



White Paper:

The Six Essential Principles for Social Media Success in Financial Service Firms

Executive Summary

Companies are increasingly incorporating social media into their marketing programs because it has been proven to attract consumer attention and to promote customer loyalty. Social media makes it possible not only to communicate with hundreds of thousands of people at once and enlist supporters to spread the word about you and your services but also to combine the benefits of immediacy and the potential for the “viral” transmission of information. Social media also provides for a more intimate means of communication, which sounds counter-intuitive since we’ve just referenced communications with hundreds of thousands of people at once. Social media allows one-on-one interaction and the opportunity to comment on personal milestones, including financial watersheds (e.g., a new job, the arrival of a new offspring, the purchase of a new home, or pending retirement). Compared to more conventional marketing tools, such as advertising and direct marketing, social media offers a number of distinct advantages. It is:

- free or relatively inexpensive.
- interactive, providing the means to communicate one-to-one as well as one-to-many.
- immediate, offering direct feedback from your target market.
- adaptable and can be readily refined to promote ongoing success.

So why haven’t more financial services firms embraced social media as part of their sales and marketing programs?

Some of the key reasons are regulatory. The Financial Industry Regulatory Authority (FINRA), the Securities and Exchange Commission (SEC), the Investment Industry Regulatory Organization of Canada (IIROC), the UK’s Financial Services Authority (FSA), and the Securities and Exchange Board of India (SEBI) impose strict guidelines and rules on the use of all electronic communications, including social media for financial services, demanding careful oversight of online communications and activities to ensure that advisors and brokers aren’t using social media channels inappropriately and without records. Firms themselves raise concerns about the risks of data leakage, malware, and viruses, propagated through these popular Web 2.0 channels. New technologies have emerged to address regulatory and security

challenges, but financial service firms are still slow to adopt social media within their distributed teams as a means to reach out to clients and customers.

The adoption of social media has been challenging, to say the least. Banks, credit unions, and brokerage houses are typically slow to change, and while many embrace some form of social for corporate outreach and customer services, even more have yet to recognize the power of social media marketing or feel that the risks outweigh the benefits. When it comes to social media, financial services firms generally fall into four camps: 1) those that choose to deliberately ignore social media and do nothing, 2) those that are experimenting with social media but fail because of a lack of commitment and user education, 3) those that are lurking, watching what others (the leaders) do, then finally, 4) those leaders, the brave innovators, who even while regulation and legislation is being ironed out, have taken a stance and are adopting. This final group is a growing minority of progressive financial service firms that are effectively using social media to stay current with their customers. These companies are outdistancing the competition by educating their marketing, sales, and distributed team about the optimal approaches to social media and by finding new ways to engage clients online and measuring the results to refine their programs.

Key research from Carol Rozwell of Gartner in May 2011 identified that the 20 percent of enterprises that employ social media beyond marketing will lead their industries in revenue growth by 2015.

This white paper will serve as a tutorial for financial service firms seeking to incorporate social media into their client relations, sales, and extended marketing programs. The paper outlines six basic principles that are essential for the success of any social media program, and we specifically discuss how financial service firms can adopt these principles to achieve their own social media success.

The Challenge of Adopting Social Media

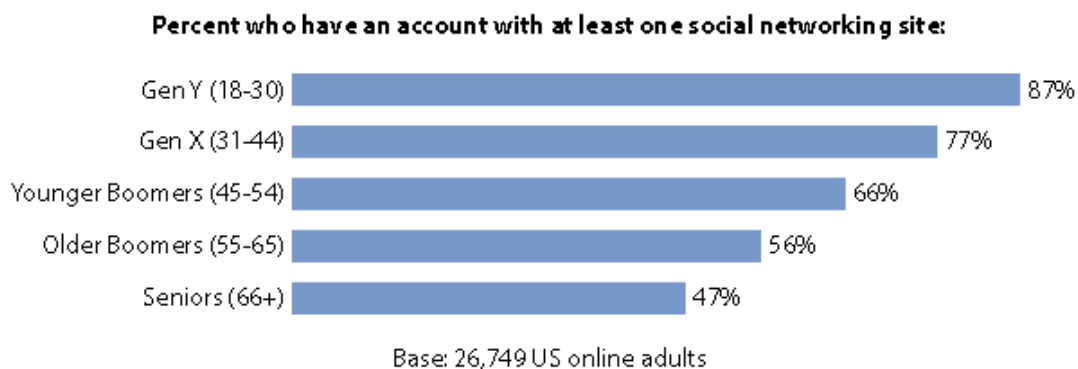
Financial services companies are finding it easier to use social media channels for client outreach and marketing. New technology platforms are available to deal with common security and regulatory compliance concerns: mapping social media identities to corporate identities, controlling online activities, limiting Web 2.0 and social application access, filtering social malware and data leakage, moderating conversations, and logging and archiving social media content. These solutions provide protection from misuse and attacks and provide an assurance of regulatory compliance and governance. But protection is not enough. Financial advisors still need to be trained on how to make the most of social media and how to apply best practices.

