

➤ **Social Media** and the Banking Industry

Overview

The rapid rise of popular Web tools that facilitate conversation and interaction online by allowing millions of people to easily share ideas, insights, experiences, perspectives and media has left enterprises everywhere scrambling to come up with strategies to leverage or limit the newly unleashed power of social media.

No longer do companies talk and customers passively listen. Harnessed to the enormous reach and depth of the Web, inexpensive or free social media tools like blogs, forums, podcasts, wikis and social communities have given consumers a global soapbox and with it the potential to make or break reputations, enhance or damage brands, create winners and losers in the marketplace, and do so with lightning speed.

At the same time, social media offer unparalleled access to unfiltered customer opinion and create opportunities to leverage user-generated content into novel and valuable new publishing vehicles. Although the number of banking-industry/financial-services social media initiatives is still relatively small, their influence is spreading. For banking, as well as for most industries, the genie is out of the bottle.

This report looks at some of the initiatives that are currently under way in two key forms of social media: community building and blogging.

Key Findings

- > With the notable exception of Wells Fargo, few banks are now using social media tools like blogs and wikis internally on a company-wide basis, but several large initiatives are in the works or being rolled out. For example, Deutsche Bank is building on its experience in using desktop video to introduce new social computing tools. The bank expects to move from initial piloting to companywide deployment of social media in the next few months.
- > Financial services firms with aggressive marketing programs (like American Express, Visa and so on) are much more likely to use social media tools in customer-facing situations than are more conservative banks.
- > Community sites are becoming popular both for relationship building and as hubs for innovative financial services.
- > Social media can adversely affect brand and reputation. The number of consumer-driven anti-Bank of America blogs, for example, is a public relations disaster.
- > There are many good independent blogs on banking issues now being published on the Web.
- > The industry-leading American Banker publication does not appear to utilize online social media.
- > For media companies, the transition in reader preference from a single-voice, authoritative, read-only model to a hybrid approach that also includes multi-voice, conversational “community” elements has created significant challenges. The banking press is no exception.

Banking on Community

While large consumer community websites like Facebook and MySpace are designed to appeal to mass audiences, enterprise communities tend to be smaller and more focused on people with common interests who are customers or potential customers of the sponsoring company. There is considerable evidence that the community approach works. Joe Cothrel, VP for research at Participate, and community guru Bill Johnston gathered public data about online community ROI that provides some insights.

- > Community users remain customers 50% longer than non-community users. (AT&T, 2002)
- > 43% of support forums visits are in lieu of opening up a support case. (Cisco, 2004)
- > Community users spend 54% more than non-community users. (EBay, 2006)
- > In customer support, live interaction costs 87% more per transaction on average than forums and other Web self-service options. (ASP, 2002)
- > Cost per interaction in customer support averages \$12 via the contact center versus \$0.25 via self-service options. (Forrester, 2006)
- > Community users visit nine times more often than non-community users. (McKinsey, 2000)
- > Community users have four times as many page views as non-community users. (McKinsey, 2000)
- > 56% percent of online community members log in once a day or more. (Annenberg, 2007)
- > Customers report good experiences in forums more than twice as often as they do via calls or mail. (Jupiter, 2006)

Banking industry communities to date appear to fall into two main categories: 1) customer-facing marketing communities and 2) online services communities.

MARKETING COMMUNITIES

Finextra Communities - Finextra, the London-based independent newswire and information source for technology news in wholesale and retail banking, capital markets and insurance, which also publishes a wide range of research articles, features, white papers and case studies, has launched and is currently beta-testing Finextra Communities, a free networking community that allows financial technology professionals to blog, create profiles and start topical sub-communities.

www.finextra.com/community/



Open Forum is a social community sponsored by American Express that targets small business owners and provides videos, articles, expert blogs, success stories and advice from other business owners and limited networking opportunities. It functions as a hybrid between a networking community and a conventional portal. www.openforum.com



ONLINE SERVICES COMMUNITIES

Zopa – Started in the United Kingdom, Zopa bills itself as the first marketplace for Social Lending, meaning that members of the community lend and borrow money with each other, sidestepping traditional banks. The premise is that both lenders and borrowers get better rates, because Social Lending is more efficient than traditional banks, which, with typically massive overheads, thousands of employees to pay and hundreds of branches to maintain have to take large margins on the money that passes through them. www.zopa.com



Zopa has spawned a number of competitors, including Prosper www.prosper.com in the U.S., Smava www.smava.de/ in Germany and Boober in the Netherlands.

Wesabe - Wesabe is a community site that aggregates and analyzes financial transaction data from bank and credit card accounts and uses that data to help guide consumers to the best merchants and the greatest value for their money. In theory, Wesabe combines massive databases of financial transactions with the “collective intelligence” of a networked customer base to produce “best practices” financial advice.

The data comes from Wesabe members, who use the company’s free, Web-based tool to get a better understanding of how they spend. For instance, the company uses the example of how it is putting that data to work, revealing which major banks charge its members the most in overdraft fees (Wachovia and U.S. Bank). Wesabe has launched an application on the Facebook platform, becoming the first personal finance company to do so. So far it’s a simple front door to their group discussions, but with more development resources, they hope to become a full-fledged “bank” running within the Facebook community.

Blogging

The use of blogging internally does not appear to be that common in banking firms with the notable exception of Wells Fargo. On the other hand, there are many good independent banking blogs and some of them show the potential to become substantial money-making publications in their own right.

CORPORATE BLOGS

Wells Fargo & Co. was the first U.S. bank to launch a corporate blog, in March 2006, and the company has since gone on to expand its use of social media to include such innovations as an online role-playing game called Stagecoach Island to make financial education fun for high school and college-age students. Players can give feedback on new features, chat with other players, share pictures of their avatar, and set up real-time events like birthday parties and ski races.

