



cutting through complexity

Social media in financial services

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FOREWORD

Social media has emerged as the platform that will decide many of the winners of tomorrow's connected enterprise. In the area of financial services, initial initiatives saw banks seeking to understand customer opinions about bank products and service experiences. Later it evolved to a more proactive role of responding to customer feedback quickly. Today the needs and uses are clearly left to the imagination of the most fertile mind as banks the world over work overtime to develop the Connected Customer Strategy.

With India having a strong base of young (below the age of 35) social media users numbering more than 35 million, and showing signs of growing to 66 million in less than two years, this is clearly a segment that represents in many ways the customer of the future. Banks will have to develop a channel and interaction strategy that is able to address the needs of a diverse set of customers with their own set of preferences and demands. By understanding the forces underlying social networking interaction, banks will be able to craft their interaction strategy with both their current and future customers.

The always connected "tweets" or "wall posts" or "profile updates" tell a lot about the customer and their preferences - their choice of products, their demographic, political and social underpinnings, their location, their marital status to their taste in music, books, cars, vacations, food and so on. Be it Facebook, Twitter, LinkedIn or Pinterest - to a social anthropologist the endless amount of available data allows the crafting of customer profiles with a level of detail that would have been unthinkable even a couple of years ago. The availability of advanced analytics, abundance compute power and cheap storage, advanced search and scanning capabilities will allow a bank to offer not generalized but truly customized offers to their customers. Successful banks will be able to take customer delight and satisfaction to new levels provided their underlying operating models can keep pace.

Lastly as banks craft their Connected Customer Strategies, they will have to look beyond traditional routes of social media to understand and leverage the impact of location-based apps. A new wave of startups, including Highlight, Zaarly, TaskRabbit and Localmind, drawing on smartphone location data will deliver a range of social, commercial and informational experiences – as a bank's CEO you will have to address the diverse needs of your employees and customers from an experience, innovation, and delight perspective – while preserving the trust and security they have come to expect from your financial institution. Read this study to fully understand the opportunity that is before you as the world evolves and becomes more connected and intelligent than ever before.



Sunny Banerjee
Partner and Head
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Mainstream media

Mainstream media are large distribution channels, which represent what the majority of the consumers are likely to encounter. It also denotes those channels which reflect the prevailing currents of thought, influence, or activity. Mainstream media generally constitute television (Audio Visual Media), radio (Audio Media) and newspaper/ magazines (Print Media).

Social media

Social media are media for social interaction, using the highly accessible and scalable web and mobile technology to turn communication into interactive dialogue. It is a group of Internet-based applications that allow the creation and exchange of user-generated content. Social media constitutes collaborative projects, blogs, micro-blogs, content communities, virtual worlds and social networks.

Collaborative projects

are content developed collaboratively by different people. It can be used as a storehouse for factual data, opinions, feedback, etc. The success of a collaborative project depends on contribution of content by the members of the collaboration although the validity of data can be a concern. An example of collaborative project is 'Wikipedia'.

Blogs

are websites maintained by individuals with commentaries, descriptions of events or other material such as graphics or videos, while in micro blogs, content is typically smaller in both actual and aggregate file size. They are generally used for sharing personal experiences and factual data. Examples of blogs are 'blogger' and 'wordpress'; while an example of micro blog is 'twitter'.

Content communities

are media-sharing websites on which users can upload, share and view media. Management of data as per the copyright and other laws can be a concern. Examples of content communities are 'YouTube' and 'Dailymotion'.

Virtual worlds

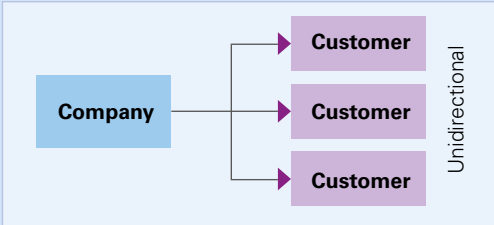
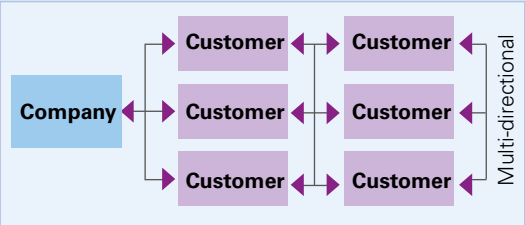
are a genre of online communities that often take the form of a computer-based simulated environment, through which users can interact with one another. Examples of virtual worlds include 'World of Warcraft' and 'Second life'.

