

Building a bank's brand equity through Social media

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47% of internet users say social media sites influence their purchase decision

“91% say consumer reviews are the #1 aid to buying decisions” – *JC Williams Group*

“87% trust a friends recommendation over a critic's review” – *Marketing Sherpa*

“1 word-of-mouth conversation has impact of 200 TV ads” - *Buzz Agent*

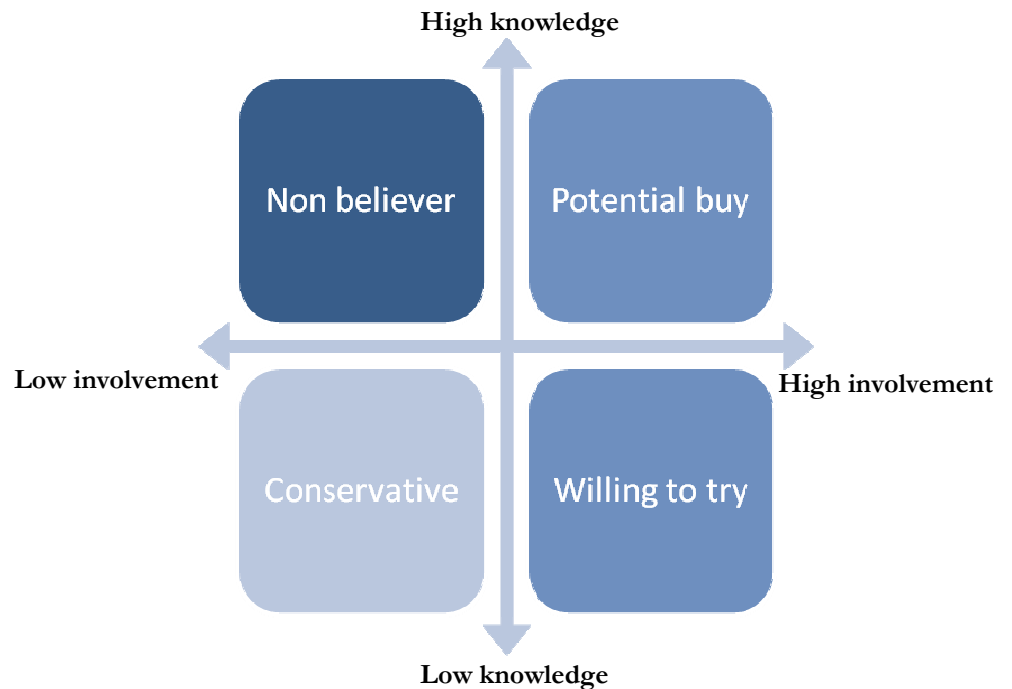
THE NEW BANKING ENVIRONMENT

Social media is the engine that has transformed the web from being a one-way, information tool to a two-way collaboration mechanism. In the world of social media, customer preferences for products or services are influenced by ideas, perspectives, insights and experiences provided by other users. This is achieved through peer reviews, referrals, blogs, tagging, social networks, online forums and other forms of *user-generated content*. The brand image, which a bank might have spent millions of dollars creating, is no longer defined by the bank itself but is instead created by what its customers are saying to each other. Such customers are seen to place more value on the knowledge and experience of other customers in these networks (wisdom of the crowds), rather than the one-way marketing messages and controlled brand statements and advertising sent out by firms. Hence the brand custodians have little control over the brand - a source of worry for most of them.

Also due to the rise of the social media, it is seen that the traditional role of the banks is slowly changing. PayPal allows individuals and businesses to send and receive money online, and enables credit card usage without exposing the card number to the merchant. Additionally, companies like MyC4.com and Kiva.org enable customers to get loans from each other, instead of from banks. And increasingly, customers seek financial advice from CNBC message boards and Google Finance. Clearly, the consumption pattern of the customers and their perception of value are evolving rapidly.

CHANGING CONSUMPTION PATTERNS

The advent of the social media is causing a power shift from the sender (bank) to the receiver (customer). Customers increasingly ignore advertising, dismiss cold calls and use spam filters to keep out promotional emails. Customers' understanding of value is increasingly being driven by knowledge and their involvement with the brand. The new consumption patterns can be denoted as below:



To begin to capture and unlock more customer value, banks must explore how they identify, create, deliver and communicate customer value more effectively. Since increasingly customers turn to others to help in their own decision making, banks must find new ways to support word-of-mouth and other customer-carried forms of promotion. Communication with the customer should take on a service-oriented (experience creating) rather than a persuasive role.

