

SOCIAL MEDIA IN UK FINANCIAL SERVICES IN 2011

The findings in this report are based on a preliminary online survey conducted by Glue Reply across a range of UK-based financial services institutions from credit card companies, to banks and insurance companies.

The objective of this survey is to cast light on the 'state of thinking' about social media in UK financial services. The report can be used by individual companies within financial services to compare their social media efforts against trends across the financial services industry as a whole; use it as part of a business case to ask for more budget for social media activity.

Jason Hill, Partner at Glue Reply said: "Financial Services companies are playing catch up but this market is not the place for trial and error. Heavy regulation coupled with a lack of clarity from the FSA is contributing to late adoption. Financial Services organisations are realising they too can get closer to customers, market and market sentiment by embracing Social media akin the way many retail companies have. Ultimately this could help better understand risk. Before leaping in; Financial Services companies must devise a proper strategy before using social media and answer these fundamental questions: what are the goals, who are the audience, how are we going to get to where we want to be, who is accountable for the activity and how are we going to measure it? The risk of working it out as you go along is too great."

1. INTRODUCTION

“Social Media is here to stay and brands that don't get involved do so at their peril. The new 'Millennial' generation will not tolerate brands who don't communicate with them in social media. For the financial sector regulation is a real barrier to innovation and banks need to come together and agree best practice with the FSA to speed up the process and reduce the compliance minefield that currently exists. Conversations are going on regardless of whether or not the brand is involved. Surely it's better to add your voice to the crowd and potentially restore customer faith in your brand, product, services and maybe even the sector as a whole?”

Rebecca Hirst, Media Relations, First Direct

After a fairly slow start, the last two years have seen many financial services companies rushing to catch up in the social media stakes, with public platforms such as Twitter, Facebook and YouTube all being adopted, albeit with mixed success.

But, why has this sector lagged behind? The control issue figures largely, with regulatory and security obligations forcing a cautious approach.

And conversely, the lack of control over how the 'brand' is dealt with in social media may make financial institutions nervous: the negative power that can be unleashed through social media was demonstrated as recently as November 5th 2011 with Bank Transfer Day, a campaign which began in the US as a protest against massive banking institutions then spread to Europe. Social media such as Facebook were used to encourage customers to transfer their money from the 'big banks' to smaller, mutually owned more 'ethical' institutions.

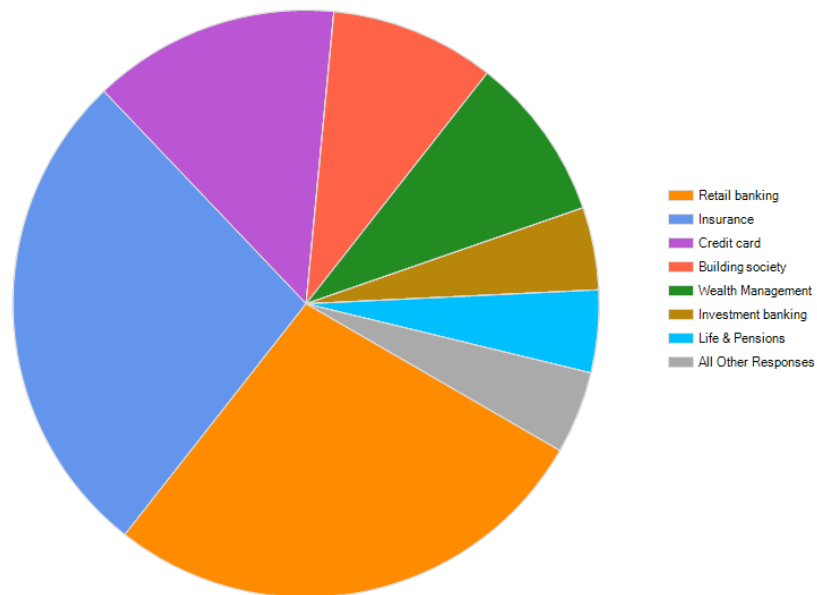
The objective of this survey is to cast light on the 'state of thinking' about social media in financial services. Much of the way assets, risks and commodities are priced is based on market sentiment. In capturing the feedback of consumers, analysts, customers, events and trends social media can provide a degree of sentiment analysis to help the retail, investment and fixed income areas to drive competitive advantage. Despite the plethora of systems employed by financial institutions to monitor moves in the market, it is driven as much by 'perception' as by fact. Social media techniques could provide an invaluable insight into this perception.