Social Networks

are online services, platforms, or sites that focus on building and reflecting social networks or social relations among people who share interests and/or activities. They can be effectively used for communicating with customers (existing/potential), advertisement of offerings, real time updates and moving non-core activities such as query resolution away from high cost operational set-up.

Mainstream media such as television, radio and print have been the primary channel for financial institutions to convey information to the potential customers due to its mass access and recollection while internet based Social media has emerged as a supporting media to mainstream media due to scalability, interactive features and feedback mechanism.

Differences between Mainstream Media and Social Media

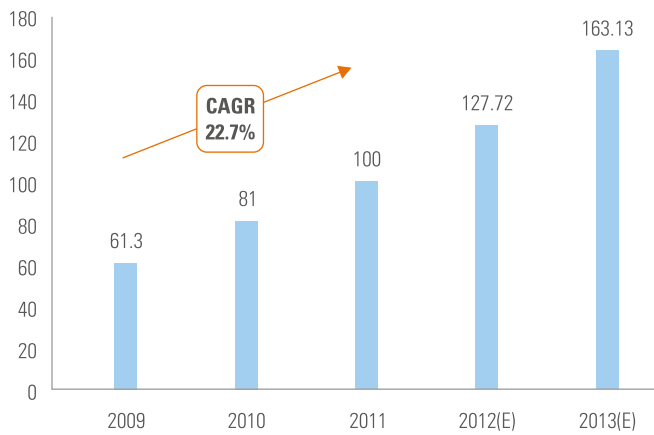
Characteristic	Mainstream media	Social media
Communication direction	 <p>Communication is unidirectional from company to customer without any feedback. Separate channels are employed to gauge the feedback.</p>	 <p>Multi-directional communication between company and customers (and between customers) with feedback from the customers. Thus the communication does not stop at level 1 customers.</p>
Cost of production	The cost of production of mainstream media is generally high. Companies use this media for promotion of new products or for product life extensions.	Cost of production of social media is significantly cheaper for companies and virtually free for the public hence the public can actively engage in it.
Knowledge requirement	Specialized skills and training required for content generation, delivery, rate negotiations and efficacy evaluation.	No specialized skills or training required. A basic understanding of social media is sufficient to engage in it.
Time lag	There exists a time lag between conceptualization and the final product. Cannot be deployed as a real time media.	There is little or no time lag between conceptualization and the final product. Time lag can arise from validation of content.
Content flexibility	Due to the nature of mainstream media, once displayed in public, the content cannot be edited for the same instance.	Even after being displayed in public, the same instance of content can be edited by the author or any authorized entity.

Interactive nature, content flexibility and speed of delivery of social media can be used to support mainstream media while keeping the cost and need for specialised resources low.

Potential Reach of Social Media

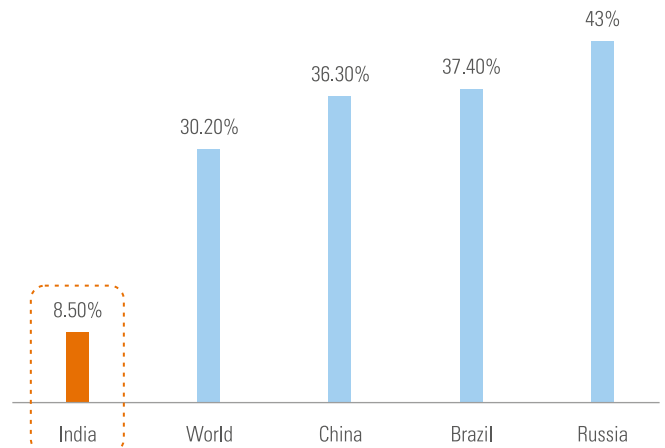
The internet penetration in India is approximately 8.5%, which is significantly lower than the internet penetration in other BRIC nations and the world average internet penetration.