WHY BANKS SHOULD USE SOCIAL MEDIA?

A recent report by Strategy Analytics claims that roughly one out of every 6 people on the face of the earth will be using social media in 5 years. The report also adds

that there are currently approximately 373 million people using social media. Social media marketing can not only increase the *reach* of a bank but can have a positive influence on how customers perceive the bank's brand value.

The right social media strategy can drive customer acquisition and retention, which has a direct impact on the bottom-line. However, banks could shoot themselves in the foot if they try to *sell* something to its customers. Customers don't go to social media to buy products or services; instead they go there to look for building relationships. Hence banks should focus on building trust-based relationships through transparent and genuine participation by trying to be a committed and valuable resource for providing information. This would help enhance the brand perception which in turn would engage customer advocacy through positive word-of-mouth promotion. And the beauty behind this is that social media marketing results in little money being paid out of the pocket. However, many banks are yet to fully utilize this inexpensive (and in many cases free) method of marketing.

While social media marketing holds immense opportunities to positively influence a bank's brand perception, there are some risks that they should be aware of. The most potent risk that many banks have with respect to the social media is that the brand image and promise they worked hard to create and spent millions on, is no longer just under their control and can be destroyed at a rate faster than even before the business can react. This not only would impact new customer relationships but could potentially harm the relationships with loyal customers that a bank might have painfully built over the years.

However, the above risk is even higher if the banks decide not to participate in the conversations that are about them. People on the social web are people who are engaging with brands with or without the company's involvement. Brands which have worked hard on listening to what its customers are saying and working on improving their brand experience are more likely to continue to get customers to support their brand.

It is hence imperative that banks have a social media strategy. Social media marketing, if done right, can have a significant impact on brand awareness and popularity.

HOW SHOULD BANKS USE THE SOCIAL MEDIA?

Banks which are not using the social web might be missing their biggest opportunity to connect directly with customers before their competitors do. But those who do take this step without understanding the customer expectations are likely to fail and may not be given a second chance. Also, it is not enough for banks to just have a social media presence on sites like Facebook, Twitter, and LinkedIn etc. To really get customers to emotionally connect with the brand, banks will need to tap into the right streams of dialog to kick start engagement and social participation with their brand. Hence it is important that banks define a clear social media strategy before they use this medium to reach their customers.

The social media strategy of the bank should clearly establish the purpose of being on the social web i.e. who is it they plan to target, what is it that they seek to achieve, which groups or Social media sites should be targeted and how can they uniquely differentiate themselves from what others are doing. For instance, to promote its credit card to students, JP Morgan Chase entered into a partnership with Facebook, where an estimated 55% of its 200 million users are under 25 years of age. A right social media strategy can help banks build a more direct and positive relationship with customers, which will in turn drive increased engagement and loyalty.

Also, once on the social web, banks should focus on expanding their reach by partnering with customers, nurturing their relationship by adding value to customers and maintaining a continued presence by driving and following up discussions. An example is Bank of America's use of Twitter to answer customer questions, while providing customers with the ability to send a private message containing their telephone number to arrange for an agent callback. Another example is of Oracle, which encourages enterprises to publish information from its CRM OnDemand directly to Twitter. This type of communication could be used to inform agents or staff of changes, and as the technology moves forward it can also be used to provide customers with news updates or changes to product information.

WHERE IS THE MONEY IN SOCIAL MEDIA?

Social media can give a great return on investment. The Servus Credit Union in Canada, which targeted young people under 25 with their “Young & Free” initiative, attracted around 2,000 new checking account customers in this age group and generated \$179,000 worth of unpaid media coverage in just one year.

Yet, social media can be a huge disappointment for those looking for quick returns. Customers use social media to build relationships which require long-term commitments. Marketers, who fail to respect consumer sensibilities by making these relationships transactional, or even transitional, may permanently destroy the brand.