One of the key elements that makes social so effective is that you are using your personal contacts to carry your message to a larger audience. Social media works because your network of connections, who rely on you as a trusted resource to provide interesting information, find it worthwhile reading, and if you are strategic with your content, make it worth passing on. The challenge for most financial services firms is understanding how to effectively engage clients and prospects via social media and how to capitalize on the inherent trust of those shared connections.

For financial services in particular, effectively harnessing social media will be a critical component in working with the next generation of investors. According to “Mobile and Social Technologies Come Late to Wealth Management,” a Forrester Research report, older investors are still the best wealth management clients even though they are less likely to use social networks, but the next generation of investors, Generation X (age 31-44) and Generation Y (age 18-30), are committed to digital technology, especially social media. Generation Y is expected to control 46 percent of the personal wealth in the U.S. by 2024. This up-and-coming generation of investors will turn to social media first to find out about new wealth management opportunities and to discuss what to do with their savings, which is why more financial services companies are scrambling to implement their own social media best practices:

“Many investment and life insurance firms have a corporate presence on Facebook and Twitter. Very few firms allow their agents and advisors to have an official presence on a social network. Investor communities — once the province of intrepid startups like think or swim, TradeKing, and Zecco Trading and some European online brokerages — have spread to more established firms like Charles Schwab, Cortal Consors, E-Trade, and TD Ameritrade.” [Forrester Research, “Mobile and Social Technologies Come Late to Wealth Management,” June 8, 2011]

Figure 1 Younger Generations Lead In Adoption Of Social Networks



Source: North American Technographics® Online Benchmark Survey, Q2 2010 (US)

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Source: Forrester Research, Inc.

As the wealth management client base continues to age and as the investment dollars are inherited by the younger investors, financial services leaders will either need to connect with those family members inheriting the investment mantle or replace those aging clients with younger investors who rely on social media as a way of life. Becoming part of their trusted network of social media connections gives financial advisors a real advantage in client relations.

Understanding the “Social” in Social Media

The concept of the trusted network is one element of what makes social media so valuable. There is a tribal aspect to social media -we “connect” on LinkedIn, we “friend” on Facebook, we “follow” on Twitter – we become part of a tribe i.e., where all those who participate feel connected to other

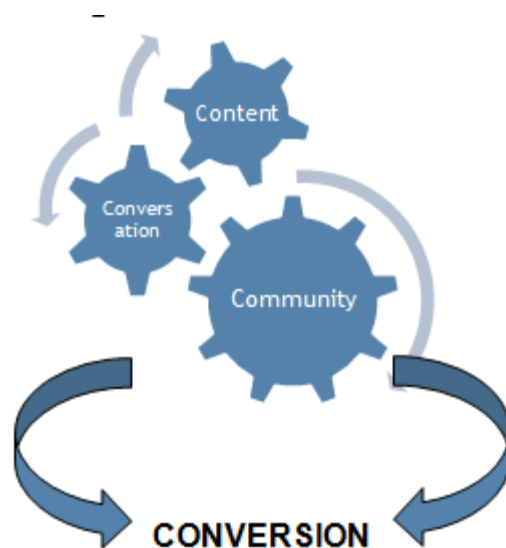
members of the tribe. This promotes a circle of trust; you trust those in your network, even if the connections are friends of friends, because they have been referred to you as a connection. By joining these networks, you become a member of the “inner circle.” As human beings, we are naturally social; it’s in our nature to socialize our decisions. We have done this for centuries. An eConsultancy survey showed that 97.09% of people questioned in a survey said their buying decisions are influenced by social groups. This survey didn’t ask about social media, but the natural social groups into which we fall. Social media simply allows us to connect with those wider social groups. Our ability to extend our social groups geographically makes our social groups more potent as our social interactions become public through social media.