The survey looks at current attitudes to social media across various types of financial services organisations.

2. ABOUT THE SURVEY

The survey was administered online between 15th and 31st October 2011 and included respondents from each of the principal financial services segments, as shown in Chart 1 below:

Chart 1: Survey Industry/Function



The survey was completed by people with responsibility for social media. The precise job title varied across companies, but included PR and communications managers working in the social media, marketing and digital departments of retail and investment banks, insurance companies, building societies, credit card organisations, wealth management companies and commercial banks.

The aim was to identify:

- Perception of social media adoption; its benefits and hindrances to its implementation
- Social media strategy and monitoring processes in place or planned
- Social networking platforms in use
- Proprietary social community/networking platforms in use or planned
- Attitudes towards outsourcing and the different delivery models
- High-level budgets

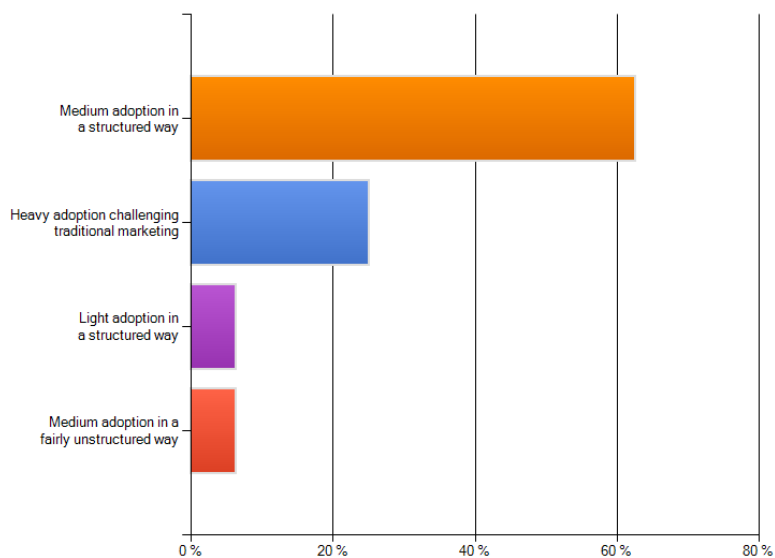
3. KEY FINDINGS

A. CURRENT AND ANTICIPATED LEVELS OF SOCIAL MEDIA ADOPTION IN UK FINANCIAL SERVICES

Three-quarters of the companies surveyed admitted adoption of Social Media across Financial services was 'light' currently, half of whom said it was 'structured' whereas the other half thought it was 'unstructured'.

But people are expecting the situation to change. As shown in Chart 2 below, almost two-thirds believe that the adoption will grow to 'medium adoption in a fairly structured way' in the next 2 to 3 years.

Chart 2: Social Media adoption in 2 to 3 years' time



Interestingly, some Insurance companies believe that social media will be 'heavily adopted' in their sector over the next 2 to 3 years and may challenge traditional marketing.

Nobody believes it is going to go away!

B. PERCEIVED BENEFITS OF USING SOCIAL MEDIA IN BUSINESS

Surprisingly, when asked about perceived benefits of social media to the business, 'supporting product/service launch' and 'providing information about the company' still hold the top two slots. Despite a plethora of articles advocating a wider use, 'improve customer service', 'improve customer retention', and 'monitor what customers say about products and services' are still considered to be secondary benefits.