Systematic management of brand touchpoints can lead to an impact oriented performance improvement of the brand management, which in turn can drive ROI. Each brand touchpoint triggers a conversation, in fact an estimated 3.2 billion word-of-mouth conversations, take place worldwide each day of which about 2.3 billion reference a brand, product, or service either directly or indirectly. Customers experiencing consistent, positive interactions with the brand are likely to build trust and loyalty while those with negative experience are likely to tell others about their experiences which have the ripple effect of losing potential customers. To get customers to engage with the brand and hence encourage customer advocacy, banks will have to offer something that has an obvious benefit and fully delivers on the promise. Hence business objectives and social marketing efforts will need to be tightly coupled. Social media requires a holistic view of the enterprise integrating corporate planning, marketing, sales and service. By especially integrating marketing with operations, control can be gained over the experience of the product or service that is promised to be delivered to the customer. Like in traditional marketing, **matching delivered experience to the brand promise** is seen to be an important factor in *influencing* the crowd.

Since social media efforts will need to be tied to business objectives, it essentially means that different businesses will have different calibrations of ROI measurement. However some measurements that may help gauge influence, customer engagement, loyalty etc., as a result of social media efforts are¹:

	Fundamental	Metric	Source	Reveals
Content	Audience	Blog Posts for Brand, Competition Product or Service Recommendation Tweets and similar Widget Views	BlogPulse, Google Alerts, Cymfony, Techrigy, Blogsearch, Technorati Net Promoter Social Media Platform Provider	Who is talking about you; What people are saying about you and your industry

¹ Social Media Marketing: An Hour a Day by Dave Evans

	Fundamental	Metric	Source	Reveals
Relevance	Influence	Time on Site	Web	The value of the opinions and conversations to those interested in purchase
		Bounce Rate	Analytics: Google Analytics, Omniture, Web Trends	
		Engagement	Pass Alongs Comment to Post Ratio Diggs, Stumbles, and bookmarks Podcast Listens and Views	
Loyalty	Blog Posts for Brand, Recommendations Tweets and similar	BlogPulse, Google Alerts, Cymfony, Techrigy, Blogsearch, Technorati	The context and intensity of blog posts. Are people sticking up for you? This can have a direct impact on whether or not this information makes it to the consideration process.	

	Fundamental	Metric	Source	Reveals
Impact	Audience	Referrers, Demographics	Web Analytics, Google Analytics, Omniture, Web Trends, DoubleClick	To whom your social media campaign is appealing
	Influence Loyalty	Time on Site Bounce rate	Web Analytics, Google Analytics, Omniture, Web Trends Repeat Customers	How involved your audience is with your message and brand, product, service as a result of exposure to social media
	Action	Conversions Reviews Recommendations Tweets and similar	Web Analytics, Google Analytics, Omniture, Web Trends Reviews and Ratings Platform Net Promoter	The number of times a desired outcome occurs following exposure to your <i>holistic</i> campaign. Tweets or similar references to a definite purchase or action reveal this as well.

The following is a list of potential areas where businesses can cash in on the social media:

Activity	Details
Public relations	Leverage consumers, user-generated media to deliver message, monitor it for consumer sentiment
Advertising	Leverage consumers, user-generated media in creation, dissemination of advertising
Brand/Product awareness	Different from advertising; Online interactions are noticed by social media users and increase their awareness of the brand or the product
Brand reputation	Share expertise, thought leadership, provide value to target audience
Customer analytics	Listen in on the conversations, use findings to better sell, service, produce, market, etc.
Beta-Testing/Product development	Capitalize on feedback from online users to drive product development, innovation
Customer feedback	Monitor product reviews, product ratings to determine what customers are saying
Customer service	Engage consumers, use their expertise to answer questions, resolve service issues
Personalized marketing	Use customer information learnt through social networks and then use direct marketing tactics to reach them
Linking to website	participate in relevant conversations, use Trackback URLs, bring traffic to website, boost search engine results positions

CONCLUSION

In the world of social media, customer experience happens outside the reach, control and sometimes even the awareness of business. In such a scenario, not participating in conversations on the social media platform is no longer an option for long-term success of contemporary brands, including that of banks. Social media is a huge opportunity for brands, if they learn to influence the collective wisdom of the crowd, to be able to build a significant and defensible market position based on solid social acceptance.

The adoption of social media is hence no longer an ‘if’ but rather a ‘when’.



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Author: N R K Raman

Oracle Corporation
World Headquarters
500 Oracle Parkway
Redwood Shores, CA 94065
U.S.A.

Worldwide Inquiries:
Phone: +1.650.506.7000
Fax: +1.650.506.7200
oracle.com

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