

Demystifying social media: It's all about business strategy

By guest blogger, JP Nicols



I am sometimes asked to give social media advice to others in financial services.

"I wouldn't necessarily consider myself a social media expert," I once told a counsel-seeker.

"You're a banker with a blog", he shrugged, *"the bar's pretty low."*

Well, ex-banker now. I now run my own consulting business for financial advisors and firms, and many of them have questions about social media strategy. I often start by quoting Ron Shevlin, Aite Research analyst and [Snarketing 2.0](#) blogger: *"There is no such thing as social media strategy. There is only business strategy."*

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—Ron Shevlin

It is not uncommon for business managers to seek the holy grail, the silver bullet that when deployed, will magically transport their business to new heights. In the late 1990s, it was the internet. Lousy businesses added "dot-com" to the end of their name, changed their logo to purple and green, and threw up a website. They were still lousy businesses, and the internet didn't change that. In some cases, it may have even accelerated their demise.

Social media is just a tool to use in running your business. There is nothing magical, or necessarily even compelling about it. Lots of very successful businesses have small or nonexistent social media presence. Frank Eliason, Global Head of Social Media for Citibank, and author of the book [@Your Service: How to Attract New Customers, Increase Sales, and Grow Your Business Using Simple Customer Service Techniques](#), cites Apple as an example of a well-run, much-admired company that does not focus much on social media. Retired athlete Michael Jordan's page has nearly triple the number of "likes" of Apple's page, and dead musician Michael Jackson has nearly seven times as many.

Transparency: Good News and Bad News

Participating in social media increases the transparency of a company's operations and people, which is a positive thing for most customers. The bad news is that poor practices and behaviors are highlighted as well. If you have a dumb policy or poorly trained people or a bad product, that will become readily apparent even sooner through social media. [Maritz Research](#) found that 51% of consumers who complain via social media expect to be contacted, but that 85% of those outcries **are not addressed at all.**

In social media, customers may appreciate the increased transparency about your business –but they'll also notice if you're dropping the ball.

I sometimes air complaints and compliments via Twitter, partially as a social experiment. The range of results is stunning. I had a sleepless night in a Westin hotel due to a loud banging noise caused by a problem with air in their pipes. I tweeted my frustration and was contacted within hours by both the hotel management and their Starwood Preferred Guest loyalty program, and each offered me apologies and compensation for my inconvenience. My frustration was quelled and I remain a loyal SPG guest.



Quite the opposite experience I had with a major retailer. I was not having any luck reaching someone on their 800 number with the authority to reverse an express shipping charge to correct their own mistake, so I tagged them on Twitter. The next day I received a tweet apologizing and asking me to call in with a “reference number”, but when I called in, I was right back at the low level where I had begun. The “reference number” was meaningless and no one on the phone had any more information or any more authority than on my original call. I try to shop elsewhere.

What is Your Business Strategy?

What are today’s key business challenges and how can social media help?

Acquiring new customers

How can you use social media to differentiate in a crowded business and gain market share over the competition?

- Monitor social networks for disgruntled customers of competitors. Respond better than their own providers.
- Run targeted ads to reach your ideal customers efficiently.
- Demonstrate your expertise and thought leadership through blog posts, white papers, case studies, etc. Not only does this showcase your unique value, it helps prequalify prospects searching for specific solutions.
- Be there when prospects are looking for the services you provide. The CEO of a major social network tweeted that he was trying to reach someone from my last bank about a mortgage. We were just starting to monitor Twitter and our social media team sent the message to me, so I responded on his terms-- on Twitter.

Retaining existing customers

Half of bank customers are considered “ripe for change”, and most change because of changing life circumstances.

- Monitor social networks for disgruntled customers of your own firm.
A problem solved promptly and well can create more loyalty than a customer who experiences no problem at all.
- Make your customers aware of current relevant offers or promotions.
Providing offers only to acquire new customers is a turn-off to your existing customers.
- Provide multiple channels for sales, inquiries, questions, and problem resolution.
- Make sure you are providing your customers a way to engage in two-way (or multi-way) conversations. Social media is not just a soapbox from which to hawk your wares.

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Expanding relationships with existing customers

In the consumer banking business, as many as 80% of customer relationships are unprofitable. Those statistics may not be accurate in your industry, but some variation on the Pareto Principle (the “80/20 rule”) tends to exist in every business-- a small number of customers typically provides profitability to subsidize the vast majority.

- Make more of your relationships profitable with relevant offers for additional or complementary products.
- Incorporate social data into propensity-to-buy models using predictive analytics.
- Pay attention to changes in life circumstances that may call for additional services. (Weddings, babies, moving, etc.).
- Leverage your platform for mass customization.

The View from the Bridge

No matter what business you’re in, it’s likely you are dealing with these basic issues. A social media presence won’t make them go away, and poor social media practices will make them worse. Focus your business strategy on solving relevant customer problems, and leverage social media as an enabler. There are plenty of social media experts who can design just the right digital campaign to reach just the right markets with just the right messages --but first, ask yourself a key question: Are you repainting the walls, when you have a serious crack in the foundation?

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