

## **Rebuilding Trust through Social Media – Possibilities for Banking & Financial Services**



**Authors:**

Nishikant Mohanty, Madduri Srikant,  
Siddharthan Panneerselvam

## Introduction

The banking industry is evolving. Banks adopt multiple ways to grow and evolve – technology, social needs, and economic drivers. The need to evolve arises from the urge to stay ahead of competition. The industry has been posed with different challenges at different times. On each occasion, it has evolved ways to come out of the imminent challenge by adopting new ways to deal with.

A fundamental challenge facing banks and financial services institutions today is rebuilding trust with retail customers. This is especially true in mature markets such as the US and the UK. How could firms do this? Can some of the emerging trends such as increase in mobile and online presence, growth in social media sites and their social networks create opportunities for engaging with customers in a different way to rebuild trust and grow the business? This paper will explore this theme. We will start with a brief discussion on how social media is being viewed by various stakeholders in the financial services industry. Then we will present two business scenarios where social media can be used by banks and financial services firms to create value by rebuilding relationships and enhancing trust. Case 1 refers to financial planning and risk visualization while Case 2 refers to a card payments scenario that can be used as a referral program.

## Social Media in Banking and Financial Services

The social media offers a platform with the power of compounding. This can be put to good use in several ways, to serve desired objectives in a profitable manner. The BFSI industry is cautiously adopting this channel for various purposes. While the matured markets are seen to have adopted aggressively this channel for community building, mode of announcing new services and thereabouts, the other markets are seen testing the waters.

There is growing interest in social media today. Industry Analysts such as Gartner, Forrester and Datamonitor are urging banking and financial services to embrace this trend. Some of the areas where firms can benefit include: (a) Product Research, (b) Marketing and brand building, (c) Sales & Promotion (d) Customer Service and (e) Community building. Some banks and financial services firms have started experimenting with the social media in or more of the above areas. This has also started gaining the attention of regulators. Regulators such as FSA are concerned about the kind of promotion being done in these sites and have clarified that regulations about information disclosure, etc., would apply to such media as well.

In our opinion it is important for banks and financial services firms to step back and ask a very fundamental question – is social media being used to drive old orthodoxies or is it being used to create a different type of relationship with customers? To understand this we will have to relook at the heart of what a financial services customer really is. Typically, banks and financial services firms have been interested in two behaviors of the customer – consumption (credit) and supply (deposit). There is another key role of a customer – that of a co-producer. This role has been very minimal in a banking and financial services context. Design of financial products has always been in the domain of financial experts. And financial innovation by experts has made products more and more complex, especially from the point of

view of the customer. Recent surveys suggest that customers struggle to understand this complexity and the risk involved in it. More information and disclosure may not necessarily mean lesser complexity or uncertainty. We believe that social media has potential to change this lopsided relationship between a financial advisor and the customer and make the process of financial planning more collaborative - in other words making the customer a co-producer.

## Two Business Scenarios

The need for rebuilding trust among customers and in the society in general, has called for a shift in balance of power between the banking industry and the customers. The customers would play a key role in shaping the dynamics of the banking industry, whether it is about design of new products, the service quality or in the new customer acquisition or revenue growth.

We have considered 2 use-cases to illustrate the shift in the balance of power using Social Media:

### Scenario 1: Shifting power base: Increased transparency and collaborative financial planning

Currently, most of the websites of financial institutions limit customers to perform simple transactions. Any financial planning is generally done in collaboration with a highly-qualified financial advisor. This trend can be changed by hosting a robust financial planning tool on the homepage. The tool will be simple and user-friendly as well as flexible enough to be attuned to the needs of different institutions. The tool will enable extensive risk visualization and collaborative financial planning by allowing customers to provide feedback to assist other customers. If a customer finds the tool satisfactory, she can click on any the links at the bottom of the financial institution's webpage and reach a social networking site of interest wherein she can share her experience. The customer can also host a widget on her personal page. This widget will possess the capability of connecting prospects in the social network back to the financial planning tool. Agreements should be signed in advance with different social networking sites to host such widgets.