C. HINDRANCES TO USING SOCIAL MEDIA IN BUSINESS

A lack of the appropriate available resources is believed by respondents to be the main hindrance to using social media, followed by 'lack of knowledge/expertise', 'low/no ROI' from social media programmes, and 'regulations'.

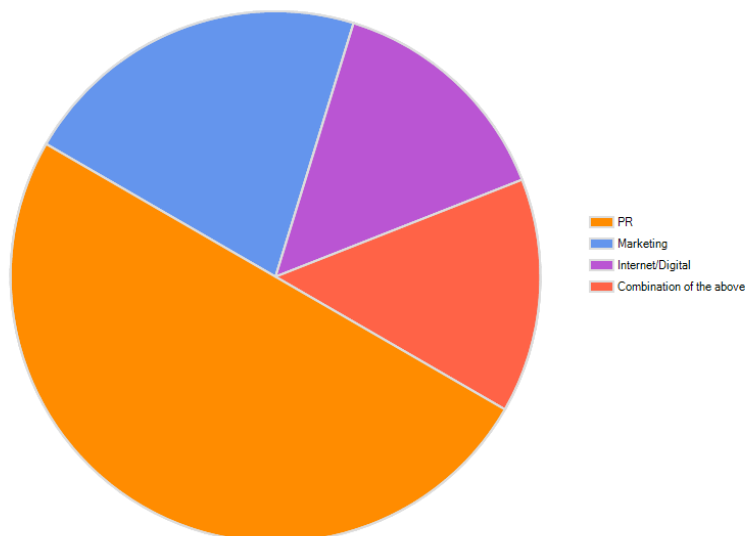
On the latter point, one of the respondents put forward the following plea:

'Can the FSA put together some clear and precise guidelines for financial institutions and the use of social media to provide excellent customer service?'

FSA have produced a report following a review into the media channels that firms use to communicate financial promotions to customers. The FSA report can be downloaded from: http://www.fsa.gov.uk/pages/Doing/Regulated/Promo/pdf/new_media.pdf

D. MANAGEMENT OF SOCIAL MEDIA INITIATIVES

Chart 3: Department managing Social Media initiatives



Only 20% of the companies responding have a dedicated social media department or team. Chart 3 shows that in the remaining companies PR departments are leading the way in managing social media initiatives, followed by marketing departments. This is perhaps not surprising, given the predominant use of the social media for promotional purposes among those canvassed.

As you would expect, the number of people involved in supporting social media initiatives increases with the size of the company. The findings showed that SMEs involved no more than six people directly or indirectly to manage their social media initiatives; whereas bigger companies involved up to 30 people.

When asked to rate their Social media expertise on a scale of 1 to 5 (1 being the lowest), approximately, a third of companies considered themselves to be Novice, a further third thought they were Competent, and the remaining third classed themselves as Proficient.

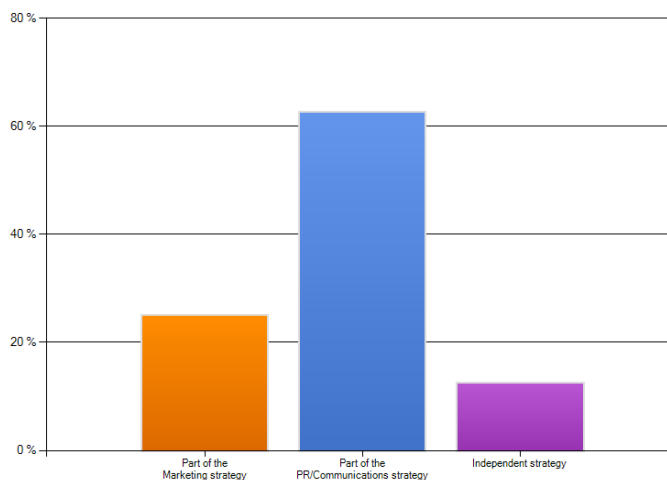
All of the companies undertake some form of monitoring to see what people are saying about them and their products/services on social media sites. Most of these companies (80%) use some kind of monitoring/listening tool for this purpose.

