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SOCIAL MEDIA

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

FINsights

Technology Insights for the Financial Services Industry

THE RISE OF SOCIAL MEDIA IN FINANCIAL SERVICES - BALANCING RISK AND REWARD
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The Facebook Phenomenon: How to use existing Social Media to Better Engage Consumers

The financial services industry has undergone a radical change, as today’s customers are online, networked, well connected and embracing Web 2.0 applications. This shift in customer behavior has forced banks to rethink their strategies, and slowly but steadily build their presence on social networks, in order to understand their customers better. The buzz around adoption of social media by the banking industry is on the rise and this trend is expected to continue. The industry focus has shifted from ‘customer service’ to ‘customer engagement’ and social media is the new way to engage customers. Social media helps banks to build and maintain relationships with existing and prospective customers. Usage of social media not only opens another service channel for the bank but also helps in educating them. Banks should realize that social media is here to stay and leverage it to engage their customers better.

Shift in Financial Services Industry

The financial services industry is experiencing a transformational change. Banks are reassessing their business models and customer preference is moving toward an interactive banking experience, restructuring the way the financial services industry operates. Growing broadband penetration, comfort with online security and new communication tools are encouraging customers to spend more time online—changing the way customers connect with banking institutions. Other factors, like non-financial players penetrating the traditional banking model, are posing a big threat to existing players and changing the way banks deal with their customers. The major forces making this shift happen are Customers, Competition, and Communication Channels, as highlighted in Figure 1.
Evolving Customer Behavior

Today’s customers are spending more time online and their online needs have shifted. This increase in online usage and demand for a functionally rich, interactive experience has led to a shift in the financial services landscape.

Entry of New Players

Non-traditional competitors from the retail, telecom, and healthcare industries are grabbing the existing financial services market share and also expanding the marketplace with new services and offerings. Retailers such as Tesco and Wal-Mart have used their brand name and wide customer base to enter the financial services market. Telecommunication players are targeting the unbanked market share—making the banking landscape more challenging.

New Communication Channels

Today’s customer expects more customization and interactivity. Banks are embracing Web 2.0 technologies—Social Applications, Podcasts, Widgets and Mashups—to meet these customer demands in a better way. Web 2.0 technologies are shifting banks’ focus from traditional communication channels to new communication platforms. Traditionally, it was a two-way communication between the company and the customer, but these new platforms have made the communication level more interactive (i.e. customer to customer and customer to company).

These three shifts in the financial services landscape are forcing banks to reassess their banking model and focus more on engaging customers. Today’s customer engagement model is more ‘social’ in nature as highlighted in Figure 3.

The focus of banks has shifted from merely attracting customers and pushing products,
Growth of Social Media

- 517 Million Facebook Users
- 700 Billion Minutes Spent on Facebook Monthly
- 90 Million Tweets per Day
- 165 Million Twitter Users

Shift in Customer Engagement Model

<table>
<thead>
<tr>
<th>Shift focus from</th>
<th>Shift focus to</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attract and engage customers</td>
<td>Earn trust, build relationships and generate advocacy</td>
</tr>
<tr>
<td>Push products to customers</td>
<td>Enable transactions by empowering communities</td>
</tr>
</tbody>
</table>

- Banks run promotions and campaigns to attract and engage customers
- Products/Services are pushed to customers, irrespective of the benefits for the customer
- The key focus of the bank is to retain the customer at a minimal cost
- Banks are creating relevant content and services, that are beneficial to communities, which help in building trust based relationships and advocacy
- These communities act as forums to interact with customers/prospects, build brands and enable transactions
- The key focus of the bank is to empower communities that will leverage social networks for social commerce

Social Media in Financial Services Industry

Initially, most banks were of the view that having a Facebook or a Twitter page is what social media is all about. But as the industry’s focus shifted from ‘customer service’ to ‘customer engagement’, banks not only started laying down elaborate social media strategies, but also aligning them with future business plans. Banks need to identify their social media objectives and match them with the suitable delivery mechanisms. The table below gives the mapping of social media objectives to various delivery mechanisms and some specific examples.

To engage them, earning trust, building relationships, generating advocacy, and enabling transactions by empowering communities.

Banks have realized that social media is an effective tool to attract and retain customers. The current generation of users has also taken social networking sites and other social media platforms at a breath-taking pace, and the number of users adopting the social platforms is growing at a rapid pace (refer to Figure 4).

To take advantage of this huge potential, banks are launching their own social media initiatives, for example, having a presence on social networking sites (Facebook, You Tube, Twitter, etc.), creating community forums, etc. Today, social media initiatives have become a vital cog for banking firms to engage directly with customers of today and tomorrow.
Social Media and Customer Engagement

Social media helps banks to build and maintain relationships with existing and prospective customers. Usage of social media not only opens another service channel for the bank, but also helps in educating them.

Social Media Objective

- Increase the brand awareness and market its products and services to existing and new customers
- Provide Web 2.0 as another channel of delivery which should compliment with other online and offline channels
- Understand the preferences and needs of customers and provide customized products based on insights
- Listen to customer’s complaints and difficulties and respond to them effectively

Examples

- To increase customer advocacy and brand awareness among small businesses, American Express OPEN has launched a ‘Big Break’ Contest for Small Business, where participants need to fill a short questionnaire describing how they would utilize competition’s winning to better their business
- New Zealand’s ASB bank launched a virtual branch on Facebook, where customers/non-customers can chat with the bank staff on a real-time basis. The virtual branch is expected to compliment with ASB’s existing Internet banking services
- Danske Bank is leveraging Facebook to improve its mobile banking application, where-in they have invited users to submit ideas on features and design for the mobile banking application
- If customers have a question for Wells Fargo, they can use Ask_WellsFargo to get a quick response to their query

Building and Maintaining Relationships: Retaining existing customers and acquiring new customers is becoming a big challenge for banks. Hence, banks have created forums, either on their own websites, or on third party websites, where customers can engage with each other and the bank. Customers get instant answers to their queries and also share their

Customer Engagement Objectives

The underlying objective for banks to tap social media is customer engagement.
For students who need information regarding financing their education, Wells Fargo has started a conversation named The Student LoanDownSM. The blog provides information on the financial aid process, and individuals share their own experiences with respect to education financing.

