Hands up to join the social club

Humans have always been social creatures and now we've got Facebook, Twitter, YouTube, LinkedIn, Google+ and other social networking tools the way that financial institutions do business, organise themselves, talk to their customers and vice versa is set to change, writes **Neil Ainger**

Has your bank asked to be friends recently? Perhaps you're being followed by a financial institution or have been invited to contribute towards developing its products, as is the case with First Direct's recent Labs portal launch which seeks to harness the power of crowd sourcing. Maybe you've asked to take out a loan on a peer-to-peer lending website such as Zopa, or been invited to look at communal trading research in online forums run by banks?

Perhaps you've been asked to participate in TradeShift, a web-based invoicing platform that seeks to use social networking in a similar way to P2P lenders, providing a forum where people can exchange invoices for free – not necessarily good news for traditional commercial banks.

If you've had one or more of these experiences – some directly offered by financial institutions, others by potential rivals – then you are not alone. This year social media and networking technology seems to have found its feet, gaining ever more adherents as Facebook approaches the billion users mark, Google+ was unveiled as a potentially credible rival, and banks and financial services companies around the world have sought to harness the power of these new collective tools to catch up with other industries. Social media are not necessarily just being deployed for marketing purposes either. The phenomenon of increasing uptake reflects the growing power of social media and of more targeted specialist social networks to transform the financial services industry across its retail, commercial and investment banking sectors. Pilot programmes are now being turned into full scale rollouts. There are threats, but also considerable opportunities here for the brave.

The rise of social media has been pronounced over the last couple of years – you'll see it at the annual Sibos show organised by Swift, for instance, where a large community will no doubt be following the #sibos hashtag and a somewhat less interactive 'Virtual Sibos' is on offer. This allows delegates to 'attend' an interactive version of the event online, starting on 26 September, the week after the show ends (*see panel, page 27*). A Sibos 2011 app is also available on the iPhone, iPad and on Android smartphones providing an interactive mobile guide to the event and live interviews and links. "During the Innotribe@Sibos programme in Toronto our discussions will take it for granted that social media platforms are a reality and seek to engage those following this stream accordingly," adds Matteo Rizzi, innovation manager at Swift.

"The financial sector is using social media relatively effectively today," Rizzi says. "With a few exceptions, adoption started in defensive mode. Subsequently, social media has been gradually adopted in specific areas such as customer support and cloud-based collaboration. A major shift happened when widely-used CRM solutions (like Salesforce) and business intelligence tools (like Hyperion) embedded social platforms within their existing applications. More sophisticated social tools – such as sentiment analysis software that can be applied to social networks – are coming to market now as well."

It's not just retail banks leading the charge either, as is commonly assumed, although they have typically been ahead of other FS segments in adopting social tools. As a professional working within the financial services sector you may have been asked to join an investment banking social network such as SEB's the Benche or eToro, the social trading network that claims 1.5 million users across 130 countries, whose platforms can be used as you look at individual traders' performance and swap information about the financial markets. The former has recently launched iPhone and Android apps so Benche users can now access the online platform more easily while on the move, demonstrating the amplifying affect that the mobile channel is having on already fast growing social networks in financial services.

Stocktwits.com is another crowd-sourced business platform emerging in the securities space and Saxo Bank has also long been established in this investment banking and trading field. It topped Greenlight's Trading 2011 report earlier this year, which profiles natural and paid-for search behaviour in the UK, looking at 447,000 searches for online trading-related platforms and services on Google. Saxo Bank came out as the most followed financial trading brand in social media as part of this research, at least in the UK, with a collective of 18,000 people.

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>
> **Shaygan Kheradpir, Barclays**

Different parts of the financial services sector are being targeted with this new technology. Wonga, for instance, uses social media and networking effectively to fuel its growth in the controversial pay-day loans sector in the UK and retail banks, such as BBVA and ING Direct in the US and Canada, which had a YouTube channel way back in 2007, use it very successfully to grow and promote their businesses and to offer innovative products for niche markets or for testing prior to wider dissemination. ASB Bank in New Zealand has its own virtual banking branch on Facebook.

