



Social Business in Financial Services

How to Use Social Technologies to Change the Rules



My Perspective

- 25 years experience as management consultant and line executive
- Expertise: disruptive innovation, strategy and transformation
- Strategy and execution for game-changers: Java, e-business, SOA, Web 2.0, social networks
- Thought leader: 3 blogs in global top 10





Adoption Drivers: How Social Technologies **1** **2** Are Transforming Financial Services **3**

- Retail banking has commoditized to the point of being a virtual utility worldwide
- Investment management is beset by disruptors using social technologies to crowdsource investing expertise
- Investment banks are using social technologies internally to drive collaboration
- People worldwide use social technologies in high-trust areas of their lives
 - Dating, marriage
 - Financial investments
 - Financial management
 - Selecting healthcare providers
- Adoption is often higher in emerging markets **4**

5

3



Adoption Drivers: Industry Regulation Limits Social Business Much Less Than Leaders Think

- Effective social business does not talk about or sell products or services
- To engage stakeholders, social business offers forums to discuss underlying issues that drive purchasing decisions
- Investment management is headed for disruption
 - Information on portfolio managers' actual performance is limited
 - Portfolio managers rarely have operational experience in the sectors in which they invest
- Retail bank customers have little interest in banking
 - Innovation focused in combining banking with mobile
 - Social business engages around financial management
- Investment banks have just begun to tap social business efficiency
 - Leaders ignorant about how it works; barriers much lower than perceived



Case Studies: Retail Banking



WELLS
FARGO

Social Business Highlights

- A long-time online banking pioneer, Wells Fargo has been blazing the trail by assigning Web 2.0 to the front lines, customer-facing processes
- The bank's "hundreds of blogs" have become the most-read nonbanking pages on wells Fargo.com
- 2007 website redesign incorporates Web 2.0 features and content
- First bank with a business banking blog
- First bank with a Second Life presence and first bank on MySpace

Key insights

- All bloggers are team members who have other full time jobs
- They add blogging - writing, posting, reading, replying - on top of those jobs
- Bloggers are not communications people

"The updated Wells Fargo website takes a customer focused approach to ease access to most wanted features (and the bank has seen a 50% increase in online applications)"

– Paul Penrose, finextra



Case Studies: Retail Banking

bankinter.

Social Business Highlights

- The fifth largest Spanish bank has become a mobile virtual service provider, Bankinter Mobile
- Mobile services include customers unlimited free bank transactions via mobile
- Banking is on the mobile phone menu, along with calls, calendar, contacts and Web access
- Mobile customers have an 11% higher satisfaction score than BankInter's bank only customers
- The phones have banking software preloaded into the SIM. Banking is on your main phone menu

Key insights

- Bankinter will gain immense insight into customer workstreams: what they do before and after bank-oriented transactions
- By having real, unadulterated insight into workstreams, Bankinter will be able to innovate bank services
- Being a mobile provider also gives Bankinter geosocial benefits: it can offer customers ways to interact with their friends

“The bank wants to be thought of as on the leading edge. This creates a level of integration between the bank and the customer other Spanish banks can't match [and] increased levels of satisfaction.”

– Bart Narter, Celent Banking Blog



Case Studies: Financial Services Disruptor



Social Business Highlights

- Collective “Quicken”: individuals and small businesses it it access to their financial accounts
 - Automatically pulls bank, credit card, mortgage, loan and investment transactions from over 7,500 US financial institutions daily
 - Giving users up-to-date view of their money with no data entry, import or synching required
- It offers collective advice on financial decisions
 - Analyzes financial decisions within meaningful groups
 - How to reduce fees and increase rewards
 - Average savings for new users is \$1,000 USD

Key insights

- Makes the market more efficient by increasing transparency
 - Analyzes past decisions & proactively advises members on future
 - This may approach investment advice at some point
- Suggests alternate vendors and services
 - Providers with high fees or low performance are exposed to millions of users

“[Intuit’s 2009 acquisition will bring] Mint’s technology and easy-to-use personal financial management system to potentially tens of millions of consumers, and eventually small businesses and banking customers as well.”

