

SOCIAL MEDIA IN FINANCIAL SERVICES - A KEY CHANNEL TO MARKET

SOCIAL MEDIA HAS EXPLODED OVER THE LAST 10 YEARS, WITH THE EMERGENCE OF FACEBOOK, LINKEDIN, TWITTER, YOUTUBE AND OTHERS. IT TOOK THE TELEPHONE 89 YEARS TO REACH 150 MILLION USERS, BUT FACEBOOK ACHIEVED THIS, IN JUST 5! TRADITIONALLY, SOCIAL MEDIA CHANNELS HAVE BEEN USED FOR SOCIAL NETWORKING, HOWEVER CORPORATE ORGANISATIONS HAVE BEEN ADOPTING AN INCREASINGLY LARGE SOCIAL MEDIA PRESENCE. INTERESTINGLY, THE FINANCIAL SERVICES SECTOR WAS A SLOW STARTER IN THIS AREA WITH ORGANISATIONS RELUCTANT TO USE THIS CONSTANTLY EVOLVING CHANNEL AS A MEANS OF CUSTOMER INTERACTION.

The shift in businesses using social media makes sense. It can be used for sales and marketing, research and development, collaboration and networking and, in the case of Twitter, as a search engine. With Facebook having over 1bn users, LinkedIn 277m and Twitter 646m users, no organisation can afford to ignore it.

The majority of the population is using some form of social media; however financial services organisations seem to be slow on the uptake. In the meantime, other key influencers within the financial services sector - press, analysts and investors - have embraced it. These influencers are constantly publishing opinion shaping content: content that retail and investment banks, insurance companies, brokers, exchanges and market data providers could and should be acting on; content that has the potential to affect an organisations' reputation.

How can the financial services industry benefit from social media and what exactly is there to benefit from? What are the key considerations to take into account with social media? and why does evidence suggest that financial services organisations are slow to adapt to social media?

1 BENEFITS OF SOCIAL MEDIA

- **customer interaction:** Social media provides an opportunity to retain and improve customer service through two-way interaction and communication by using an increased number of channels
- **customer influence on strategy:** Social media channels provide a means to inform strategy based on real-time feedback, change policy and improve the customer experience. It can assist financial services organisations in understanding customer requirements, and can form useful strategies for advocacy
- **new business:** There is an opportunity to generate new business through the effective use of social media. For example, Swiftcover.com boosted sales by 38.5% in 2009 and increased brand awareness by 90%
- **internal communications:** From an internal organisation perspective, social media allows a forum to engage and embed changes and elicit buy-in, support and involvement from employees
- **targeting of key influencers:** As a channel for targeting key influencers, social media can be used to get a message out

2 KEY CONSIDERATIONS OF SOCIAL MEDIA

- **social media strategy:** In order to understand how a business wants to interact with customers, a clear, well thought out strategy needs to be put in place on how to leverage the messages and brand without being regarded as intrusive or alienating the customer

- **optimal reach, relevance and frequency of messages:** Organisations need to understand the reach, relevance and frequency of the messages to ensure the right content hits the correct target market
- **reputation risk:** As a result of reputational risks associated with social media, financial services organisations need senior management to take the lead. A policy that encourages participation and strong guidelines on how to engage customers and support the brand is also required
- **integrated marketing channels:** Social media needs to be aligned with other marketing channels to protect an organisations' brand
- **regulatory compliance:** Inappropriate use of social media can mean non-compliance with government and industry regulations resulting in fines, potential loss of business and fraud.

Taking into account the benefits and considerations of social media, financial services organisations need to negotiate a route which best suits their needs. For example, some banks are using Twitter as an extension of its customer service support answering queries quickly, taking them to a more secure communications channel if sensitive information is required.

Banks and financial services organisations need to leverage new social media technology as the impetus to integrate all traditional channels to market, such as bank branches, online banking, mobile banking and contact centres for telephone banking. This in turn will provide a more end-to-end customer experience to achieve competitive advantage in an increasingly crowded competitive landscape.

ABOUT US

Wavestone is an international consultancy that provides connected thinking, insight and capability to industry leading organisations. We work collaboratively with our clients to plan strategic business transformation and seamlessly turn strategy into action.

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