There is even a Facebook Payments Inc subsidiary now, set up this year to handle the Facebook Credits programme says the company although the scope is there to develop it into a rival Point-of-Sale payments business should the firm wish to do so. American Express has already started to use this new service, partnering with Mark Zuckerberg's outfit to push coupons. The Amex 'Link, Like, Love' application gives cardholders' deals, discounts and experiences with scheme members such as Virgin America, Fox and Whole Foods, based upon their and their friends' Facebook likes. Valuable information is of course shared in return. According to Diarmuid Mallon, senior product marketing manager at Sybase365, this type of merchant-based activity has the potential to turn customers from consumers of your brand into champions of it. He is particularly keen on the FourSquare site and its use of the amplifying affect of mobiles, believing that FIs could learn from it.

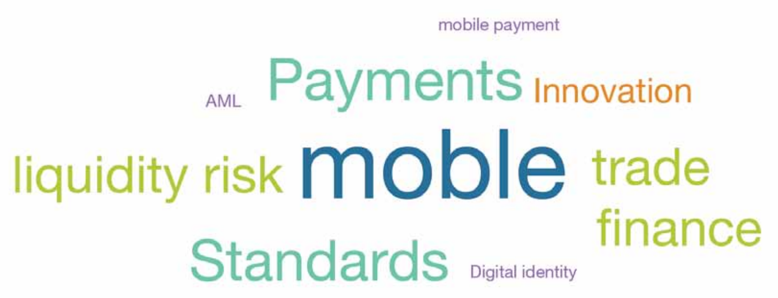
More traditionally, La Caixa bank in Spain is seeking to support its commercial banking activities with its CaixaEmpressa Online Community. This bank-administered social network is designed to help SMEs, freelancers and other business people to expand their network of contacts and meet potential new partners, customers and suppliers.

According to Benjamí Puigdevall, managing director of e-la Caixa, they see it – and indeed all social media – as a way to bind existing customers together and attract new ones. "It's far from being a fad," he says, when questioned about the technology's importance. "We believe social media are firmly establishing themselves as a new channel through which to deliver value to customers. It's permanently available too with the widespread adoption of smartphones that is happening." Tools such as Twitter, Flickr and YouTube – where the bank has already had two million visits – are used to propagate La Caixa's presence on external social media that is widely used by the general public, while a corporate blog is also deployed as part of its strategy.

Shaygan Kheradpir, Barclays' chief operating officer for Retail and Business Banking, believes that "social media is rapidly becoming the medium of interface and engagement for the second decade of the 21st century. It is a tectonic shift rippling across the planet with incredible force and potential," he says.

"Barclays will be leading the wave, with its strategic policy to create a multichannel 'Digital Beachhead' for customers globally; delivering products and services they want, injecting Social-Local-Mobile (SoLoMo) capabilities, and engaging customers in co-production. The aim is to make customers' lives much easier and more secure," he adds. Some steps towards this aim have already been made by the bank with its Barclaycard Freedom offering (which is similar to Amex's more extensive rewards idea) delivering an app that enables customers to find participating retailers for rewards, with special bonuses available in the eStore. Additionally, the bank has other social media elements to encourage dialogue with – and between – small business owners under its 'Take One Small Step' competition, which is run through the commercial banking arm.

"Internally, we are also rolling out a Facebook-like tool for our employees to share and exchange work and customer service ideas and an internal twitter-like tool is



This word cloud shows the most popular words being used on social media in regard to the Sibos 2011 show as of 25 August 2011. It is being updated daily on *www.cognitoforsibos.com* in the lead-up to and during the show.

Source: Cognito Analytics

planned," says Kheradpir, who goes on to urge people to "stay tuned as the Barclays Digital Beachhead project continues to build momentum".

First Direct, HSBC's phone and internet banking-only unit in the UK, has some more concrete social media offerings. It would like you, for instance, to help develop its products in future via its new online Labs portal, which is updated with content every month allowing users to critique potential new products and services via a comment forum that links back to the development teams. The initial plans to be discussed on the portal, following its launch in August, were a website redesign, a consultation on the use of QR codes and an early version of a mortgage comparison smartphone app. According to Paul Say, First Direct's head of marketing, the bank "is constantly looking at new ways of communicating with customers and the public and the Lab is a natural progression of this. We want people to inform our offering and in so doing help us to serve them better. This is about changing the way people interact with banks by giving them a stake."

First Direct has a history of innovation in the UK, of course, being the first specialist online and phone retail bank in the country. The Lab initiative follows on from its earlier 'Little Black Book' customer social network where people can share positive experiences about anything other than banking and its online Talking Point forum, where a dedicated team responds to good or bad customer service comments and queries. A social media newsroom has also been established and the bank has presences on YouTube, Twitter and Facebook. Its 'Live' project also aggregated what people were saying about the bank in the virtual world to assist these initiatives.

