

Sizing Up Banks and the Social Media Marketplace

Introduction

A number of Web tools have been developed to foster communication and generate online conversations by enabling the sharing of ideas, insights, experiences, perspectives, and media. Inexpensive or free social media tools like blogs, forums, podcasts, wikis and social communities provide a means for individuals and companies to achieve great reach and depth across the Internet. Twitter, Facebook, LinkedIn, YouTube, and MySpace are among the more popular social networking sites driving this increased reach.

Banks are slowly developing strategies to leverage and harness the power of social media. However, the reasons for their use differ based on the bank's size. Large banks use social media to be more personal with their customer base, whereas small banks use social media to appear larger. This article provides an overview of how banks use social media.

What are they trying to achieve?

The primary goal of banks entering the social media space is customer engagement. A study of the banking industry has revealed that banks use social networking to secure new customers and to maintain and develop existing customer relationships; they also want to use networking to represent their banks in community, professional and trade organizations and to procure market trends and competitive information.¹

The primary objective, of course, is to provide a compelling experience that both drives new customers to the bank and gives existing customers a reason to stay.

Both large and small banks are trying to use social media to build relationships with their customers. However, their sizes and past experiences mean they are looking to use social media for different purposes. Large banks have had the financial resources to take advantage of traditional media, and have therefore excelled at marketing and promotion, while creating strong brand recognition. Social media provides the large banks an opportunity to "get small" and engage in the individual communities they serve. Smaller banks, on the other hand, tap into the power of social media to extend their reach, empower their communities and continue to differentiate their capabilities in relation to the big banks that are "too big to care."²

Community Building

Large banks are generally not perceived as being strong in building communities around their brand, or products and services. They are thought of as impersonal, unfriendly bankers in pinstriped suits with the power to approve or deny personal loans or mortgages.³ However, banks want to change that image by engaging their customers, focusing on customer service and their customers' experiences, and adopting the personality of the people they serve. Social media, and the opportunity for a conversation that it provides, really helps to make financial services more approachable.⁴

For example, Bank of America has focused its social media efforts on creating an online community of small-business owners across the country. This community provides a place where small-business owners (50,000 in 2009⁵) can connect with one another and help answer one another's questions. "Our goal is to partner with small-business owners across the country to help them achieve their dreams of owning and operating a successful business." (Small Business Online Community, Bank of America)

Citigroup is another large bank using social media to build a community around its brand. That said, some divisions within the bank have shown they can be more independent, adept and innovative than others. Citi Credit Cards, for example, has launched a campaign through the Facebook network.

Their “Make a Difference, One Friend at a Time” program combines the friends in a customer’s network with charitable giving, promising to donate \$50 to the charity of a customer’s choice for every approved credit card application referred through a customer’s social group.⁶ This effort to tie brand awareness to charitable causes appeals to the Card unit’s customers and prospects, and demonstrates the bank’s capacity to engage in activities serving the public interest.

Smaller banks, such as credit unions and community banks, have also gotten into the social media game. These banks exist largely to serve a specific geography or specific industry or interest group. The sense of community that binds the customers of these smaller banks enables them to extend their presence and establish broader virtual communities using social media. These community-led institutions tap into the same sense of community online as they do in the real world. They may even find it easier to participate in the conversations and interactions that take place in the social media space versus the physical world. Whereas larger banks have tighter control over their brand and related communications, smaller banks can generally interact more freely and quickly in channels that empower “the voice of the customer.”⁷ “They’re smaller, nimbler and they can get these things out the door.”⁸

Small banks can benefit from tapping into the power of online communities. Social media offers access to additional, online communities that small banks can utilize to determine the market’s wants and needs. Embracing social media enables banks to interact with customers in venues where those customers already feel comfortable. Banks can react swiftly to chatter and, by opening up a two-way conversation, can develop stronger customer connections. For example, in online communities, banks might become aware of a complaint that a customer would never have voiced directly to a bank employee. This enables a bank to let customers know that it values them and their business. It also allows the bank to resolve the problem in the venue where the customer initiated the complaint.

