How Banks Can Use Social Media Analytics To Drive Business Advantage

Strategic use of social media can dramatically impact not only how banks market their products and services, but also how they conduct risk management, product and service design, business forecasting, competitive analysis and customer education.

Executive Summary

With approximately two billion people using social media around the world, banks must seriously consider how to engage with customers on social channels (see Figure 1, next page). Customers today expect the companies they do business with to listen, respond and offer services through social media; consider that inbound consumer engagement with brands in social channels is growing nearly nine times faster than social networks themselves.

And simply establishing a presence on social media is not enough — consumers will increasingly expect banks to use social channels to deliver faster and more effective customer service and customized financial advice; share financial offers and upcoming events; offer knowledge about regulations; and provide a feedback mechanism about banking products and services.

Most banks are not delivering such services today. The average response time to customer inquiries on social media from banks and financial services providers is 10 hours, and more than two out of every three customer inquiries go unanswered.

To sharpen their competitive advantage, banks must continuously improve their customer service capabilities by offering better response times and response rates through social media, as well as personalized services to customers by interpreting the data that is continuously generated on social media.

By analyzing the large volumes of data available on social media, banks can extract key insights that will enable them to improve product and service development, customer service, marketing, risk management and business performance. Since social media is all about the customer experience, banks need to build their social media strategies around the customer to drive loyalty, revenue and profitability.

The Power of Social Media

Social media is dramatically impacting the banking industry, as most banks have established a presence on various social sites. Barclays Bank, Citigroup, Inc., HSBC, NatWest and others all engage on social media through Twitter, Facebook, Google+, LinkedIn, etc. J. P. Morgan’s customer service account alone has more than 26,000 followers on Twitter, and the company has sent more than 90,000 tweets since its inception.
But followers and interactions are only as good as the meaning that can be distilled from them. As customers increasingly use social media to share opinions on financial products and services, banks must listen, learn and respond, as well as incorporate their social activities into their overall corporate strategies. In most cases, this requires banks to rethink their core business strategies to make them more customer-centric.

Traditionally, banks have employed a “push” strategy to communicate their offerings to customers, through advertising, direct mail, point-of-sale displays or face-to-face interactions. However, the industry focus has shifted from “customer service” to “customer engagement,” which requires a two-way mode of communication. To sharpen their engagement capabilities, banks need to enhance their understanding of customers by using social analytics to gain deep insights into customer behavior, sentiments and needs.

For instance, using social analytics, organizations can identify, analyze and interpret interactions and associations over social media, measure their impact and strengthen decision-based marketing. With the rapid development of text analytics and sentiment analytics, banks can uncover insights into customer behavior that were otherwise unknown to them.

In the meantime, banks also need to ensure that their traditional business intelligence systems, which primarily focus on historical reporting, dashboards and advanced visualization, are integrated with emerging social analytics tools and techniques. Once integrated into an omni-channel strategy, social analytics can transform the enterprise customer relationship management system into social customer relationship management. The input from social customer relationship management enables banks to develop profound knowledge about their customers, including sentiments, wishes and needs, resulting in improved engagement and intelligent decision-making.

Banks can also use social media insights to create pricing models for loans and other banking products, and they can combine traditional scoring elements with data available in the public domain, such as Twitter, Facebook and other social networking sites, to ascertain creditworthiness and price loans.

Vantage Credit Union in St. Louis is an example of a bank that is using social media insights to its advantage. The organization is monitoring customer conversations on online communities and heeding their recommendations and complaints to improve customer service. It has also developed a way for customers to securely conduct banking while on Twitter. Customers can text the credit union to retrieve information on their accounts — such as balances, holds and cleared checks — and even transfer money between accounts.

Clearly, to unleash the full potential of using social media channels, banks need to look beyond mere e-reputation and branding, to customer engagement and the ability to predict customer behavior from insights gained from social data. Using these insights, banks can bolster their risk management capabilities by identifying potential defaulters and thwarting money laundering activities, and they can improve customer satisfaction by using social analytics to better understand the products and services that customers desire and even personalize them, based on individual customer preferences. The effective use of social media tools can not only improve customer satisfaction, but it can also drive business expansion through acquisition of new customers and increased share of the customer’s wallet.