Mark Mullen, the bank's new chief executive, has only recently taken his position (*see appointments, page 40*) after leaving the bank two years ago to become regional head of marketing for HSBC Middle East, but he has a background in social media and is a firm believer in its uses. Mullen introduced the Little Black Book and Talking Point networks to First Direct during his first stint at the bank and reckons that it is ahead of other UK rivals because it does not have a branch network, so has already had to develop non-physical expertise in using the phone, online and virtual channels to engage and win customers.

"I think we're slowly seeing FIs start to use social media and networking, but I wouldn't say everyone is using it as effectively as they might at the moment," says Mullen, when discussing how quickly the technology is being adopted. "I've found that, especially in the UK (versus the US or Australia) we're a bit behind the times. In my opinion this is largely due to the nature of the sector here and the speed with which regulators catch on to this new approach to banking."

Regulation is potentially a key factor in this discussion as its heavy presence in financial services has undoubtedly restrained its development in comparison to the telco and communications industries where the technology was originally developed and where oversight is less omnipresent. The fact that Zopa, Prosper and other P2P social lenders aren't covered by the same stringent loan obligations and rules as traditional banks is possibly why they've gone further than some established players in utilising social media. It is also possibly a cause for concern and could spark fears of disintermediation among some banks. But the better firms should not worry about rising to meet this challenge, and instead focus on what they can learn from such organisations about how to use social media effectively.

Relax, respect privacy & ensure security

Social media isn't just a marketing tool. It should be seen as a channel in its own right or at least as an amplifier or a way to deliver an integrated multichannel offering from a single financial institution. It can link up varying existing routes to market, add new ones and provide forums and customer and business intelligence feedback as long as businesses thoroughly plan how to implement and run the various external tools or internally developed networks at their disposal. "Many are afraid of making a mistake and ruining the reputation of a brand but I would argue this means you don't use social media to its full potential," comments First Direct's Say. "Things are being said about your brand whether you like it or not, so it's better to be in a position to influence it."

As Nicola Millard, a futurologist at British Telecom's UK R&D centre in Suffolk, puts it, social media is not broadcast media; it's about dialogue. "Banks need to understand you cannot control the dancefloor," she said, "but you can go and dance".

The trick is not to be perceived as being too invasive of privacy or too corporate to be in targeted customers 'friends' networks. As Chris Cathart, account director at LBi's BigMouthMedia, which works with RBS and Lloyds Banking Group in this space, explains: "FS companies should learn to engage in conversations their consumers are already having in the social sphere; they shouldn't be trying to stifle them or hide away. You will garner respect if you show engagement and, if required, admit mistakes – this is how you get users onside." This is not a consideration for more specialist social networks like eToro for instance, but for 'consumer' social media like Twitter it should be considered the right approach.

Security concerns are another potential problem for some with worries about data breaches and fraud to the fore, but again, if you put a proper policy in place, along with adequate secure identity, anti-malware and virus solutions, you should be OK. No anti-fraud measures are ever inviolable but as long as they are as secure as possible and backed by good procedures if breaches do occur then no more can be asked. Having said that, a little customer education might be in order for consumer-based social channels following the recent case of Ian Wood, a Newcastle man who was jailed for 15 months in the UK in August after stealing more than £35,000 over two years. He spent up to 18 hours online a day working out passwords from personal information posted on social networking sites by acquaintances. The mantra not to share personal data online can never be repeated enough it seems.

Bits: A social media framework for all?

The power of social media is perhaps best illustrated by the fact that a number of institutions have taken the time to get together to develop a social media framework, sensing future opportunities. Bits, the technology-arm of the US bank-backed Financial Services Roundtable organisation which has 100 members that provide products to North American consumers, including Bank of America, BNY Mellon, JP Morgan Chase & Co, MasterCard, TD Bank and the NasdaqOMX Group, released the *Social Media Risks and Mitigation* paper this summer.