Internet user population in India (Millions)

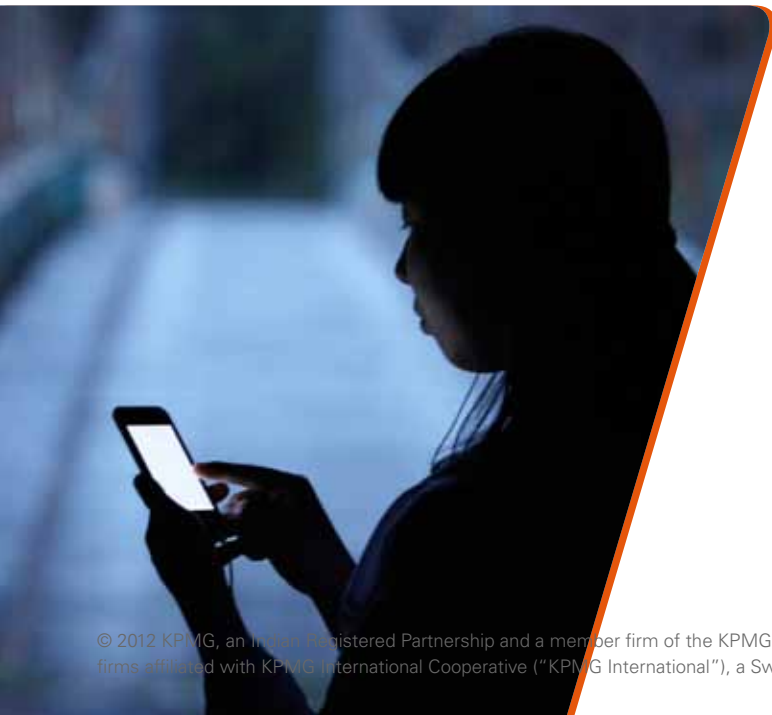


Source: Internet world stats, International telecommunication union

Comparison of Internet penetration



Source: Internet world stats

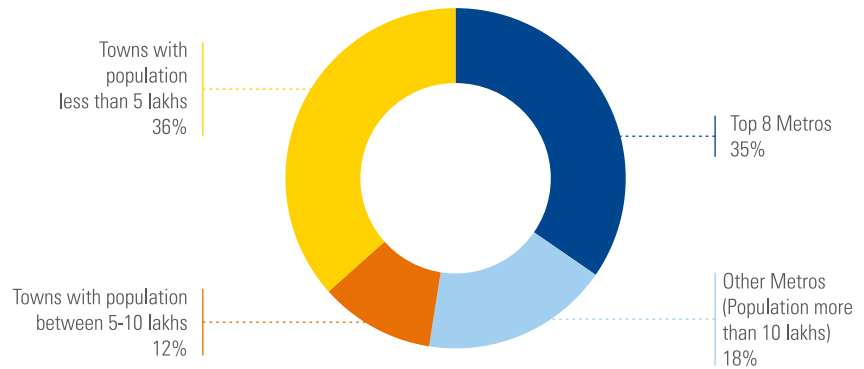


India is expected to have a social media audience of over 88 Million by 2013 with over 75% of the audience under the age of 35.



Location-wise break-up of internet users in India

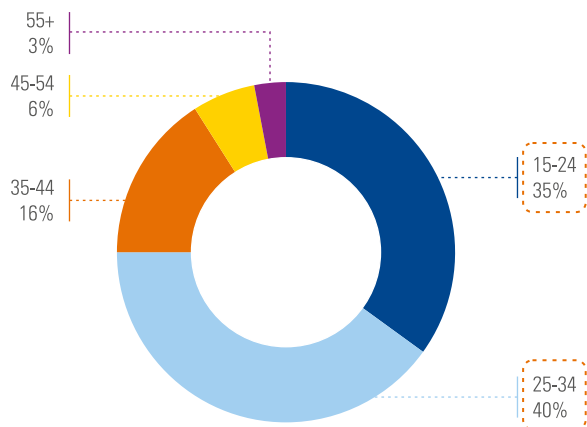
The number of internet users in India has been growing at a healthy rate and is expected to continue growing in the coming years. With over 50% of internet users in metros and large cities, rural growth is expected to be the major driver in increasing internet penetration. Internet usage is heavily skewed towards the younger audience. 75% of the internet users in India are below the age of 35.



