Banking 2.0: From selling to customized services

Social media and mobile devices can be strategically used and integrated with CRM programs to shape the future of the financial services industry.

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Most of the so-called "2.0 initiatives" in the financial sector have focused on promotional marketing, using social media to disseminate information about products and services. But the potential of social media goes far beyond Facebook likes and tweets of corporate messages.

To analyze how the financial services sector can use social technologies to improve their client engagement and business processes, the IT solutions provider, GFT, commissioned Juan A. Virgili and IESE's Evgeny Kaganer to carry out market research and interview industry experts at various banking and insurance entities in Brazil, Germany, Spain and the United Kingdom.

They analyzed the customer perspective in each of the five phases of customer relationship management (CRM): discovery, evaluation, purchase, usage and re-engagement or loyalty.

Their report, "Impact of Social Media on the Financial Services Sector," highlighted two major trends: the convergence of social and mobile, which will boost payment methods via mobile devices; and the use of big data to improve customer engagement in the mobile market.

Social marketing and social CRM

Banks and insurance companies can implement social media primarily in three areas: social marketing, social CRM and new business models.

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As social marketing has a direct impact on the evaluation stage, it is important that the strategy is clearly defined and embedded in the company's activities, so as to build trust and create long-term engagement with customers.

A good example of social marketing is what Citibank does in the United States: It posts minimal commercial information on its Facebook page. Instead, it focuses on topics of interest to its customers — conversations and polls on their favorite foods or sports teams — which are then linked to its products. So, it ran a contest to win a trip to the Super Bowl, which was open to all customers who used their Citi Visa card during certain dates.

This kind of social marketing is one way to gain visibility and communicate with customers. Even better would be if their social media strategy were integrated with their CRM, as it is primarily social CRM that affects the usage stage.

Social CRM is more intimate than social marketing. It allows banks to get to know their customers better, meeting their needs anywhere, anytime.

Sabadell bank uses social media to offer 24-hour customer support by monitoring online conversations in an effort to respond to all customer queries.

Bank of America has developed an online community in which small business owners can exchange ideas and information. Having an open forum like this allows customers to help one another.

Fast-growing business opportunities

Social networks are also inspiring new business models in the financial sector, based on the long-tail concept.

Examples here include peer-to-peer loans or micro payments, which are already one of the fastest-growing areas in the United States and which are expected to increase by more than 100 percent over the next few years.

Two such initiatives are Lending Club, an Internet-based service that manages loans between individuals, and Kickstarter, an online platform that enables collective funding projects through micro donations.

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Use of big data and mobility

The convergence of social media with mobility is the key to the future for the financial services and insurance sector.

Through the information shared on social media networks, a massive amount of customer data can be collected — their relationship status, travel history and other behavior patterns. Having such data enables banks to design more customized products and services.

Imagine a Facebook user was planning a trip. The bank could send a friendly reminder to activate that person's credit card for making purchases abroad.

In addition, the rising popularity of mobile devices provides access to banking services anytime, anywhere.

In launching such programs, the report identified three issues that financial institutions faced in adapting to the new environment:

- national regulations, especially those involving privacy and security.
- potential internal resistance from employees who don't want to change established workflow processes.
- limited ability to integrate social media initiatives with traditional transaction systems.

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