Only half measure their social media initiatives. The way this is done, the tools/software used and the frequency with which it is undertaken varies from company to company.

Klout score, click-through rates, number and type of complaints, customer feedback, mentions and sentiment (favourable/unfavourable) and type/size of the audience (Twitter followers, Facebook 'likes', Video 'views') are the most common measures used.

E. SOCIAL MEDIA STRATEGY

Chart 4: Business strategy under which Social Media strategy falls



As shown in Chart 4, just over half of the companies surveyed have a social media strategy; but in only a very small number is there an independent strategy. In most cases, 'social media' forms part of the PR, communications or marketing strategy, with PR the favourite.

Those companies without a social media strategy currently, plan to formulate one in the course of the next year.

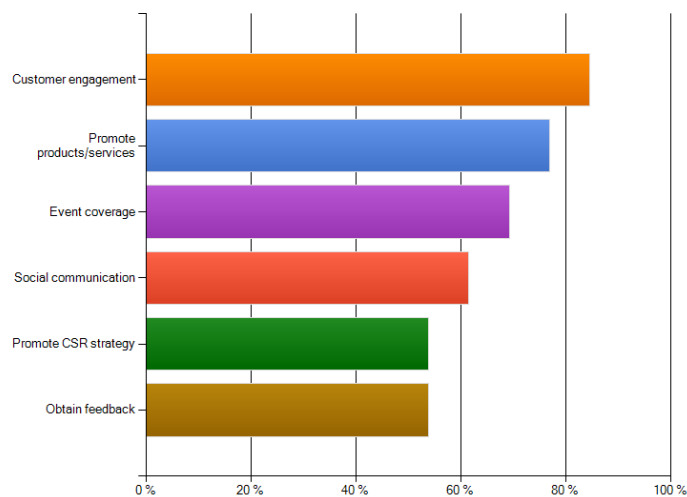
The respondent companies employ both reactive and proactive strategies: reactive in terms of monitoring what customers and potential customer are saying about them and their products/services and in measuring sentiment; and proactive as a means to:

- Deliver better customer service (for example, by helping with their queries or problems)
- Raise brand awareness
- Engage customers
- Connect with online publications and social commentators

F. USE OF A SOCIAL NETWORKING PLATFORM

Most of the respondent companies (almost 90%) use social networking platforms. Chart 5 shows that of these companies, a similarly high number use social networking to achieve customer engagement, with the promotion of products/services and the coverage of events coming not far behind. The opportunities for social communication, a mechanism to obtain feedback and the promotion of corporate social responsibility (CSR) strategy follow further down the pecking order.

Chart 5: Purpose of using a Social Networking platform



The few companies that currently don't use a social networking platform plan to start using one in the next year.

G. CHOICE AND USAGE OF SOCIAL NETWORKING PLATFORM

Twitter is the preferred social networking platform for almost all companies surveyed. Facebook, LinkedIn, YouTube and Flickr follow, in that order.

External-facing employees are the main users (over 90%) of these platforms, for obvious reasons. Customers are the second biggest group (almost 60%), followed closely by internal employees at 50%.