Digital Marketing and Promotion

As banks seek new channels to reach a broader customer base, many are turning to social media to benefit from digital marketing. Digital marketing achieves results not attained through traditional media. These results include less expensive and more direct access to customers, narrower market segmentation, and the ability to gather more specific information about the market.

Social media allows banks to be where their customers are. Wells Fargo leads the pack with a presence in many of the social media channels. “Every day more and more of you are using social media to connect, communicate and learn, and we are here to help. What else would you like to see? And how can we do more? Let us know.” – Wells Fargo blog

Wells Fargo has four blogs (WF Environmental Forum, WF-Wachovia, Guided by History, Student LoanDown), three YouTube Channels (Wells Fargo channel, WF Business channel and WF Commercial channel), and two Twitter accounts (@Ask_WellsFargo and @Wachovia). They have a strong Facebook presence, including Stagecoach Island, “an online virtual

Wells Fargo: A Market Leader in Social Media Usage⁹

- First U.S. bank with a blog
- First bank with 2, 3, and 4 blogs
- First bank with a student loan blog
- First bank with a business banking blog
- First bank in the world with a Second Life presence
- First bank on MySpace
- First bank with an avatar persona on MySpace
- First bank with a VP involved in Social Media (who is proactively reaching out to the blogging community)¹⁰

world." Members can explore the island and its hidden secrets, connect with friends and make new ones, and at the same time learn smart money management." Wells Fargo estimates it has reached millions of visitors, and has hosted thousands of conversations.¹¹ They believe the experience gained by Gen Y members from visiting these sites has influenced many who represent a critically important demographic segment to become customers.

Bank of America also launched its Twitter channel, @BofA_Help, earlier this year, and assigned a single employee to "tweeting." It is estimated Bank of America's Twitter feed has attracted 3,000 followers, who in turn influence three million followers of their own.¹² Bank of America has now expanded beyond its sole tweeter to a broader "social media" team of five people who scan their blogging site for mentions of Bank of America, especially when people have problems or complaints. This team reaches out directly to customers to try to resolve issues. Their goal is to listen, respond and engage with customers who have problems, essentially extending the bank's reach and becoming a part of various communities.¹³

Conversely, small banks have no problems convincing community members that they belong; the hard part for them is getting word out about their products and themselves. Social media provides an affordable way for community banks to do this and compete more effectively against large institutions with fat marketing budgets.¹⁴ Banks can conduct inexpensive research through blogs, Twitter conversations, and other social media to improve products and streamline processes. Ideas can be shared with others using social media channels, providing a way to create value for customers that requires only a small investment. For example, Nicolet National Bank, a community bank in Wisconsin and Michigan, shares ideas and information through its blogs and audio and video podcasts on a community hub called The Vault.¹⁵ The Vault posts blog entries and podcasts from bank executives, and invites readers to comment. One blog addresses current trends in the industry, for those interested in a "local take" on the crisis. Another focuses on financial tips for consumers, without heavy product plugs. The intent is to get customers to think of the bank as a partner in their lives, not just a place to keep their money.¹⁶

Conclusion

Banks are slowly making a concerted effort to integrate social media into their customer channel strategy. Unfortunately, research shows that financial institutions still have a long way to go to penetrate the social media market. Only 4 percent of consumers have visited a financial institution's page on a social networking site.¹⁷ However, in a survey of representatives from financial institutions, the majority of consumers responded they would go first to independent community discussions before going to the bank itself.¹⁸ They are more likely to use social media first to ask other customers about their experience with a brand, or research general customer satisfaction, rather than engage with the brand directly. Social media offers access to unfiltered customer opinion and creates opportunities to leverage user-generated content into novel and valuable new publishing vehicles.¹⁹

If used properly, social media can enable banks to improve customer and community engagement, customer satisfaction and ultimately customer revenue.

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Eve Chin is a Senior Manager in the Financial Services Practice at Hitachi Consulting; she can be reached at (415) 205-6197 or EChin@hitachiconsulting.com. Stanley Lam, a Consultant at Hitachi Consulting, provided research support for this article.

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