Hundreds of Wells Fargo employees are now using blogs to brainstorm with one another and interact with customers. “We’ve built tools in the past to share information inside the company, but they were always these very structured things,” says Steve Ellis, EVP of Wells Fargo’s wholesale solutions group. “A blog is informal—a great way to get away from the corporate thing and let people inside our heads.” The company’s blogs have become the most-read non-banking pages on Wells Fargo’s site. A few groups within the company have even started experimenting with video blogs. Further, the EVP of the bank’s Internet services group holds weekly meetings for team members to discuss new ideas submitted to a company wiki.

Wells Fargo now claims a variety of banking-industry social media firsts:

- > First U.S. bank with a blog (though Verity Credit Union beat Wells Fargo to it by more than a year)
- > First bank with a student loan blog
- > First bank with a business banking blog
- > First bank in the world with a Second Life presence
- > First bank on MySpace at <www.myspace.com/stagecoachisland>, really more an extension of its StageCoach Island game, which also has its own blog
- > First bank with 2, 3, and 4 blogs
- > First bank with an avatar persona on MySpace
- > First bank with a VP Social Media (who appears to be proactively reaching out to the blogging community)

Wells Fargo Blogs
Join The Conversation

Finanzas Student Loans Community

Cesse Hill, Megan Schack, Marou Yimane, Barbara Rave, GMoney, Charne Riggs, Staci Schiller, Jeff Tinker, Greg Waldman, Caroline Hansen

Guided By History
Our historians give you a blogging experience that **bridges events in the past and present** with an outlook on the future. We offer you a glimpse of Wells Fargo's historical archives, which boast a vast assortment of exclusive documents, artifacts and photography. History is interesting, but it's also instructive ... and amusing sometimes.

Popular Topics
artifacts earthquakes
events experts first-hand accounts
get involved hurricanes
museums natural disasters
participate perspective
prepare remember

The Student LoanDown

INDEPENDENT BANKING BLOGS

There are a significant number of excellent blogs that provide industry news and analysis.

NetBanker (www.netbanker.com)

Edited by Jim Bruene, who founded Online Financial Innovations in 1994 to provide research, data, and insights to the growing online banking industry. Unlike Bruene's newsletters, NetBank offers advertising or sponsorship opportunities.

Payments News (www.paymentsnews.com/)

First-rate news-oriented group blog from Glenbrook Partners, an industry consulting firm. Jim Bruene writes: "Scott Loftesness at **Glenbrook Partners** is far and away the best source for tracking financial industry news, especially on the payments side. Scott has an uncanny ability to find every pertinent article published anywhere around the globe. And I swear he must never sleep. For sheer scope, it absolutely blows away *American Banker*, the pre-blogsphere "publication of record" for the banking industry."

The Bankwatch (thebankwatch.com/)

Ex-Bank of Montreal exec Colin Henderson covers an enormous amount of ground in his writings, from organizational development to direct marketing.

Bankervision (bankervision.typepad.com)

Written by James Gardner, Head of Innovation and Research in Group IT at Lloyds TSB, based in London.

Bank Deals (bankdeals.blogspot.com/)

Anonymous but valuable.

Banknet360 (www.banknet360.com/0)

An online news and information services for banking professionals published by Royal Media Group. A basic financial news portal, with blogs.

Banking Strategies Blog (www.bai.org/cs/blogs/bankingstrategiesnews/)

A moderated blog from BAI.

Private Banking Innovation (privatebankinginnovation.com/en/)

Written by a team of the Geneva-based consulting boutique Arvetica, "to boost innovation and challenge conventional wisdom in private banking and wealth management through blogposts, interviews and out-of-the-box-thinking."

Marketing ROI: (marketingroi.wordpress.com/)

Written by Ron Shevlin, VP of Marketing at Epsilon in Wakefield, MA. Prior to joining Epsilon in April 2006 he spent nine years at Forrester Research where he was a Research Director and Principal Analyst of the Financial Services team and led Forrester's consumer research efforts in financial services.

LANZen (www.blog.lanzen.co.uk/)

Written by Neil Robinson, founder of LANZen, a technology strategy and design consultancy in Cheshire, in the Northwest UK.

The Better Banking Blog (bankingreview.blogspot.com/)

Charis Palmer is the editor of Online Banking Review, which she founded in 2003. She reports on issues including banking strategy, bank technology, payments, Web 2.0, cybercrime, phishing and online marketing in the financial services industry. (Australia)

Bank Lawyer's Blog (www.banklawyersblog.com/3_bank_lawyers/)

Written by Kevin Funnell, an attorney who represents banks and other businesses, primarily in the areas of contracts, electronic commerce, Internet activities, regulatory compliance, business alliances and general business matters.

Link Dump on Payments (linkdumponpayments.blogspot.com/)

Written by a knowledgeable, but anonymous, insider in the Netherlands.

Aneace's Blog (aneace.blogspot.com/)

Aneace Haddad is founder and chairman of payment software company Welcome Real-time. An American from Boulder, Colo., Aneace has spent most of his life living and working outside the U.S. (Singapore)

Gonzo Banker (www.gonzobanker.com/)

A group blog from Cornerstone Advisors, Inc., a consulting firm that helps financial institutions in the areas of technology and e-commerce planning, strategic planning, vendor selection, contract negotiation, performance improvement and merger integration services.

The Price of Everything (profitdesk.com/content/)

Mike Schoeffler is former risk manager for a \$9 billion regional bank. He runs Profitdesk Software, a software company that helps banks set better deposit rates.