Leveraging Social Media in Banking

Banks can benefit in several functional areas by overcoming the risks and leveraging the

Growth of Social Media Users


Figure 1
advantages that social media provides (see Figure 2). Some of the areas where banks can realize the benefits of social media include:

- **Transitioning from enterprise CRM to social CRM**: Today’s customers require a unified view across channels to address all their needs. Banks need to connect customer data from across the enterprise, cutting across current silos such as mortgage, wealth management, etc. to generate a holistic view of their customers’ experiences. Modern analytics tools make it possible to gauge customer sentiment at different times of the day, gather information regarding important dates, such as birthdays, anniversaries, etc., and use this information to offer suitable products and services.

- **Educating the customer**: Regulatory requirements and operational changes sometimes require alterations in the usual way of doing business. Social media can be an effective channel to communicate with and educate customers on these changes. Customers can also learn about new product launches through social media and quickly raise concerns and questions about them.

- **Gaining customer insight**: Monitoring posts, likes and comments on social media can provide banks with a general idea of customer perception regarding their products and services. Using analytics to dissect that data can provide invaluable information regarding customer behavior and sentiment, thereby allowing banks to design more personalized products and services.

- **Expanding the customer base**: Social media and related apps accessed via mobile devices can help banks penetrate geographies in which they have yet to establish a physical presence. By leveraging social media channels, banks can reach unbanked customers by providing them with general banking services, such as no-frills account opening services, low-denomination funds transfers, etc. Moreover, social media channels contain conversations regarding competitors’ product and services. By monitoring this information, financial services organizations can understand customer reaction to competitive offerings and understand which aspects of these strategies they can adopt to increase customer satisfaction and acquire new customers. Moreover, through deeper analysis of social data, they can better understand the actions they can take to convert fans or enthusiasts into advocates for their products and services.

- **Achieving customer delight**: A dedicated social media team can make the bank more accessible and responsive to customers. Providing the right information to customers (both financial and non-financial) is likely to increase customer satisfaction and elevate the bank to trusted advisor status. For instance, an entire suite of services can be offered through social media to customers seeking a home loan, such as property selection, price comparisons, deal closure, etc. An example of a bank that is offering value-added services is ICICI Bank in India, which recently launched an app that enables Facebook users to link their debit card to their profile in order to recharge their pre-paid mobile phone connections, borrow and lend money with friends and buy movie tickets, among other functions.

- **Improving customer service**: Monitoring social channels will highlight challenges that customers are facing and help banks take steps to address issues before they degrade the customer relationship. Moreover, banks can use social analytics tools to anticipate how customers will respond to new strategies and take proactive steps to mitigate complaints.

- **Resolving issues through crowdsourcing**: Many times, customers can provide the best solution to problems faced by organizations. Moreover, engaging customers to find solutions
to business problems will make the customer feel more engaged with the bank and spread its goodwill further.

- **Facilitating internal collaboration**: In addition to providing value to customers, social media can be used by internal employees to share information such as best practices, boosting both workforce collaboration and knowledge dissemination.

- **Managing risk efficiently**: Applying predictive analytics to social data can help banks identify potential defaulters and identify market trends. The bank, therefore, can take adequate measures to shield itself from risk and business cycle volatility.

**Navigating the Social Media Journey**

By following a definitive set of processes, banks can create a comprehensive social media strategy that takes into account the bank's current positioning and business vision. A proposed social media journey can be seen in Figure 3.

From “initiation” to “assimilation,” banks need a robust framework that monitors, measures, analyzes and strategizes, based on insights derived from social media data, ensuring a social strategy that is integrated with their business objectives.

Initially, social media technologies and solutions focused on single solutions, such as social marketing or responding to customer queries. Today, banks need a holistic solution that covers an array of capabilities, including customer engagement, diagnosis of data, deriving insights, governance, compliance, etc. A dedicated team is required to manage social media across departments and effectively manage content, community and conversations, creating a seamless customer experience across all channels.

Social media should be embedded into a bank’s entire ecosystem because it impacts numerous areas, such as customer relationship management, risk management, product and service design, customer education, etc. Banks can reassess their services and processes once they receive feedback from customers and can make changes based on inferences drawn from social data.

Moreover, banks will need to establish key performance indicators to measure their success as they make progress in the social media journey (see Figure 4, next page).

