

International Journal of Advance Research in Computer Science and Management Studies

Research Article / Survey Paper / Case Study

Available online at: www.ijarcsms.com

Role of Social Media in Banking

Padmaavathy. PA¹

Research Scholar, Management
Bharathiar University
India

Dr. B. Adalarasu²

Dean, RVS Faculty of Management, Kumarankottam
Campus, Trichy Road, Kannampalayam, Sular,
Coimbatore - 641402 – India

Abstract: *The social media sphere is rapidly evolving. Banks and financial institutions that are quick to synergize their business operations with their social media strategies will be more responsive to customer needs and better able to offer customers the best experience. Nonetheless, there are also pitfalls to overcome, and a first-mover advantage may not always translate into market leadership. As such, social media can be likened to a double-edged sword — on the one hand, it can raise the specter of security and privacy threats for banks and their customers, while on the other, it most assuredly will generate enormous value. Social media poses a risk to various bank functions, such as branding, customer information security, regulatory compliance, etc. However, social media analytics can also help in these areas, as well. For instance, using social media text analytics, banks can identify potential threats to their branding, and using analytics tools, they can also measure the reach and effectiveness of their social media security policies.*

Keywords: *Facebook, Internet, CRM.*

I. INTRODUCTION

Financial institutions should strongly consider becoming socially aware, responsive, and mature. Social has already started to disrupt banking and many other industries. At the core of this disruption is the connected consumer whose collective “voice” can either render a big bank powerless if not treated properly, or generate ripples of new business if treated in personal and friendly ways. Financial institutions who fail to properly deal with this inbound stream of social conversations and miss the opportunity to build real relationships at scale risk lose out to competitors who do.

Indian Banking Industry has shown a tremendous growth on Social Media platforms like Facebook, Twitter, YouTube etc. The Banking sector in India has proven that its not just about opening saving bank accounts, credit cards, investments, wealth management, mutual funds, insurance and so on. With the increasing growth in Social Media in India, banks have understood that likes, tweets, shares do matter to engage with the young generation.

With a more globalized approach and increasing competition, banks have increased their marketing budgets and Social Media is one of the major portion of it. There are banks that we have seen, using social platforms as another customer care, using them to showcase their thought leadership, using them to launch new products, endorsing celebrities and many more.

II. THE SOCIAL MEDIA PHENOMENON IN INDIA

Social Media is “a group of Internet-based applications that build on the ideological and technological foundations of Web 2.0, and that allow the creation and exchange of user-generated content. Easy availability and cheap tariffs have boosted Internet adoption which in turn has played a significant role in the emergence of a completely new medium called “Social Media” Increasing usage of smart phones in India and availability of social media apps on phone is encouraging more participation in social media networks.

With this magnitude of users present on the social media and exchanging views/thoughts/ information ranging from “Current state of mind” to “How they think things should be” day in and day out and open for the entire world to see/read/interpret and spread, it provides tremendous amount of customer information in terms of opinion/values/behavior/likes/dislikes out there on various social media platforms.

III. INDIAN BANK AND SOCIAL MEDIA

Indian Banks have started using social media in their regular operations in various capacities and are at different stages of maturity. Some private banks provide regular updates on the latest offers and allow basic customer operations through popular social media sites. A large private bank in India hosted Facebook application on its secure servers allowing balance amount check, chequebook request, stop payment, etc. Some of the private banks are using their Facebook page to provide customers, exclusive offers, product details and customer care services. Social Media implies a fundamental shift in the way banks interact with prospects, customers, employees and other stakeholders.

IV. SOCIAL MEDIA AND ITS APPLICATIONS

Social CRM

Customer 3.0 (new age Customer/Gen Y customers) have different expectations from banks including how they want to engage. They are more inclined to trust friends and acquaintances for advice on products and services and as a guide on decision making. As such, customers are embracing social networking, social shopping and social bookmarking more than ever as a medium to gather this information, share experiences and make decisions. This makes it necessary for organizations to use social media to move beyond the limitations of traditional marketing, sales and customer service to a continuous mode of relationship-building, listening and engaging with individuals and communities in a more personalized, collaborative and transparent manner.

Customer Education

Social Media provides faster, cheaper and interactive platform to disseminate information. Social Media could be used for: Bringing awareness to customers on Basics of Banking and Finance, Government regulations that impact customers in banking industry, like KYC, AML, etc. The awareness campaigns could be in the form of pictures, text or games (cross words, puzzles, etc). Educating on do's and don'ts of Credit/Debit card usage, identification of fake notes, importance of data confidentiality and privacy etc.