– Aaron Patzer, Founder



Case Studies: Investment Management



Social Business Highlights

- Putnam's blog, *The Retirement Savings Challenge*, is dedicated to client challenges; it does not promote the firm's services
- Outreach to other sites forms the cornerstone of their content strategy, not only producing content for firm web properties
- Putnam shares content on numerous client-oriented social sites: Twitter, Flickr, Vimeo and blogs
- Putnam is building reputation by conducting itself according to an ethos of transparency
- Putnam's CEO was the first in the mutual funds industry to be on Twitter

Key insights

- Putnam built on its confidence as a Web 1.0 pioneer; it was the first to conduct transactions over the Web in 1995 and 1996
- The CEO's tweets are reviewed by compliance, but it's seamless because he's learned the boundaries

“SEC and FINRA have created broad guidelines (in which) the industry (must) work to make social media work for shareholders. Some people were slow to the Internet and I see similar patterns with social media adoption.”

– Mark McKenna,
Managing Director of
Communications



Case Studies: Investment Management



Social Business Highlights

- Fidelity is broadening its footprint with the Amazon.com Financial Services Partnership
- Offers investment services in Amazon's digital storefront
- Fidelity is the first “anchor tenant”
- Enables Fidelity to access new markets
 - Younger clientele
 - Not as exclusive as other sources, but high numbers

Key insights

- Well-respected competitor willing to cross traditional boundaries
- The partnership gives “retail” and “personal investment” a new meaning
- How far is it to having customer reviews about Fidelity experience?

“We re always looking for ways to reach more investors [and] Amazon is a well-known leader in the online space. We believe many of their customers would be interested in our products and services.”

– Sean Belka, SVP
Personal Investment



Case Studies: Investment Management Disruptor



Social Business Highlights

- Uses smart crowds to challenge Wall Street asset management
 - Runs a “fantasy” portfolio management website that enables 1000s of portfolio managers to trade
 - Software algorithm analyzes myriad factors and detects success factors
- Based on results, recognizes best performers as “m100”
- Uses success factors to guide management of its funds

Key insights

- Most portfolio managers are not Wall Streeters; they often have deep line operating experience in their industries
- “Wisdom of crowds” research
 - A random group, acting independently but with results statistically combined, can consistently outperform experts
- Marketocracy portfolios have significantly outperformed Wall Street firms since 2001
 - Seven of its portfolio managers named “Warren Buffets Next Door” by Forbes

“We don't depend on an analyst that has never worked in industry. We have detailed trading data on hundreds of people that are consistently beating the market, great at trading that particular stock, or have firsthand experience with that industry or company.”

– Ken Kam, Founder



Case Studies: Investment Management Disruptor



Social Business Highlights

- Members share their “virtual” investment decisions and compete based on returns
 - Members can use each other’s portfolios as templates to make real investments
 - Investing templates’ portfolio managers earn fees from people who use their templates
- Covestor, Cake.com and Kaching have similar models
 - Professional investment managers compete against non-registered investors
 - Fees are higher for registered investment managers

Key insights

- Many portfolio managers are not from Wall Street
 - Some of them have deep line operating experience in their industry sectors
 - There is much more diversity of expertise
- Covestor and its competitors explicitly aim to disrupt the investment management industry
 - They want to diminish fees and increase transparency in individual manager performance

“We want to de-institutionalize money management and funds management. We're taking on the guys in the big corner offices with wood paneling who rely on people's laziness.”

– Perry Blacher, co-founder



Case Studies: Investment Banking

Morgan Stanley

Social Business Highlights

- Dozens of social business projects underway
- Social networking, online communication, expertise location, Q&A services
- Online client-facing social communities
- Automated process for converting email groups to online forums
- RSS and wiki pilots

Key Insights

- More than 50% of Morgan Stanley's 55,000 employees are 35 years old or less; they have grown up online and have different work styles
- The new generation of workers produce more value while collaborating online; that's competitive advantage
- Marketing 2.0 solutions are different; they're so easy to use that minimal training is required
- Key barriers: organizational/cultural resistance

“Morgan Stanley faces a choice: force the younger generation to learn the old way of doing business or adapt to new models of work and organization.”

– Adam Carson,
Marketing 2.0 Solutions



Social Business Highlights

- Several years experience with wikis, in 3 main areas
 - Managing meetings
 - Team-created presentations and brainstorming
- Results: wikis have put everyone on the same page:
 - Reduced cost of running meetings
 - Lower barriers between teams across silos
 - Improved product specifications and documentation

Key Insights

- Wikis improve administrative and communication processes, inherent in all project team-based work
- However, these costs have rarely been measured, so quantitative results are difficult to measure
- Employees get excited and word spreads rapidly:
 - "I've found that the wiki allows you to focus on the content, rather than all the technicalities of a heavyweight document management system like Documentum."
 - "The wiki allowed us to pull all the various pieces that we needed to work on together without distributing it via email to everybody and then losing change control over it: who's merging what into where, or who's got the latest version. It's a much more effective way of working."