H. PROPRIETARY SOCIAL COMMUNITY/NETWORKING PLATFORMS

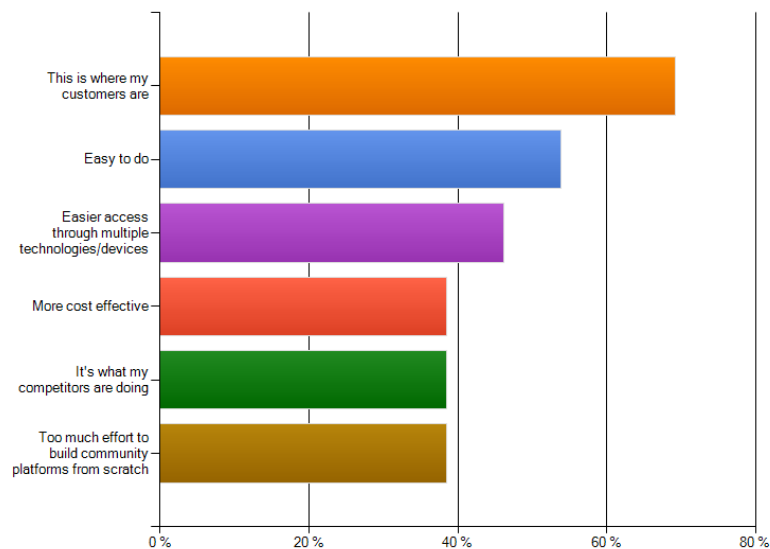
When asked if they had heard of proprietary social community/networking platforms, surprisingly, half of the respondents replied 'not'. This was particularly marked among building society responses.

When asked if they used such proprietary platforms, only a quarter actually did. Credit card companies were well represented here.

A few companies use both the types of platforms: proprietary platforms for internal communication; and 'popular' ones for external communications.

In terms of platform preference, a staggering 93% of companies prefer popular social community/networking platforms (e.g. Facebook, Twitter) over the proprietary equivalents, for the following key reasons depicted in Chart 6:

Chart 6: Reasons to prefer Popular platforms over proprietary platforms



Those few companies that prefer proprietary platforms, appreciate being able to:

- Control who accesses the platform
- Create and manage communities
- Personalise layout and features
- Maximise for internal use among employees and HR for careers information, knowledge sharing and so on
- Control what people say on the platform
- Integrate with Facebook, Twitter and the like

“New Social Media tools will continue to be developed and pushed in to the market. No one predicted that Facebook would wipe-out Bebo and MySpace or that Twitter (microblogging) would first replace then rekindle the blogosphere. Financial Service organisations are fuelled by information and therefore access to multiple platforms to gather and publish information is key. Users will ‘find their own way’ and so it is doubtful that any corporate platform no matter how good will become the global hub for the universe off financial services social media. However having an internal Social Hub that can integrate with current and future platforms is a must. Like any technology, the more one has of it the more it can develop and support their needs. The internal hub approach affords some protection from the on-going Social Media proliferation. Moreover, the internal hub approach will allow the enterprise to engage with consumers at the appropriate stage in there Social Cycle, whether they be reader, rater contributor or advocate.”

Jason Hill, Partner, Glue Reply

I. OUTSOURCING AND DELIVERY MODEL

While half of the companies approached prefer to undertake their social media tasks internally (50% respondents said that they did not outsource), many opted for a mixed approach, relying on external suppliers for advice but also having in-house expertise. Analytics, design, development tools and research were the areas where additional expertise might be sought externally.

In terms of the delivery model, almost three-quarters of the respondents were unsure about the delivery model (i.e. Software-as-a-Service (SaaS) or internal hosting) being used by their company. This lack of knowledge is most probably due to the role of respondents which reflected the heavy involvement of PR and Marketing departments in social media initiatives.