Financial institutions primarily rely on two traditional sources of information, namely analyst research reports and market trends, for designing products and services. This solution will include customer inputs collected from social media discussions as a third entity. Based on all three factors put together, customers will be able to do enhanced portfolio visualization. The widget will also perform a significant role in collaborative planning by carrying customer advices from social media to the financial planning tool.

#### Benefits for Financial Institutions:

- (i) The risk visualization and collaborative planning capabilities of the financial planning tool will convert more prospects to customers
- (ii) The widgets hosted on social media will increase the reach of the financial planning tool
- (iii) Financial institutions will be able to acquire and analyze a valuable source of unbiased information directly from customers

- (iv) Data analytics can be built on top of the hosted tool to analyze market trends and customer behavioral pattern analysis as well as compare customer response to the firm's product and service offerings with those of competitors

**Benefits for customers:**

- (i) The customer gains access to a robust financial planning tool with risk visualization capabilities
- (ii) The customer gets financial advice from reliable members of his community, thereby decreasing dependency on traditional mediums of financial advisory
- (iii) Co-creating products and services tailored to specific customer needs is possible on the longer run, as customer participation increases in devising new offerings

The key component is to build a robust financial planning tool to be hosted on the homepage of financial institutions. A second component is to ensure that some kind of widget is hosted on social websites to attract customer attention. Data analytics will determine the ability to collate data from social media and extracting useful information. With mobilization, the same tool can be offered as a downloadable widget on mobiles.

The success of the implementation will primarily depend on the robustness of the financial planning tool and the feasibility of hosting a widget on social media.

## **Scenario 2: Referral Program using Customer Experience at Merchant PoS**

The solution proposes every card customer (Debit & Credit card) making a transaction on a merchant PoS, is prompted to respond to a brief survey on his social networking site. (As an option the survey can be directed to the customer's mobile phone, to capture the customer's state-of-mind better, so that he can respond at a time soon after the transaction). The customer feedback is consolidated and relayed back to the bank. The bank analyzes the customer feedback around the customer experience.

The customer has the option of announcing his feedback on the experience at the merchant to his private community or the larger community.

**Benefits for Banks:**

- (i) Based on the analysis, the customer may design co-branded cards targeted for different customer segments to give them unique customer experience associated with specific merchants.
- (ii) Bank generates referral business by way of interest that is generated among members in the customer's community on the social media website.
- (iii) Bank derives added revenue by way of the incremental transactions at the merchant PoS from referral customers

**Benefits for Merchants:**

- (i) The merchant can use this feature as a referral program, where each member is rewarded based on the number of referrals who make a purchase at the same merchant.
- (ii) The merchant can use the feedback as a mechanism to analyze its service levels and act upon the same, if there is a need for improving services is called for.
- (iii) The merchant can ensure repeat purchase from the customer and referral business that is generated from the word-of-mouth on the social media.

**Benefits for consumers:**

- (i) The customer enjoys a reward for referrals that get generated by way of his feedback that he announces within his community
- (ii) The bank can price the cards/ pass benefits to specific customer groups which it can derive from the merchant.
- (iii) A non-bank customer in the customer community can stand to benefit from referrals that he can generate among his community, as also from the incentive that the merchant may extend to the referee customers.

The proposed solution would envisage the social networking site to have a communication link with different mobile operators, thus enabling the survey be triggered at the customer's mobile phone. In the absence of a mobile phone, the survey lands on the customer's social networking site. The customer feedback is relayed back to the bank, who in turn consolidates and analyzes the data. With the help of a scoring model, the customer experience is rolled up to arrive at a Rating for the merchant. This rating is useful for co-branding initiatives.

Where the customer announces his feedback/experience at the merchant, within his community, it can be tagged with a coupon ID. To incentivize members of the customer's community to avail of services from the merchant, the merchant may make a special offer (e.g., a discount of x % on specific purchase/ total billed amount). Likewise, for every referral that is generated, the customer could earn reward points/ discount.

This has the potential risk of damaging a merchant's reputation. But in today's context, the customer has multiple ways to air his views about his experience, which also have similar risks. Hence, this may not be a potential risk.