Customer Insight

Social Media is a rich source of information about existing and potential customers for Banks. They generate insights by: Social conversations about the banks' products and services can be run through text analytics tools in order to identify customer pain points, delight areas, topic trends, sentiments and customer demographics. This may be used for generating useful customer insights.

The 'single sources' of data need to be aggregated and analyzed in an aggregated 'all-source' fashion to obtain deeper insights and analytics and to gather a 360 view of the customer. Identifying insights about emerging themes among customer conversations allows banks to take corresponding actions to alleviate risks to brand reputation.

Customer Acquisition

Social Media plays an important role in differentiating brands and making them more relevant to consumers. When consumers are enabled to influence all things and become co-owner of the brand, they would significantly impact reputation and trust. Marketing leaders must take the first critical step of changing mindsets and revising some long-held beliefs about building

and managing customer relationships. Social Media amplifies Word-of-Mouth and has a direct impact on customer growth and the spreading of positive/negative feedback about a product or service among the target customers.

Social Media provides another avenue for customers, for market research, to determine decisions. Hence, other customers' reviews, ratings and testimonies play a pivotal role in converting the thought of prospective customers to an actual sale.

From generic advertisements for our entire target customer base, social media has changed the advertisements to be present, where the customer is, according to particular tastes. Pixel tracking is available to follow conversion of customers and accordingly advertisements could be shown. Marketing cost on social media is less compared to traditional channels.

V. SOCIAL MEDIA IN BANKING

The Financial Services, Insurance and Banking sector might have been little slow to catch up with the social media marketing fever but still they have been able to establish a firm and stable online presence. Major players like ICICI, ING Vysya, HDFC, Axis Bank and many more such companies are quite active on social networking channels. But simply posting content on social media channels does not end a businesses' social media activity. There is huge amount of content available online related to the financial sector. If you are able to analyze this content you can have huge amount of information which can be utilized for improving your social media marketing strategy.

Benefits of Social Media in Banking and Financial sector:

1) Understanding the market

Pushing of services and products on prospective customers, may give a fillip to your sales for a short duration but in the long run this effect will wear off. Instead it is better to understand your market and then modify and develop your product or service. It would definitely be more effective in boosting the customer's response. Looking at the dynamics of the ever changing market it is absolutely necessary for you to be abreast with the latest trends, fashion and choice of the customer so that you can develop or modify your offerings based on these insights. For e.g., with the help of social media marketing analytics, businesses can find out what is the pie-share for different product/services types – debit cards, credit cards, salary accounts, loans etc. Businesses can also get further details on what type of subjects are being discussed by the users under different product type. This information can also assist you in categorizing your users into separate target groups and thus you can design customized solutions/offers for audience based on their preferences and needs.

2) Finding out potential customers

There is a sea of conversations available online. This provides you an opportunity to reach out to people who are actually in need of your services or products. Thus the chance for you to convert a prospect is better than sending cold mails to unknown prospects.

A few related keywords along-with a social media network monitoring tool can help you to discover the prospective customer and connect with them easily before your competitors. You can take help from the online discussions of the prospects on social media networks or forums. This gives you a clue as to which prospects are more likely to reply or respond to which kind of offer and then you can target them accordingly. Some people might be chatting about buying a new car, someone might be wanting advice regarding buying a new car, some students might be sharing fee structure of a college and taking suggestions as to which bank is best for taking loan, or for that matter which bank provides better interest rates. Now businesses have enough data in the form of conversations which can be routed to respective departments and thus you have now a list of relevant hot leads.

3) Identifying social media influencers

Social media influencers is the term given to people who are pretty active on social media and are followed by huge nos. of followers. They enjoy lot of clout among their followers and can influence the moods and opinions of their online followers. Good example can be renowned writers, celebrities, sport personalities, politicians, artists, industry experts etc. One good review from such source can work better and be more effective than expensive advertisements. But this can also be a double edged sword, as one negative review from them and you stand the risk of losing a good number of prospective clients, who are part of their followers list.

Bradley Leimer is one such influencer of the banking sector in the social media space. He is considered as one of the top 20 influencers. One of his post- criticising Intuit's (Co. offering accounting software online to small businesses) Mint.com was able to influence his followers sentiments and views against the company.