Savvy financial services advisors also have learned to use social media to track inflection in their clients’ lives. If, for example, a contact posts on Facebook about a new job or a new baby, then that could provide an opportunity to discuss a 401K transfer or a new college savings account. Being connected provides an immediate alert about life events in clients’ lives where a conversation about financial services could be appropriate and valuable.

Ideally, as a member of your client’s network of connections, your client’s network potentially becomes your next best set of connections. Clients can carry your brand and message to their peers. Real social media success comes when social media communications “go viral,” spawning a sharing frenzy with members in your network, trending on Twitter, and being a top story on Facebook. However, to achieve success, you need to understand the basics of social networking.

Social media needs to encompass the four C’s:

1. **Content** – Add to the online conversation with information that is relevant and valuable to earn the ticket to admission into the social media inner circle.
2. **Conversation** – Use the content to stimulate conversation in strategic online locations.
3. **Community** – Develop a following of people who matter to you and your business. Once you build a community of followers, feed that network with relevant content that stimulates meaningful conversation.
4. **Conversion** – Transforms your followers into customers. By engaging socially with them online over a period of time, some may eventually become clients, while others may become evangelists who help expand your network.



Measuring the results of your social media outreach is a critical part of the process. In order to develop a following, convert and retain clients, and create evangelists, you need to identify key influencers,

enlist them as followers, and measure the results as the content you disseminate spreads. Measuring success is not necessarily a simple task, but in order to manage your social media campaign, you need a metric to measure engagement. Once you find the formula that works to build and maintain an online following, continue to refine the program and repeat what works. Determine where you are most successful and pursue those avenues to continue to build momentum for your social media efforts.

Given a better understanding of how social media operates, let's review the six principles that are necessary to build a successful social media campaign.

1. Social Media Should Not Be a Standalone Strategy

Marketing professionals are gravitating toward social media now because it's hot. Social media is the (relatively) shiny new thing that everyone is talking about; even in its earliest stages, it has proven highly effective for both one-to-many and a one-to-one marketing, and it's viewed as relatively inexpensive. However, social media is by no means a panacea or magic bullet!

If you look at social media as the centerpiece of your marketing program merely because it is in vogue, you are missing the point. Social media is a means to broaden your reach, but it really is just another channel, albeit a channel with some unique capabilities. You still need to understand how to make the most of that channel and what content to use to deliver a compelling message that your target audience will respond to and want to share.

As social media continues to gain momentum, collaborative platforms, CRM tools, and sales tools are bringing elements of social media into the mix. Mapping your contacts' social media activities to Salesforce.com records, for example, gives you a history of that prospect or client, including personal milestones. Connecting your interactions to your book of business gives a unique insight into influence. Those organizations who integrate social into their entire business will have greater business success. The key to success is making social media an effective communications channel, not a program in and of itself.

[GRAPHIC – SOCIAL MEDIA FRONT END TIES TO BUSINESS PROCESSES AT BACK END: CRM, ETC.]

Through Actiance research of banking, financial services, and insurance firms throughout North America and Europe, there is a common thread among companies that have been successful in their use of social media. Those that have found a way to make social networking part of the corporate DNA are those that are having the greatest success. Those companies that are integrating social into their corporate culture; those that find a way to make social seamless are the ones that succeed. Note that I use the term "social" because social isn't just about Facebook, LinkedIn, and Twitter; it's a change in culture for most individuals and organizations. To make social part of the corporate DNA requires assistance to overcome the hurdles:

- Executive sponsorship – Social media needs to be acknowledged from the top down as an important part of the company's client strategy. Senior management needs to embrace social media as a channel to communicate with customers, prospects, and partners. While individual

financial advisors or brokers may decide on their own to start using LinkedIn or Facebook to connect with clients, without an executive mandate social media won't become part of an integrated program. Embracing social media as a broader strategy requires educating employees about the proper way to use social media channels and removing impediments such as regulatory concerns.

