

Don't underestimate social media impact

It may be getting tedious hearing about how Facebook, Twitter, and other social media outlets are the big new thing for business, including retail banking, but the facts are the facts: business social media is a big thing, and it's no longer new.

Study after study, startup after startup, blog after blog, all point to the firm establishment of social media for use by financial institutions. Taken together, they all point to an accelerating maturity of this channel, a maturity occurring exponentially faster than was the case, for example, with internet banking.

First, some recent studies:

KPMG found that more than 70% of businesses and organizations around the world are active on social media, with those in emerging markets such as China, India, and Brazil surging ahead of counterparts in more mature markets. The study found that organizations tend to underestimate the benefits of social media—13% with no social media program thought one would drive productivity gains, while 80% that do have programs affirm such gains.

Newtek Business Services, with a portfolio of 100,000 business accounts, polled 2,200 respondents and found that 57% of business owners use social media to attract new customers; 58% use it to communicate with existing customers; and 55% say Facebook and Twitter are significant engines of growth for their business.

"It is not surprising that a large percentage of our small, independent business owner clients utilize Facebook, Twitter, and other forms of social media to communicate with their clients and suppliers. It is clearly the most cost effective, efficient utilization of the internet particularly for a small, independent business owner that does not have huge resources in staff or dollars," says Barry Sloan, chairman, president, and CEO of Newtek.

Accenture did its own study, and while it found very different results, the numbers nevertheless highlight the importance of social media in business-to-business interaction. Its poll of 200 marketing executives at B2B companies found only 8% are extensively leveraging social media, even though 65% said social media is important to their companies' business.

The main stumbling blocks, Accenture found, were that executives were not sure exactly which social media investment to make, and that their companies have no social media plan in place.

"It's clear that B2B companies think social media can make a big difference to business; however, few have a social media plan in place that will help them achieve results," says Kevin Quiring, managing director at Accenture.

This ties in with an observation from the KPMG study that found that even when companies seek to prevent their employees from accessing social networks at work, fully a third of those employees find ways to do it anyway.

What's needed, says KPMG, is to spell out the at-work policy, provide training, and monitor compliance.

"We recommend organizations first listen to what is being said about them in social media, getting the unvarnished truth, and then set the rules of engagement before they head out on the path to social network adoption," says Malcolm Alder, KPMG partner.

Meanwhile, Accenture lays out these specific reasons businesses should pursue social media: To increase engagement and positive customer experiences; influence brand reputation; create new revenue opportunities; respond to customer demand; reduce costs; and keep up with the competition.

Expertise available

It's easy to draw up lists like this, but how does it get implemented in the real world, especially for financial institutions that don't have the expertise and dedicated time to do it? That points to a wide open niche that vendors are rushing to fill.

One example: A company called Beyond the Arc opened last October specifically to help banks gain customer insight, monitor their competitive landscape, and accelerate social media return on investment. It promises to develop specialized solutions on individual bank platforms to drive measurable increases in customer satisfaction and loyalty.

It does this by collecting millions of social media posts, applies proprietary data mining algorithms, and produces refined social data sets for financial services. Recently it partnered with Attensity, which in turn specializes in text analytics solutions for customer experience management. In part, Attensity works to cut through irrelevant noise, spam posts, and other extraneous inputs.

Still, just to talk to vendors like this, bank executives need to speak the language. Again, it's a sign of how mature this area is in that there is no dearth of advice available. ABA, in fact, is a leader in this area.

Coming up in February, ABA will reprise a three-part social media virtual workshop series that proved enormously popular last year. Says ABA: "This series removes the guesswork, providing a straightforward, practical approach so you can successfully implement a bank social media strategy for your institution."

Also in February, at the ABA National Conference for Community Bankers, in Palm Desert, Calif., one of several technology-related sessions is titled "Emerging Digital Trends for Community Bankers." The session will cover social media strategy, web exposure, and mobile applications. (See citations below for more information on these offerings.)

Finally, it seems that there is a growing cottage industry of bloggers who seek to provide advice specifically about social media in financial services. Here's a sampling:

• Beyond the Arc—Shaw Taylor wrote in October: “Retail banking is now witnessing a change similar to when banks began embracing the internet in the 1990s…Fast forward to 2011, where social media is providing retail banking with a similar opportunity.”

• SocialWare—Tim Walker wrote in November: “Nearly two thirds of the financial advisors polled in our recent ‘Social Media Use by Financial Advisors’ survey said they are using social media for business every day.”

• JohnStepper—John Stepper wrote in December: “Increasingly, banks and other finance firms want to use LinkedIn, Facebook, and Twitter to engage customers. They see more of their peers doing it but, in their own firm, they’re not sure how to get past compliance.”

• The Fried Side—Brad Friedman wrote in November: “Since you are tired of hearing me talk about the need for financial services companies to take advantage of the power of social media, I’ve put together some suggested reading from other sources. Be sure to look at the date of some of these publications to put in perspective how far out of the station the train really is.”

Here’s a potential tweet: “Choo, choo.”

The following sources were used in this article:

Attensity, Beyond the Arc, partner

Social media use by businesses survey

KPMG social media survey

Accenture on B2B social media marketing

ABA Social Media Virtual Workshop Series: February 7, 2012

ABA National Conference for Community Bankers

Beyond the Arc social media blog

The Fried Side social media blog

SocialWare blog

John Stepper blog

About the Author

John Ginovsky is contributing editor of ABA Banking Journal and editor of the publication's TechTopics e-newsletter. For more than two decades he has written about the commercial banking industry. In particular, he's specialized in the technological side of banking and how it relates to the actual business of banking. He previously was senior editor for Community Banker magazine (which merged with ABA Banking Journal) and was a staff writer for ABA's Bankers News.