**How Social Analytics Helps Banks Meet Goals**

Intelligent use of social data can generate enormous value for banks. Applying social analytics to the rich data sets present in tweets, blogs, posts, etc. enables banks to derive customer intelligence, understand the need for particular

**Social Media’s Evolutionary Stages**

![Social Media’s Evolutionary Stages](image)

**Figure 3**
Social Media KPIs for Banking

<table>
<thead>
<tr>
<th>Key Performance Indicators</th>
<th>Observation</th>
<th>Involvement</th>
<th>Assimilation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Owned Media</strong></td>
<td></td>
<td></td>
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<tr>
<td>Unique visitors</td>
<td>Number of interactions</td>
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<tr>
<td>Average response time</td>
<td>Percentage post to response</td>
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<tr>
<td>Footfall</td>
<td>Average response time</td>
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<td><strong>Social Volume</strong></td>
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<tr>
<td>Volume by channels</td>
<td>Sales</td>
<td></td>
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<tr>
<td>Share of voice of competition</td>
<td>Customer Service</td>
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<tr>
<td><strong>Influence-related</strong></td>
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<tr>
<td>Total reach</td>
<td>Sales</td>
<td></td>
<td></td>
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<tr>
<td>Number of influencers</td>
<td>Customer Service</td>
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<tr>
<td><strong>Sentiment-related</strong></td>
<td></td>
<td>Sales</td>
<td></td>
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<tr>
<td>Positive mentions</td>
<td>Sales</td>
<td></td>
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<tr>
<td>Negative mentions</td>
<td>Number of leads</td>
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<tr>
<td>Neutral mentions</td>
<td>Lead conversion rate</td>
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<td></td>
<td>Multi-channel</td>
<td>Leads generated for various channels</td>
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<td>Feedback redressal for various channels</td>
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Social media will also bring about new levels of risk. On January 2013, the Federal Financial Institutions Examination Council (FFIEC) released its official guidance on social media for financial institutions, highlighting the applicability of existing laws, regulations and policies that pertain to financial institutions as they relate to social channels.7

Social Analytics’ Potential Benefits

- Enrich consumer data in social channels
  - Gauge mood and sentiment of customers regarding products and services.
  - Understand customer preferences and needs.
  - Design personalized products and services.

- Optimize marketing strategies
  - Perform micro-segmentation of customer base.
  - Create targeted and personalized promotional campaigns.
  - Identify influencers and advocates and the degree of influence.

- Present a holistic and single view of the customer
  - Listen to multi-channel customer communications.
  - Create a single view for customers by integrating data from multiple platforms.
  - Respond to customers using a single touchpoint.

- Proactively mitigate risk
  - Extract key insights, such as top complaints, emerging hotspot issues, etc.
  - Identify immediate sentiments after launch of new products or services.
  - Track credit behavior of customers and identify potential defaulters.
  - Anticipate customer reaction to change in business or operational processes.
Social media poses a risk to various bank functions, such as branding, customer information security, regulatory compliance, etc. However, social media analytics can also help in these areas, as well. For instance, using social media text analytics, banks can identify potential threats to their branding, and using analytics tools, they can also measure the reach and effectiveness of their social media security policies.

Clearly, completely refraining from use of social media would result in a strategic undoing in today’s era, as the rewards far outweigh the risks. The challenge is how to balance the risks and rewards to achieve competitive advantage. For instance, banks need to carefully select which social media platforms, vendors and third-party specialists they work with in order to minimize risk and avoid breaches of confidential data.

**Tool Selection Opportunities, Challenges**

Banks currently use social media for marketing and complaint resolution; however, they can scale their use of social media far beyond these functions by choosing the right social media platform and analytics tools, and making other internal changes, including the following:

- **Investing in new tools:** Before selecting a tool or platform, banks need to have a vision of their social media objectives. For example, geography can be an important factor in tool selection; consider that WeChat has a virtual monopoly in China, making this platform an obvious choice for banks seeking to create a social presence there.

- **Establishing new metrics:** Banks need new metrics to measure the effectiveness of their social strategy, and these metrics will differ from bank to bank, based on their objectives. Once the metrics are established, banks need to analyze the data, identify their most important customers, pinpoint where customers are talking about their products and services, and discover what is being said. These insights will be invaluable for improving product and service design.