Other blogs include Wells Fargo Environmental Forum, AdvantageVoiceSM Blog (Investment News and Economic Insights), Guided By History Blog, Wells Fargo - Wachovia Blog, etc.

For example, the Beyond Today Blog is a place that addresses retirement concerns. Individuals share their retirement goals, ask queries related to retirement, and bloggers who are industry experts share their thoughts on such topics.
To engage viewers and create brand awareness, Wells Fargo had also launched a Center Stage in the Rose Parade video contest, where contestants needed to download a song provided by Wells Fargo, and create the best version of the song. People were asked to vote on their favorite videos, and the winning video was aired during the 2008 Rose Bowl.

Wells Fargo is the first to have a Second Life presence. It has launched Stagecoach Island Community which is an online virtual world where users can connect with their friends, and at the same time learn to manage money.

- Another Service Delivery Channel: Today, banks consider social networks as another service delivery channel that provides answers to the queries of customers in real time. Instead of visiting a branch, the customers can connect with the banking personnel on micro-blogs. In cases where account-specific information is required, the customers are contacted privately by the bank.

Wells Fargo provides real-time assistance and helpful tips to its customers on its Twitter page.

Wells Fargo has a dedicated group responsible for implementation and monitoring of its social media initiatives. The group constantly follows the comments and posts submitted by the consumers. It also measures the overall sentiment of the bank as calculated by consumer posts on various social networks. The bank’s constant endeavor is to implement social media initiatives that allow it to engage not only with its existing customers, but also with its potential customers.

recent news, etc. The customers can read and view the content and also provide their feedback and comments.

For instance, within YouTube, Wells Fargo has three different channels:

a) Wells Fargo YouTube channel covers the bank’s history, recent TV commercials, product information, latest news, etc.

b) Wells Fargo’s Small Business YouTube channel features videos that share best practices and strategies to run small businesses successfully.

c) Wells Fargo Commercial Channel broadcasts information on commercial and wholesale banking services.

Source: http://www.youtube.com/user/wellsfargo

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The table given below gives a snapshot of the social media initiatives at Wells Fargo.

<table>
<thead>
<tr>
<th>Social Medium</th>
<th>Name</th>
<th>Metrics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>YouTube</strong></td>
<td>Wells Fargo YouTube channel</td>
<td>Channel Views: 258,616</td>
</tr>
<tr>
<td></td>
<td>Wells Fargo’s Small Business YouTube channel</td>
<td>Total Upload Views: 287,569</td>
</tr>
<tr>
<td></td>
<td>Wells Fargo Commercial Channel</td>
<td>Channel Views: 10,089</td>
</tr>
<tr>
<td></td>
<td>Total Upload Views: 19,061</td>
<td></td>
</tr>
<tr>
<td><strong>Twitter</strong></td>
<td>Ask_WellsFargo</td>
<td>Followers: 6,966</td>
</tr>
<tr>
<td></td>
<td>Tweeps: 12,329</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Wachovia</td>
<td>Followers: 8,563</td>
</tr>
<tr>
<td></td>
<td>Tweets: 6,373</td>
<td></td>
</tr>
<tr>
<td><strong>Facebook</strong></td>
<td>Wells Fargo Careers</td>
<td>5,613 people like this page</td>
</tr>
<tr>
<td></td>
<td>Wells Fargo History Museums fan page</td>
<td>2,438 people like this page</td>
</tr>
<tr>
<td></td>
<td>Stagecoach Island virtual community</td>
<td>607 people like this page</td>
</tr>
<tr>
<td><strong>Blogs on Wells Fargo website</strong></td>
<td>Beyond TodaySM Blog</td>
<td>NA</td>
</tr>
<tr>
<td></td>
<td>Wells Fargo Environmental Forum</td>
<td></td>
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<tr>
<td></td>
<td>AdvantageVoicesSM</td>
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<td></td>
<td>Guided By History®</td>
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<tr>
<td></td>
<td>The Student LoanDownSM</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Stagecoach Island® Community</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The Wells Fargo - Wachovia Blog</td>
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</tbody>
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Note: Metrics as of 18th April, 2011

**What Should Banks Do?**

The majority of banks is enthused by the imminent potential of social media and what social media can do to attract and retain customers. To deepen their engagement with customers, banks should:

- Have a clear objective of what they want to achieve from their social media initiatives
- Create a specific group or position within the marketing function, or separately, for implementing and monitoring the social media strategy
- Communicate with customers in a polite, clear, and honest way. Listening to them and providing useful results via social media tools is of utmost importance
- Publish user guidelines for customers to make them aware of the do’s and don’ts while engaging on the public forums related to the bank

- Focus on virtual communities to build and maintain relationships. Target their social media efforts on specific market segments to offer customized products and services
- Invest more in social media analytics, social network analysis, social media monitoring, and social intelligence, as these applications will help banks to be proactive in understanding their customer needs and in providing need-based services to their prospective and existing customers

**Conclusion**

Banks have realized that social media is here to stay and in reality, has become an important aspect of their marketing strategy. There are no clear winners and losers in the pursuit to create a social media presence as yet, but success will be achieved by the bank that patiently listens, positively reacts and efficiently engages its customers.
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