help on information from peers, at times unknown consumers like them who may at times be in a different geography altogether.

**The Way Forward**

Banks can look at the various inventions in the recent past, and as categorised in the examples in this article, look at various phases of involvement:

- **Phase One**: Take the example of Chase, where the community products ride on top of an existing popular social network, with little investment from the bank.

- **Phase Two**: Take the example of Zopa and Prosper, where banks can play the role of custodian and enable customers to deal amongst themselves; the banks can help develop deeper relationships within this community of lenders and borrowers.

- **Phase Three**: Where banks can go beyond their normal sphere of service and engage with customers to help them achieve better returns on their investments by introducing them to better deals through platforms such as Mint and Bundle. Banks can also look at opportunity areas where customers are enabled to look beyond their own set of portfolio products.

**Conclusion**

Designing financial products for the social networking age is a new ball game that banks and financial institutions have yet to master. Just as internet banking and mobile banking have taken time to gain wide customer acceptance and bank adoption, these next generation, social networking-driven financial products will slowly but surely take root and flourish.
Many of the world's most successful organizations rely on Infosys to deliver measurable business value. Infosys provides business consulting, technology, engineering and outsourcing services to help clients in over 30 countries build tomorrow's enterprise.

© 2011 Infosys Limited, Bangalore, India. Infosys believes the information in this publication is accurate as of its publication date; such information is subject to change without notice. Infosys acknowledges the proprietary rights of the trademarks and product names of other companies mentioned in this document.

For more information, contact askus@infosys.com

www.infosys.com

IN THIS ISSUE
- Harnessing the Power of Social Media in Financial Services
- The Facebook Phenomenon: How to use existing Social Media to Better Engage Consumers