Source: i-Cube 2010-2011 by IMRB and IAMAI

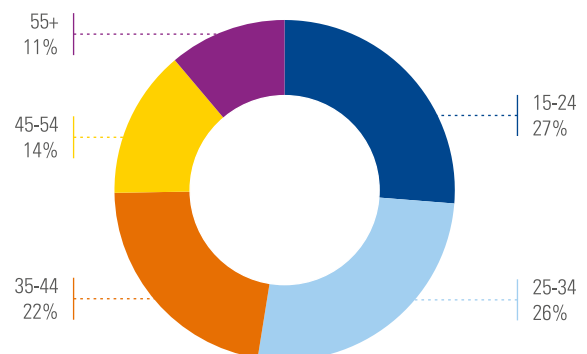
According to a study conducted by comScore, growth in social media in India outpaces both regional and global growth of social media. The study also finds that 21% of time spent online in India is on social media. Social media is, by conservative estimates, expected to be used by 88 million users by 2013 with a penetration of over 54% of internet users accessing social network websites.

Internet users in India - By Age



Source: comScore report

Internet users Worldwide - By Age

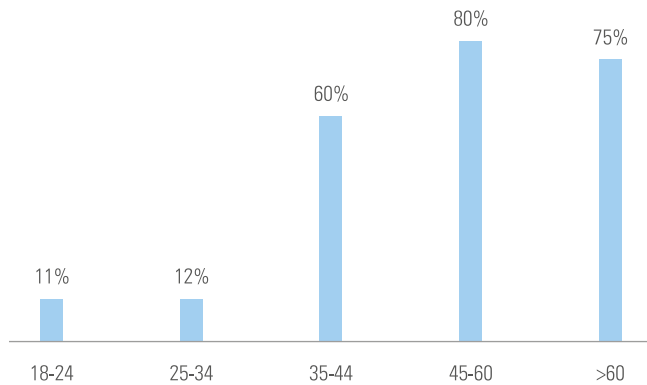


Source: comScore report

Primary Research on Potential use of Social Media by Financial Institutions¹

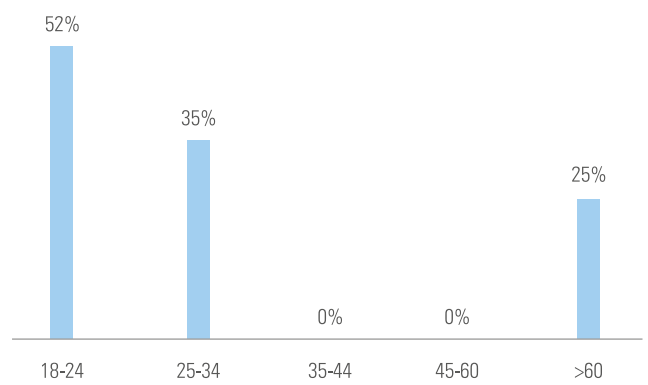
What reason do you relate with connecting with your financial institution on social media (facebook, twitter, YouTube, etc)?

Don't relate my financial institution with social media



Source: KPMG's Social Media for financial services survey

To know about the promotional offers by the financial institution



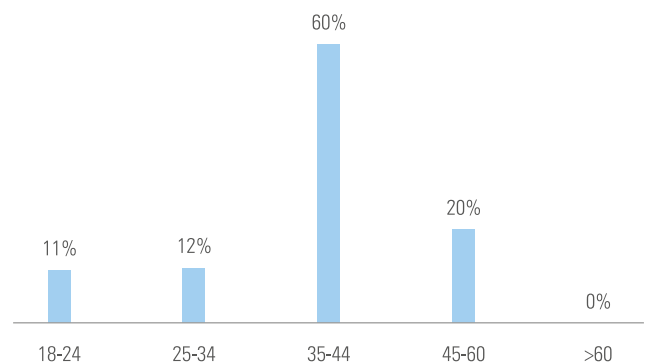
Source: KPMG's Social Media for financial services survey

Age group above 35 was found not to relate their financial institution with social media; this is in line with the finding that social media is predominantly used by people below the age of 35.

are found to relate with their financial institutions and are attracted towards promotional offers.