- Executive engagement – Different from sponsorship, executive engagement is a commitment by senior staff to understand the implications and opportunities of integrating social media into the program. This doesn't mean the chief executive needs to blog or tweet, but they should understand the direction that social media can take you. However, to have credibility in a social world, one needs a social profile! If the senior executives are enthusiastic about the implications of social media, then the changes have a better chance of becoming far-reaching and effective. If they are less enthusiastic, the process will take longer.
- Part of corporate culture –It is always better to adapt a social media strategy to suit the needs of the corporate culture, not the other way around. Sandy Carter, VP of Social Business Evangelism at IBM and author of *Get Bold* is fond of saying, "Culture eats strategy for lunch." You won't succeed by forcing employees to adopt social media. In a large number of organizations, this won't happen overnight. This cultural change can also be driven by the employees.
- Eliminate politics and streamline the process – Particularly for highly regulated industries like financial services, streamlining content approvals and providing as much latitude as possible for social media users will improve chances of success. As part of the integrated process, you need to make content approvals simple, safe, and timely. Educating your social media team as to what is and is not appropriate content will save the compliance team much approval headaches and promote more timely social media responses. Better yet, prepared, pre-approved content to help sales and marketing connect with clients will make the process more efficient and promote integrated messaging. Enabling individual users to tailor content gives them authenticity of voice, which is key for personal engagement.

A successful, integrated social media program will include the tools necessary to communicate with clients and prospects on their terms, using their preferred channels, and it needs to work as a painless and logical extension of the rest of the company's marketing strategy.

2. You, Dear Reader, Are My Most Valuable Asset.

In the realm of social media, I am the brand, you are the brand, as is your colleague and your teammate. Today, the vast majority of outbound social communications is between the brand and the consumer. However, while 17 percent of consumers trust a brand, 70 percent trust the recommendations given by friends and connections. That makes it more critical for the individual to connect in order to carry the brand message.

U.S. One, an SEC-registered investment advisor out of Reno, Nevada, determined that Facebook Fans and Twitter Followers are 50-70 percent more likely to buy their product or service, and 80 percent are more likely to recommend U.S. One to others. We're now seeing consumers starting to purchase products through social media. If you "like" the Lotus Renault Formula One racing team brand page, for example, you can buy products from their catalog without even leaving Facebook. The fact that the Lotus Renault brand is promoted through Facebook makes it more accessible and trusted by Facebook fans. Drivers, engineers, and others use the site and the page to post comments and updates, resulting in a more engaging experience.

In recent months, we have started to see the movement for integration between financial services firms and social media. Such is the proposition of [Movenbank](#), a startup which launched at Sibos with a tagline of "No Paper, No Plastic, No Hidden Fees." It aims to be the first cardless and branchless bank in the world. Everything will be centered on mobile and social media. The tagline is catchy enough, but what's really raising eyebrows is Movenbank's requirement for individuals to register and log in with their Facebook accounts. ICICI Bank in January of 2012 also launched a Facebook application, enabling the use of social to login to one's bank account. We'll see more moves in this space... and quickly, we predict, as financial services organizations seek to fight the challenge that could perhaps be Facebook itself offering financial services. With a community heading fast towards one billion, it would certainly be an obvious next choice of service for the behemoth social platform.



The long-term objective for social enablement in businesses is not to add to an army of approved marketers to engage with more prospects through social media. Through corporate accounts, it's about enabling consumers and customers to engage with the brand as embodied by individual employees. Every social media user brings a unique set of contacts to the table - those are my LinkedIn connections, my Facebook friends, and my Twitter followers - who are connected with the uniqueness that I bring as a human being (quirks and all) and those are the contacts to leverage. As each employee is given the opportunity to carry the corporate mantle as part of his or her personal brand, messaging and content will spread from one circle of trust to the next. It's ultimately more valuable to create a feedback loop where the target market seeks the brand through individuals (because there are more of them with a social media footprint), rather than just using social media to broadcast to your target demographic.

3. Empowering the Social Consumer to Work for You

Converting customers into evangelists is the real payoff for any integrated social media program. Today, consumers are using the Web and social media to research goods and services. They not only use Google, Bing, and Yahoo to search for information, they use Yelp, Amazon.com, and BestBuy.com to read product reviews. Consumers are asking their network of contacts for advice about strategic purchases and investments.

Engaging with the network to provide useful information is a key benefit of social networking. It's not enough to connect with individuals in your target demographic. You need to engage with them in a way that demonstrates your domain expertise, that contributes to the body of online information, and that gives those in your network something valuable to share with their network of contacts.

Successfully engaging with the social consumer is the best way to enlist new evangelists to disseminate your brand message. In other words, get your customer to promote and sell for you through social media.

4. Content Is King: Use the Personal Approach

To gather a following, you need to have compelling content - information that is informative, entertaining, and worth sharing. In a compliance-constrained industry like financial services, delivering compelling content can be challenging, but it's by no means impossible.