- **Redesigning the IT infrastructure:** Social media success requires a robust IT architecture that can harness customer information in the context of burgeoning social data to deepen customer relationships. As such, it becomes imperative to put technology at the forefront of planning and execution. To reap the rewards of a social strategy, many banks will need to significantly redesign their traditional IT infrastructure. Technology must be consolidated to deliver a unified, consistent and fully integrated customer experience regardless of the channel of engagement. The IT infrastructure must be rewired to transcend inter-departmental barriers, divisional boundaries and isolated business groups to provide a smooth and seamless experience inside and outside the bank’s four walls. This will allow diversified banks in particular to present a single face to customers, partners and associates, spanning all areas, from retail and wholesale banking through wealth management.

An integrated IT architecture that employs social media needs to encompass the entire gamut of banking operations, from client-facing front office operations to the exchange of information between front office, middle office and back office. This will allow banks to communicate effectively, reduce costs of non-value-added activities and focus more on strategic activities.

- **Moving from CRM to social CRM:** Deploying social CRM will be the next big challenge for banks, as it will enable them to monitor and deduce meaning from numerous data types (structured, unstructured and semi-structured) and personalize their offerings according to individual customer needs. Compared with other industries, banks gather data that reveals a lot about their customers, such as spending patterns, investment choices, dependents and important dates like birthdays and anniversaries. Combining these insights with social data results in a comprehensive behavioral graph of the customer that pinpoints needs and desires, and forecasts products and services that will be required over time to address ever-changing needs.

- **Designing new internal processes:** Banks will require new processes to encourage collaboration across dispersed teams, business groups and divisions. Doing so will enable financial institutions to arm the right individual(s) with the right information, at the right time, in the right format needed to address customer preferences at every stage of their relationship.

- **Establishing new policies:** Banks have to exercise discretion when collecting, processing and sharing customer information and consider privacy issues. Organizational policies on customer information must be drafted, and these need to be transparent and aligned with ethical business behavior.
Looking Ahead

A Harvard Business Review survey found that 50% of financial institutions polled were currently using social media, 25% planned to use social media, and 22% had no plans to use social media. Given customer expectations, this last group is placing itself in a position to fail, as is any bank that does not plan to integrate social media into its mainstream business operations. An approximate blueprint for a successful social media strategy can be summed up in the following steps (see Figure 6 for additional insights):

- Develop a vision and gather needed organizational support for embracing social media strategy.
- Define the scope and objectives for the social media strategy.
- Determine the right metrics for measuring the effectiveness of the strategy.
- Draft a robust risk mitigation plan before engaging in social platforms.
- Understand the regulatory and compliance requirements to be observed on the social journey.
- Integrate the technology infrastructure to advance the social strategy and achieve the business objectives.
- Ensure organization-wide cultural assimilation of the social strategy.
- Achieve customer centricity through the social strategy.

The social media sphere is rapidly evolving. Banks and financial institutions that are quick to synergize their business operations with their social media strategies will be more responsive to customer needs and better able to offer customers the best experience. Nonetheless, there are also pitfalls to overcome, and a first-mover advantage may not always translate into market leadership.

As such, social media can be likened to a double-edged sword — on the one hand, it can raise the specter of security and privacy threats for banks and their customers, while on the other, it most assuredly will generate enormous value. What is clear is that social strategies have become a mandate for the banking industry, and the question is how — not whether — banks will need to embark on their own social journey to secure their place in the future.

A Social Media Adoption Blueprint

![Diagram of the Social Media Adoption Blueprint](image)
Footnotes
3 Ibid.

About the Authors
David Hazarika is a Consultant within Cognizant Business Consulting’s Banking and Financial Services Practice. He has over six years of business and IT consulting experience implementing core banking solutions, as well as working with leading banks on product development, business process optimization, business requirements management and gap analysis across various geographic locations. David holds a bachelor’s degree in electronic and communication engineering from Maulana Azad National Institute of Technology, Bhopal, and a post-graduate diploma in management from Indian Institute of Management, Bangalore. He can be reached at David.Hazarika@cognizant.com.

Supratik Nag is a Senior Consultant within Cognizant Business Consulting’s Banking and Financial Services Practice. He has over 11 years of business and IT consulting experience implementing core banking products, as well as with leading banks on product development, business process optimization, project management, banking product management and test consulting across various geographic locations. Supratik holds a bachelor’s degree in electrical engineering from Jadavpur University, Kolkata, and a post-graduate diploma in management from Symbiosis Centre for Management and Human Resource Management, Pune. He can be reached at Supratik.Nag@cognizant.com.

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