Age group below 35

Want to get relevant information about banking



Source: KPMG's Social Media for financial services survey

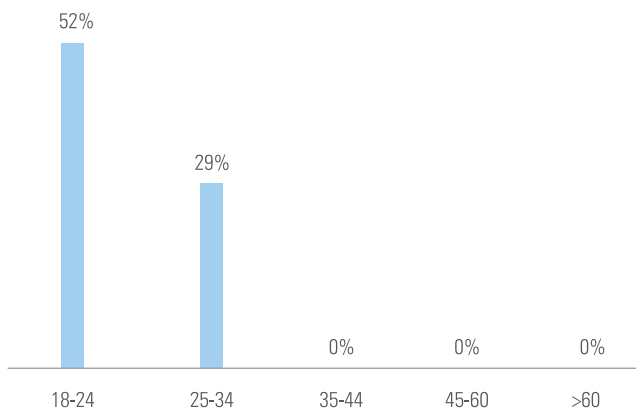
Age group 35-44 Respondents in the age group of 35-44 were found to be interested in knowing more about the banking products and services.

¹ The research was conducted on 58 people of different age groups and income levels from three different metros (Mumbai, Delhi and Bangalore). The questionnaire was administered in person or via online survey applications. The questions were made self explanatory to obviate the involvement of the surveyor and to ensure responses independent of any external influence



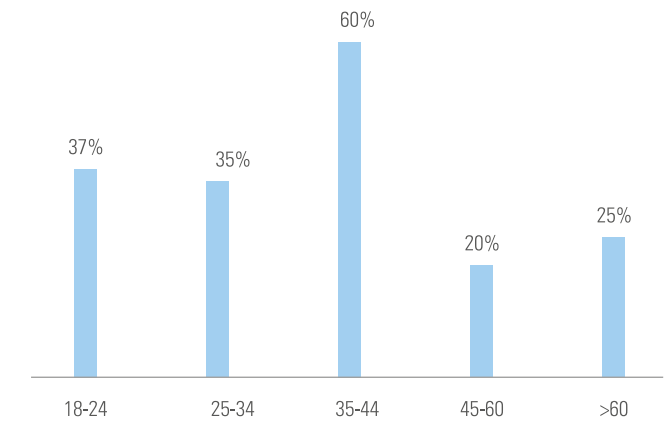
What content would you like to see from your financial institutions on social media (facebook, twitter, YouTube, etc)?

Real time customer care



Source: KPMG's Social Media for financial services survey

Discount and promotional offers by the financial institution



Source: KPMG's Social Media for financial services survey

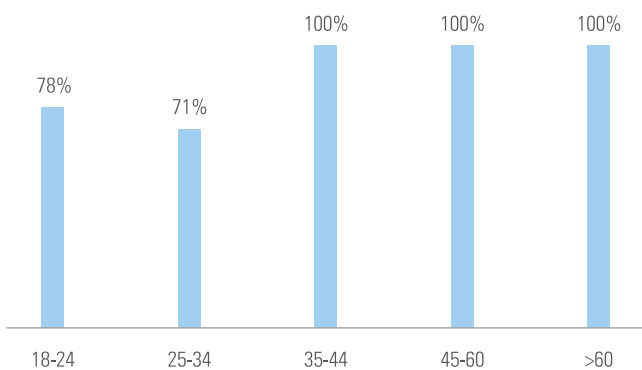
Financial Institutions can have an early access to a large potential young customer base through social media, thus increasing its business potential over the life of the customers tapped at a young age.

Again, the age groups above 45 are found to be not interested in content from financial institutions over social media; this is in line with the finding that social media is predominantly used by people below the age of 35. People below the age of 45 are found to prefer information on banking, and discounts and promotions (global or local). Respondents below the age of 35 are found to be in favour of real time customer care.



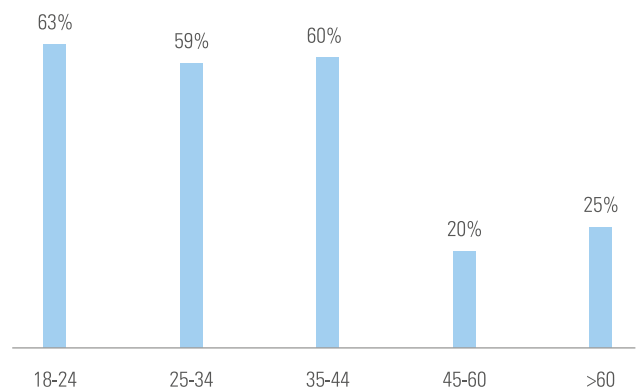
Is security of sensitive data an issue when connecting with your FI & taking into account the above questions, would you be interested in connecting with financial institution’s social media?