Recognising that the social media world spans the legal, customer service and marketing, IT, communications and HR functions, the paper covers compliance, information retention, hiring risks and security concerns ranging from reputational threats to phishing and social engineering scams. Compiled by a panel of tech, comms and security executives drawn from Bits' membership, which includes affiliates like Microsoft, PayPal and the American and Canadian Bankers' Associations, the *Social Media Risks and Mitigation* paper can be downloaded via *www.bits.org* and is intended to help guide banks as they build out their presence on consumer-focused platforms like Facebook, Twitter and so forth. It might not be so useful for more specialist FS-focused social networks therefore, although there should still be some useful lessons in it and the US-centric advice should be applicable in some other countries.

Explaining its purpose, Susan Rivers, vice president of corporate communications at BNY Mellon, said: "We hope the white paper will offer valuable insights for FS companies that want to use social media to enhance their business competitiveness, while adhering to industry compliance norms and ethical standards."

According to a recent survey of its membership, the Financial Services Roundtable found that 65% of the large FS firms it counts as part of the organisation employ at least one Twitter account and 44% already professionally maintain a Facebook page. These numbers have already climbed this year and are further illustrative of the faith that is being put in consumer-focused social networks. The evident growth in specialist FS social communities in the investment and commercial banking areas is also encouraging. The fact that Morgan Stanley Expansion Capital has just pumped £7 million in Series C funding into Socialware, a vendor that makes social business management solutions, perhaps also proves the attractiveness of this area right now. The vendor's Voice, Compass and Insight software, which respectively seek to deliver engagement, compliance and intelligence information to clients so they can better manage their activities in this space – one of many such solutions available – will hopefully find many users in the financial services industry as the sector steps up its involvement in this unfolding revolution. ***BT***

■ For all the latest news, video, in-depth features and vox pops from Sibos 2011 be sure to visit our sister site at *www.dailynewssibos.com* and you can follow us on Twitter using @bankingtechno

Virtual Sibos and getting social in Toronto

Swift, the organiser of Sibos 2011, which takes place at the Toronto Metro Convention Centre this month, plans to use a variety of social media to actively engage the more than 7,000 show attendees and exhibitors that are expected – not to mention the wider FS community that will be in attendance, including the IMF and World Bank. There is already the swiftcommunity.net collaborative platform but this year a 'Virtual Sibos' is also on offer.

Accessible from the week after the gathering finishes until the end of the year, the website includes a virtual exhibition hall, with exhibitor demonstrations and product materials; a plenary room, to see and hear keynote speeches and flagship panel discussions; a main hall, to go back and see conference sessions by day or topic; and a resource centre, for press releases, case studies and other materials. It will link into the swiftcommunity.net platform and is part of Swift's plans to encourage greater debate, involvement and feedback from its membership and from other Sibos attendees.

A more interactive and social Sibos 2011 mobile app is also available on the iPhone, iPad and on Android smartphones providing a more immediate mobile guide to the show and live interviews and links. In addition, ticker displays onsite in Toronto will share tweets from #sibos (as well as #standardsforum and #innotiribe) and they promise that **www.sibos.com** will feature feedback prominently.

In the heart of the conference floor at Sibos, in the Innotribe space, a *Social Data and Collaboration* keynote presentation on Monday 19 September, 1230-1400, may also be of interest as this will look at LinkedIn, Twitter, Quora, Chatter and many other social data and collaboration platforms. The impact of these and other tools on the banking business will be considered by a panel that includes the vice president of social business at Wells Fargo, Darius Miranda; Pol Navarro, head of direct channels and innovation at Banco Sabadell; and Howard Lindzon, chief executive of Stocktwits, among others. Topics will range over the opportunities for talent discovery and development, for building or protecting firm's reputations and influence online, and how to manage the inevitable compliance and regulatory issues that social media create in the financial world.

According to Matteo Rizzi, innovation manager at Swift, social media is now so much a part of their mindset that internally they are now using Yammer, the private enterprise social network and similar social collaboration tools such as Mindtagger.com to try and embed the technology's collaborative ethos even more deeply in the organisation. The latter enterprise search tag solution can help to find competent and appropriately skilled people in large multi-national bodies to undertake tasks or to join industry-wide working groups – ideal for an organisation such as Swift.

The **www.cognitoforsibos.com** site from Cognito Analytics may also be of interest as this free-to-use site will pull in all the feeds surrounding the show that Cognito Analytics' pre-configured database can find. According to Tom Coombes, chief executive of Cognito, "the aim is to use the analytical tools that the firm has got to provide an easily accessible platform that aggregates and analyses all of the relevant information around the Sibos event, just from monitored social media data." This can then be turned into word clouds, pie charts or other forms of analytical material.