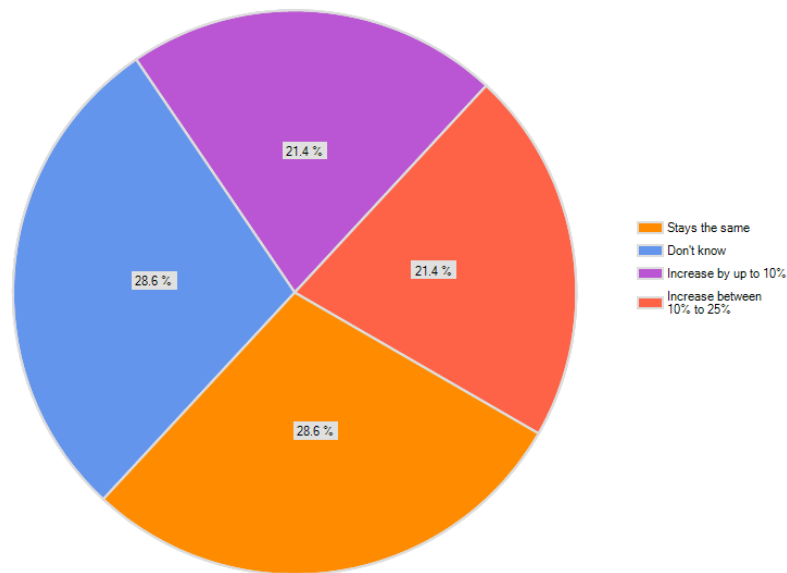
Among the remaining companies, SaaS is the preferred delivery model (21.4%) and tends to be the delivery model of choice for credit card companies.

J. BUDGET AND ANTICIPATED CHANGE

More than a quarter of the companies surveyed have no separate social media budget. Where there is a budget, this is below £100,000 for 42% respondents, with a small number of companies having a dedicated budget of between £100,000 and £250,000.

Surprisingly, over 20% respondents didn't know if there was a separate budget or not!

Chart 7: Annual Social Media budget to change next year?



When asked about the likelihood of budget change for social media next year, responses were spread fairly evenly, as shown in Chart 7. The 'top' two responses, however, were shared by those who thought that their budget would stay the same, and an equal number who admitted to not knowing what would happen.

When asked how long they would be prepared to wait to see results, there was an interesting spread of responses with 42% respondents expecting results within six months, while 35% were prepared to wait for up to two years. The smaller building societies tended to fall into the former category, with bigger companies prepared to wait longer. Surprisingly, and perhaps reflecting the perception of the 'immediacy' of social media, a small number of companies even expected results within three months.

4. CONCLUSIONS

The world of social media undoubtedly presents great opportunities for the financial services sector. In this respect, the main finding of the survey was clear: even those companies that do not currently have a social media strategy, plan to have one in place within a year.

While overall, financial services has lagged behind some other industries in implementing social media strategies, the survey indicates that the rate of adoption and level of focus on the area varies considerably across type of business (retail bank, insurance company, credit card company, building society and so on).

Credit card companies lead the pack; most of them have a social media strategy, use monitoring tools and measure their social media initiatives. In terms of delivery model, they prefer Software as a Service delivery; and they are familiar with the concept of proprietary social community platforms.

In contrast, a few smaller building societies tended to be at the other end of the spectrum, without a specific social media strategy, yet expecting to achieve results within six months if they were to implement one.

Perhaps the strongest evidence of whether a company is taking a serious approach to social media can be seen in the extent of the resources/budgets/expertise devoted to it. In the survey, results were very varied, ranging from 'No budget' to budgets up to £250,000.

'What's the ROI and how to measure it' – is the most common question most companies would like to have answered; and it is perhaps the most difficult.

For many companies, there is a lot of work still to do to take advantage of social media. It is only through deploying tailored strategies, backed by the appropriate resources and processes that financial services organisations will be able to realise this potential. While there is a risk that 'out of sight' can be perceived as 'out of business', there is an equal risk that 'doing' social media badly (i.e. through the wrong channel, or with blatant self-publicity) will alienate the very people your company is trying to connect with and will hinder business growth.

"There are strong, strategic, reasons for using social media in FS. These are not without challenges, especially for brand like Coutts. I've seen on many occasions that people have been surprised to get a response from us on Twitter, for example. It proves we're listening to our clients, wherever they are. The reality is people are talking about our brand using social media whether we like it or not. We've made the decision to be part of the conversation and are keenly watching how this will evolve and become embedded across the wider business."