Start with pre-approved content that has been reviewed by the company's compliance team for both corporate governance and regulatory compliance. You can develop a library of interesting insights on investment strategies, wealth management, saving for college or retirement, and similar topics. These articles can provide a starter kit for social media newcomers who are looking to start building their online networks.

However, you don't want to equip your entire cadre of financial advisors with the same content. If you do, you will end up with an army of sales drones repeating approved company commercials. You also will have missed the point of social networking. It's about personal engagement and interaction, not distributing a message from the sponsor.

Being social is about sending a personal message, something that informs your connections about you. Social networking is a broadcast medium designed to distribute your personal information and messages. When you use social media solely to broadcast a brand message, you ignore the opportunity for interaction, i.e., the social aspect of social media. Viewing a commercial message is not how consumers engage.

Consider how social media works in conjunction with other communications channels. If you aren't going to personalize communications, then it's the same as having the marketing team draft an email for you to send to your contact list or giving you a script to use on the telephone. Your network is unique. It is yours, and the contacts know you and turn to you for information and insights that are uniquely yours.

When they engage with you via social media, they want to know they are talking to you and not a corporate marketing department.

Authenticity is crucial to social media success. You can carry your company's brand message, but you must own it in a way that it is uniquely yours. It should be your interpretation of the brand, rather than a parroted version of the corporate message. That's why people come to you.

For an integrated social media program to succeed, the company needs to give its financial advisors and brokers the freedom to express themselves in their own words, with their own voice, in order to maintain that intimate connection with their network. The company needs to control the message solely for compliance purposes, but the agents must be allowed to carry the corporate banner in their own way.

5. Education Enables Everyone

In order to empower employees to share their own insights in their own voice, you need to educate them.

Creating an effective sales team is never an accident. The best sales and client service professionals have to be trained. They are taught how to speak effectively, how to sell over the telephone, how to work with email, and how to work skillfully with clients. You need to teach them how to use social media in the same manner.

That doesn't necessarily mean that social media is an extension of their Series 7 license or they have to be experts in FINRA 10-06 and 11-39 regulations for social media compliance. However, everyone who uses social media needs to understand what it means to be social.

Basic social media training should explain the why and how of social media. What is social media, how does it work, and why should it matter to the individual and the company. As part of the basics of social media, training should include strategies to get the most out of Facebook, LinkedIn, Twitter, and other social networks, and how personal social activity promotes the corporate brand. The objective is to lay a solid foundation for social media use within the organization that is in line with the corporate marketing and sales goals and the corporate culture.

Key Elements of a Social Media Training Program:

1. Understand the role of social media in sales and marketing.
2. Set your social media objectives.
3. Define ...What social networks are best for you?
4. Avoid ...The rules of the road – avoiding regulatory pitfalls.
5. Build a following.
6. Best practices to build and maintain your fanbase.
7. Integrate social media activities with corporate systems.
8. Measure...Metrics and measurement.
9. Adjust your social media program.

Training also needs to encompass how to use social media to build business, including the nuances of social engagement, such as long-term relationship management, identifying key contacts and

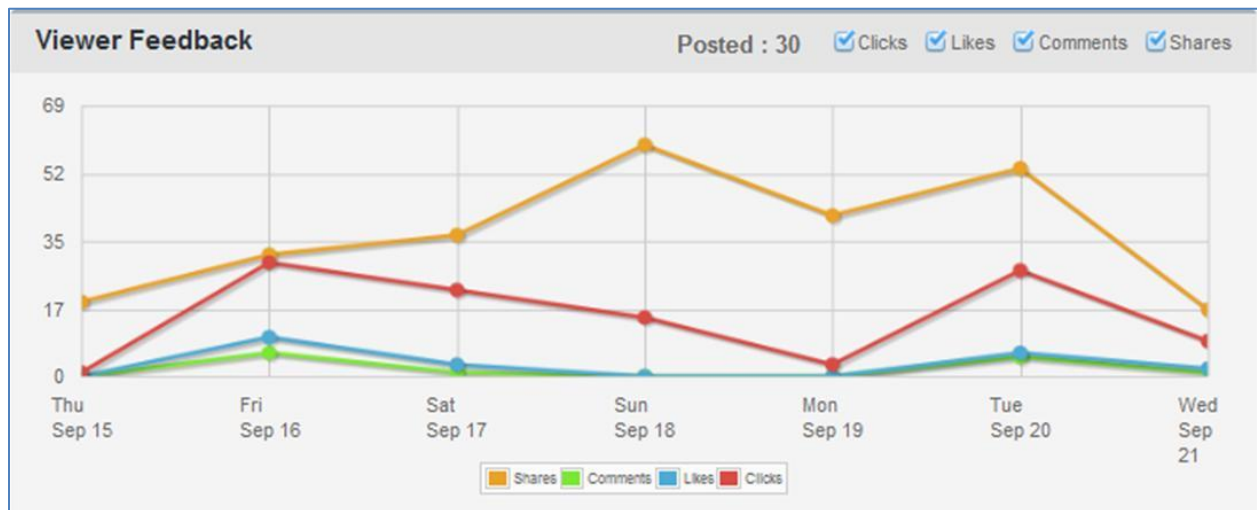
influencers, identifying new business opportunities, and community management. Training **needs** <use another word> to include internal processes and best practices, such as using back-end information systems like CRM platforms, and integrating social media activity with internal tracking systems.