Concerned about the security of banking information on social media



Source: KPMG’s Social Media for financial services survey

Interested in connecting with financial institution on social media



Source: KPMG’s Social Media for financial services survey

Security is a key concern for all the age groups. People below the age of 45 are interested in connecting with financial institutions over social media. This translates positively for financial institutions since majority of Indian social media users (over 75%) are from the younger age groups (Below the age of 35) and they are found to be interested in connecting with their financial institutions over social media. But financial institutions would need to ensure data security as it is a key concern across age groups.

Uses of social media by financial institutions

The uses of social media can be categorized as either external, where the customers and other external stakeholders of the financial institution are actively engaged or internal, where the activities are directed towards the employees of the firm.

Resolving customer issues:

Social media can be used as an effective tool to interact with the customers regarding queries and complaints. Once the queries or complaints have been posted on the social media page, the financial institution representative can address it in a timely fashion. If the activity requires any exchange of sensitive information, the financial institution may

contact the customer directly using a secured channel of communication. Hence, social media can be efficiently used as the first level of query resolution and as this is a non core activity which is moved away from the branch and other delivery channels, it leads to cost savings for the firm.



Disgruntled user gets in touch with the company using social media

Company confirms on addressing the customer's concern

Communication is moved to a alternate secured channel to share confidential information

Source: International bank's twitter Page

Identify and address public sentiment:

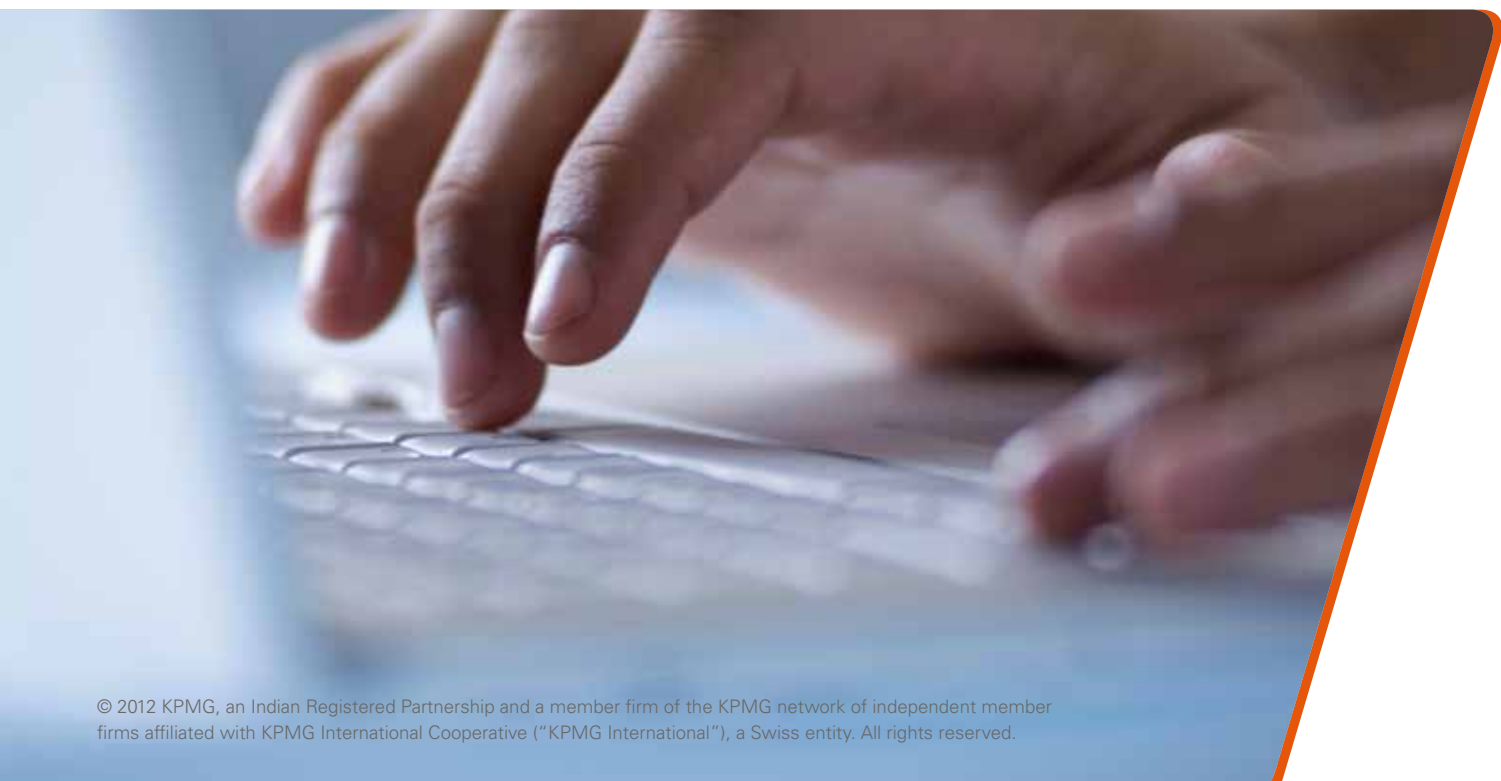
Social media, being multidirectional, allows customers to convey sentiments regarding the firm. Therefore, it would be prudent for financial institutions to have presence on social media to