Phil Allen, Head of Digital, Coutts

5. GLUE REPLY'S VIEW ON SOCIAL MEDIA: IS THERE A PLACE FOR IT IN THE FUTURE ENTERPRISE?

The use of social media in the enterprise is still evolving – as are the tools which enable its use. There are high expectations: how can these tools deliver value for the enterprise (inward looking); and how can I get closer to my customer (outward looking). Social media and the consumerization of IT will probably converge in the former; while the latter will see a healthy mix of formats such as web, video, text and imagery on a variety of platforms - TV, PC, Mobile, Tablet and all manner of the 'Internet of Things'.

Two things are certain: we will all be designing for touch-screen technology and proximity. As organisations move into 2012, they will continue to evaluate the latest trends: cloud computing, mobility, Enterprise 2.0, consumerization and 'big data'. Is there a place for social media alongside these major developments? What can social media offer in addition?

COST REDUCTION

In times of austerity, cost reduction is a key strategy. Social media offers direct access to the consumer and to the whole gamut of consumer feedback: likes, dislikes, queries, praise and complaints. It also enables companies to short-cut the customer service process and give instant feedback and rewards to their consumers.

MORE VALUABLE COMMUNICATION ACROSS COMPLEX GLOBAL NETWORKS

The concept of the extended enterprise, coupled with very strong yet uncertain market dynamics, is driving the need for a wholly connected Enterprise 2.0. The connection and collaboration afforded by social media means that organisations are much better placed to exploit what is occurring in different parts of the world or at different stages in the value chain: issues can be more easily identified and better managed; opportunities can be spotted and capitalised on.

DECENTRALISED ORGANISATIONS AND MOBILITY

Work is increasingly being viewed as an activity that is not tied to a place. Users and consumers are technically and socially savvy: from Facebook to LinkedIn to Twitter, they are involved in self-promotion, collaboration, communication and networking inside the enterprise as well as to a wider audience. Independent of location, network and device, social media has set expectations of how business should be conducted: anywhere, anytime, anyhow and through any channel. Unified communication and collaboration (UCC) and communication-enabled business processes (CEBP) will take shape as organisations look inward for innovation and competitive advantage.

CONSUMER DRIVEN

Consumerization will drive the demand for a superlative user experience, which will be 'borrowed' from the way users 'interface' in the social media: touch-screen kiosks, mobile interfaces, websites and even physical locations will look, feel and behave just as users and consumers are accustomed to outside the enterprise.

BIG DATA

Data 'happens'. It used to be confined within our firewalls and systems but now it is 'happening' everywhere. One aspect of 'big data' is volume; and with social media, that volume is growing. How to make sense of the myriad of data types, data sources, data relevance and data quality is only the start of the problem: it's not just a question of understanding the data, but of being able to react to it. Social media brings super-speed, real-time information: there is no longer an 'off-line' world. To take advantage of this stream of data, organisational agility is required.

ACKNOWLEDGEMENTS

Thank you to all the participants who took part in the survey.

The survey was conducted by Hemang Mehta (h.mehta@replyltd.co.uk), Senior Consultant at Glue Reply.



Glue Reply is an IT business consultancy whose aim is to help clients achieve their future potential by developing solutions that align IT capability with business goals. Glue Reply specialises in:

- Enterprise and Solution architecture
- Solution design and delivery
- Data and BI

Glue Reply is part of the Reply Group (www.reply.eu) an international organisation with over 3000 consultants. Founded in Italy in 1996, the Group now has operations in seven countries and has 600 clients worldwide operating in most market sectors. Revenues in 2010 were 384million euros.

TamTamy (www.tamtamy.com) is Reply's proprietary enterprise social community/networking platform that can be used to build social relationships within and outside the enterprise, among employees, stakeholders, partners and customers.