"We had to put together a set of slides collating information from the management team. Within 3 or 4 hours, a presentation evolved that would have taken days had it been through email and PowerPoint attachments."

– Stuart Berwick, Director



Case Studies: Lessons Learned

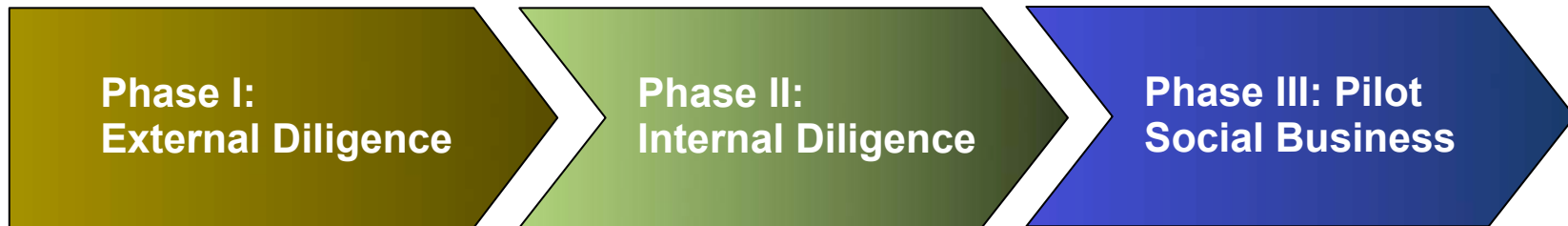
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2
3

- Regulation does not limit social business as much as executives think
 - Putnam Investments does not sell or talk about its services; its blog addresses the difficulties in saving for retirement
 - Fidelity had the imagination to reach into a new pond for prospects
- Retail banking is an industry that has outlived its usefulness
 - Bank services are commodities; the value is in transaction information, so mobile and banking together have more potential because they seamlessly understand user workstreams
- Investment management via crowdsourcing is nascent but showing consistent improvement
 - Wikipedia did not overtake Britannica overnight; Marketocracy, Covestor and others have members that similarly share their expertise, while others leverage it
 - Marketocracy outperforms the market by several metrics

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Action Steps: Social Business Adoption Roadmap



- Assess digital social environment
- Identify & rank stakeholders & their online work processes
- Analyze social venues
- Compare brands' performance in social venues
- Explicit ecosystem vision

- Identify firm value & how it transfers to social venues based on stakeholder activity
- Assess resources to engage stakeholders
- Measure gaps
- Identify organization strengths, weaknesses
- Create a social business strategy to detail how to engage

- Design pilots to mitigate risk
- Use fast cycles with rapid feedback
- Make small investments
- Use a portfolio approach
- Create measurements that identify and quantify changes in trust



Learning More

- The Social Network Roadmap
 - Helps companies use social business for innovation
 - <http://socialnetworkroadmap.com>
 - Blog rated #1 worldwide by Technorati
- The Global Human Capital Journal
 - CEO/CMO/CIO journal for innovation
 - Rated #10 worldwide by Technorati
 - <http://globalhumancapital.org>
- The Executive's Guide to Social Networks
 - LinkedIn blog #4 worldwide by Technorati
 - Facebook management advice for business
 - Twitter, blogging & geosocial management advice
 - <http://executivesguide-socialnetworks.com>
- Social networks
 - <http://www.linkedin.com/in/csrolleyson>
 - <http://www.facebook.com/csrolleyson>
 - <http://myspace.com/csrolleyson>
 - <http://tinyurl.com/orkut-csrolleyson>
 - <http://tinyurl.com/xing-csrolleyson>



Microblogs & Video

<http://twitter.com/snroadmap>
<http://twitter.com/eglii>
<http://twitter.com/egtw>
<http://twitter.com/egfb>
<http://twitter.com/csrolleyson>
<http://identi.ca/csrolleyson>
<http://kwippy.com/csrolleyson>
<http://csrolleyson.tumblr.com/>
<http://plurk.com/user/csrolleyson>
<http://friendfeed.com/csrolleyson>
<http://youtube.com/user/csrolleyson>

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