gauge the attitude of the customers. In case of public airing negative sentiments, the financial institution can act swiftly thereby containing the issue.



- Customer voicing dissatisfaction
- Prompt addressing of customer complaint
- Placated customer
- Follow up of customer query and additional product pitch

Source: Citibank India Facebook Page



Using social media, financial institutions can actively engage with the customers leading to a sense of ownership and stronger relationship

Crowd sourcing:

Financial institutions engage in many non banking activities such as CSR, social and environmental initiatives etc. Such non core activities are usually identified and executed internally. Customers can be effectively engaged in these activities as it entails minimal risk to the institutions while allowing customers to develop a strong sense of ownership and decision making through such participation.



Involve the customers in decision making for the firm in the non core activity by allowing them to express their opinion and suggestions

Decision on non core activity (CSR) taken as per the suggestion of the customers of the bank
Strengthens the relationship of the customers with the financial institution through participation in decision making of the non core activities of the firm

Source: J P Morgan Chase Facebook Page

Create brand awareness:

The most fundamental use that a social network can serve a financial institution is brand awareness. Financial institutions can engage the users of social media in different ways such as by displaying special offers and discounts, asking questions or conducting polls, displaying industry related news and opinions, etc. Engaging the social media users effectively can result in increase in brand awareness at a significantly lower investment compared to mainstream media.



Brand awareness can be improved through promotional offering
Enhance recognition and recollection of brand and improve position in the consideration set of the customers through promotional offers

Source: Citibank Facebook Page

Customer Feedback:

Customers who connect with their financial institutions on social media may get regular updates on their social media page from the financial institution. Using this feature of social media (particularly social networks), the financial institutions may ask the consumers about their opinion on various products and services offered by the financial institution. Leveraging the social media platform, the financial institutions can accurately gauge the requirements of their customers.



Conduct poll on product requirements and end use

Data collected through such feedback initiatives can be utilised to develop products that are in line with the customer requirements

Poll information can propagate to level 2 users through updates and tickers on the home/ landing page

Source: Citibank Facebook Page

Communicate real-time updates:

Social media can be used for real time updates for relevant information. Time sensitive industry data and limited product offerings can be published on the social media page. This can give the consumers, who interact with the financial institution's social media page, a feeling of exclusivity since the products and offers will be only displayed through social media and not conventional media streams.




Real time financial market updates can be provided on a financial institution's social media page with discussion and participation from the registered members

In a similar manner, real time offers can be advertised for the members in social networks; for example: premium rate on deposits valid only for a specified period of time (addresses the asset liability mismatch in the bank while providing a premium rate to the customers)

Source: Reliance Money Facebook Page

Hire employees:

Social media is changing the way financial institutions are hiring employees. With the growth of social media, talent is becoming easier to find on professional social media websites like LinkedIn. Senior management, who are usually recruited through headhunters, are now introduced through professional social media sites. Hiring through professional social media sites can help financial institutions bring down the recruitment costs.



Shruti Marathe

What: "Got two job offers because of LinkedIn Recommendations"

Who: [Shruti Marathe](#), sales professional, [Star TV](#)


Where: Mumbai, Maharashtra, India

Used LinkedIn to: Display her recommendations by former colleagues, which led to contact from two potential employers

How: Shruti networked regularly with colleagues and other professionals during her internship as she was completing her post-graduate studies. Shruti's work was well-appreciated by her colleagues and they wrote LinkedIn Recommendations for her. When she was searching for a job after graduation, she was contacted by two potential employers because they saw the recommendations on her LinkedIn Profile, and she soon had two offer letters in hand.