6. Activating Actionable Analytics: It's About Measuring Engagement

Social media has redefined the rules of marketing, and it also requires a new way to measure success. When measuring the success of social media programs, the natural tendency is to apply the same metrics that operate in email marketing –how many clicks on material posted, how many updates get “likes,” etc. Measuring clicks is not the same as measuring engagement. If you simply try to measure how many users are exposed to your message, you are missing the point. Comments have more value than “likes,” and shares are more valuable than comments. The metrics that matter show how connected you are to your network and whether your followers are sharing your message.

The number of followers you achieve on Twitter, LinkedIn, and Facebook is an important metric, assuming you are attracting the right kind of followers. If you have a network of a hundred contacts on LinkedIn, that may be all you need to successfully do business. If you have the right kinds of followers and you know those followers will share what you have to say with their peers, then ten connections on LinkedIn could be more valuable than 1,000 friends on Facebook.

To identify those contacts that matter, you need to see who is saying what and who is doing what. One of the greatest lessons you can learn about social media is that active listening leads to effective engagement. Listen to your contacts in real-time, assess their content, respond appropriately, and then formulate your actions or activity correspondingly.



You also can use pre-approved company content and other material to create your own real-time data stream. Using pre-approved, suggested content makes the process relatively painless for all concerned, and you should be able to adapt it to your own “voice.” To be most effective, the process needs to be systemic, automated, and intelligent.

For example, you have a client who loads a new “baby names” applet to his Facebook profile. He joins a group for “prospective grandparents,” and you see congratulations from various well-wishers in his Facebook comments. Take that intelligence, apply it to pre-packaged content, and tailor that content to provide a targeted message. For example, you can share some ready-made information about the tax advantages of a 529 college savings plan. Reaching out in this way should be seamless.

Then you need to measure the results. Does this engagement spawn clicks, likes, comments, and shares? How does the engagement nurture the social media feedback loop? Does it promote more connections and make the engagement with current contacts stronger?

One measure of social media success is gamification, i.e., how performance for each social media participant in the firm compares to his or her peers. How much outreach is each financial advisor able to build into his or her daily routine? What kind of responses are those social posts getting? How does the depth of engagement measure up between advisors?

Conclusion

Despite regulatory hurdles and a general conservatism, financial services companies are quickly learning to incorporate social media into their marketing programs with dynamic results. Based on our experience, success is driven by the ability to make social media a systemic extension of customer engagement. Those companies that succeed in making social media part of the corporate culture forge deeper relationships with clients and reap the most benefits.

Success has to be measured in terms of engagement, not immediate response. Social media is part of a long-term strategy and will pay off over time, but only if the program is applied intelligently and consistently. Social media also requires a new set of rules and a new approach to measure success. Once you find an approach that suits your firm’s corporate culture and yields the results you are seeking, then institutionalize it and refine it.

About Actiance

Actiance enables the safe and productive use of Unified Communications and Web 2.0, including blogs and social networking sites. Actiance’s award-winning platforms are used by more than 1,600 customers for the security, management, and compliance of unified communications, Web 2.0, and social media channels. Actiance supports or has strategic partnerships with all leading social networks, unified communications providers, and IM platforms, including Facebook, LinkedIn, Twitter AOL, Google, Yahoo!, Skype, Microsoft, IBM, and Cisco.

Actiance is headquartered in Belmont, California. For more information, visit <http://www.actiance.com> or call 1-888-349-3223.