Don Cooper, a recruiter at Intel, reckons that the chipmaker saves millions of dollars a year in fees by recruiting senior managers through LinkedIn rather than using headhunters

Source: The Economist



Kishore SM

What: "Lands job via LinkedIn, and uses LinkedIn to be more productive and successful thereafter"

Who: [Kishore SM](#), India controller and company secretary, [Obopay, Inc.](#)

Where: Bangalore, Karnataka, India

Used LinkedIn to: Land his current job and be highly productive

How: Kishore was referred for his current position at Obopay by one of his [LinkedIn Connections](#). Now, he uses [LinkedIn People Search](#) to understand the background and work experience of people sending him meeting requests via email, and to gauge the intention of the meeting. He uses LinkedIn every day, and is active on [LinkedIn Groups](#) and [LinkedIn Answers](#). He follows competitive companies via [LinkedIn Company Pages](#) to gain business insights, and uses [LinkedIn Applications](#) like Slideshare and TripIt to collaborate with his connections.

US Cellular, a telecoms company, says it saved over USD 1m last year by using a LinkedIn system that produced good candidates for its jobs faster than traditional recruitment channels

Source: The Economist

Financial institutions can foster a sense of belonging among the employees by allowing them to interact among each other via a social media platform.

Employee engagement:

Employees can use their social media profile to post on the financial institution's social media page thereby giving the financial institution a more human feel. Employees get to interact with each other leading to community building and a sense of belonging.

Deterrents to using social media

Social media is considered new and unexplored

Financial institutions may consider social media to be uncharted territory under the apprehension that social media is still evolving and it would be prudent to engage only after it has reached a mature stage.

Social media has now been present for over 5 years with institutions from all sectors actively engaging in it. Financial institutions can analyze the demographics of their customers and compare it with the demographics of the social media users and determine whether social media is the right fit. Social media may continue to develop, but they already provide an excellent platform for financial institutions to engage with customers and it is already being used actively by financial institutions globally.

Social media is a recent phenomenon and measurement of return on investment can be a challenge.

No measurable return on investment on social media engagements

Financial institutions may feel that social media offers no clear return on investment.

Return on investment from social media initiatives can be calculated by measuring costs saved by using social media over other channels of communication. Financial institutions can identify qualitative parameters that can be influenced using social media such as exposure to the financial institution, customer satisfaction, etc. and use surrogate parameters and available analytical tools to evaluate the same.

Data security is a major concern in light of the public nature of social media and sufficient processes need to be adopted to ensure data security.

Risk of leakage of sensitive information through social media

Financial institutions hold sensitive information of their customers which, if leaked, can have negative consequences.

To avoid the leakage of sensitive information, financial institutions should ensure that the social media team within the financial institution does not have access to sensitive customer information. The financial institution must also place necessary warnings on the landing page of the social platform to inform customers against posting personal information on the social media page.



Unappealing to consumers who engage in social media ▼

Social media users may not be inclined towards engaging with financial institutions on social media.

Financial institutions can authenticate their social media engagement by advertising it through mainstream media. Offers exclusive to social media users may appeal to the customers. Content provided by the financial institution on the social media page must be both interesting and relevant to the financial institution's customers.

Loss of control of content on social media ▼

As social media is a public domain and anyone is free to voice their opinion on it, financial institutions may worry about the lack of control on the comments posted on their social media page.

To avoid the loss of control of content, financial institutions can take a fair, balanced and neutral tone while approaching social media. Functionality to block spam and inappropriate content, provided by the social media sites, can be used by the financial institutions. Customer negativity can be swiftly addressed by responding to the complaint and ensuring customer care immediately contacts the customer.



Summary

Social media is not a substitute for conventional mainstream media but it can augment the efforts of mainstream media. Social media already has penetration in India of over 45 million users, and is expected to grow to over 88 million within the next 2 years, indicating a large potential for financial institutions. As web and social media user base is predominantly below the age of 35 years, financial institutions should align their social media initiatives to the characteristics and requirements of this age group. Social media offers significant upside in terms of customer/employee engagement and feedback and can be utilized to reinforce relationships with internal and external stakeholders.

Social media is a recent phenomenon and gauging the return on investment in social media can be challenging. These risks can be mitigated by implementing a carefully drafted plan identifying performance parameters and monitoring the same.

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