4) Continues eye on customer feedback

Knowledge of what your client's thinks of your services and products is extremely essential for surviving in the market and that is one of the reason why so many cos. are so actively engaged in customer's surveys. But nowadays traditional marketing research is not the only thing that businesses can depend upon. Social media is a platform where customers post countless reviews, opinions and feedbacks about your products and services, without even being asked to do so. Thus social media listening helps you to understand the sentiments and views surrounding your company. This information can be used by businesses to design new products and/or improve existing offerings.

There is a good example of Barclay's. In 2012 they launched a mobile banking application. This app enabled customers to send money to other people by just using their phone number. Barclays further optimized the app by using social media analysis in real time and made several changes to it based on the online feedbacks of its users, thus adding more features to suit the demands of its customers.

5) Analyzing your competition

Companies today are striving hard to beat each other out in wooing the customers. This is the reason why huge amount of money is spending in tracking the activities of the customers. Traditionally companies hired ghost or mystery shoppers to not only gauge the mood of the customers regarding your products/services but also get an idea about the performance of competitors' offerings.

Nowadays with the advent social media, monitoring has become little easier. Social media marketing helps in not just tracking online activity that is happening around your brand but it can also assist you in monitoring your competition's online activities. Brands can monitor conversations happening online around their services, products, campaigns, online sentiments and much more.

For example, with the help of social media you can track your most talked about competitors. Once you find your targets you can further drill down into the views/opinion surrounding them, what the audience are talking about – whether it is a new offer, a new branch, interest rates, customer service etc. This information can help you in designing new strategies to match your competitors and staying ahead in the race.

VI. LEVERAGING SOCIAL MEDIA IN BANKING

Banks can benefit in several functional areas by overcoming the risks and leveraging the advantages that social media provides.

Some of the areas where banks can realize the benefits of social media include:

- Transitioning from enterprise CRM to social CRM: Today's customers require a unified view across channels to address all their needs. Banks need to connect customer data from across the enterprise, cutting across current silos such as mortgage, wealth management, etc. to generate a holistic view of their customers' experiences. Modern analytics tools make it possible to gauge customer sentiment at different times of the day, gather information regarding important dates, such as birthdays, anniversaries, etc., and use this information to offer suitable products and services.
- Educating the customer: Regulatory requirements and operational changes sometimes require alterations in the usual way of doing business. Social media can be an effective channel to communicate with and educate customers on these changes. Customers can also learn about new product launches through social media and quickly raise concerns and questions about them.
- Gaining customer insight: Monitoring posts, likes and comments on social media can provide banks with a general idea of customer perception regarding their products and services. Using analytics to dissect that data can provide invaluable information regarding customer behavior and sentiment, thereby allowing banks to design more personalized products and services.
- Expanding the customer base: Social media and related apps accessed via mobile devices can help banks penetrate geographies in which they have yet to establish a physical presence. By leveraging social media channels, banks can reach unbanked customers by providing them with general banking services, such as no-frills account opening services, low-denomination funds transfers, etc. Moreover, social media channels contain conversations regarding competitors' product and services. By monitoring this information, financial services organizations can understand customer reaction to competitive offerings and understand which aspects of these strategies they can adopt to increase customer satisfaction and acquire new customers. Moreover, through deeper analysis of social data, they can better understand the actions they can take to convert fans or enthusiasts into advocates for their products and services.
- Achieving customer delight: A dedicated social media team can make the bank more accessible and responsive to customers. Providing the right information to customers (both financial and non-financial) is likely to increase customer satisfaction and elevate the bank to trusted advisor status. For instance, an entire suite of services can be offered through social media to customers seeking a home loan, such as property selection, price comparisons, deal closure, etc. An example of a bank that is offering value-added services is ICICI Bank in India, which recently launched an app that enables Facebook users to link their debit card to their profile in order to recharge their pre-paid mobile phone connections, borrow and lend money with friends and buy movie tickets, among other functions.
- Improving customer service: Monitoring social channels will highlight challenges that customers are facing and help banks take steps to address issues before they degrade the customer relationship. Moreover, banks can use social analytics tools to anticipate how customers will respond to new strategies and take proactive steps to mitigate complaints.
- Resolving issues through crowd-sourcing: Many times, customers can provide the best solution to problems faced by organizations. Moreover, engaging customers to find solutions to business problems will make the customer feel more engaged with the bank and spread its goodwill further.
- Facilitating internal collaboration: In addition to providing value to customers, social media can be used by internal employees to share information such as best practices, boosting both workforce collaboration and knowledge dissemination.
- Managing risk efficiently: Applying predictive analytics to social data can help banks identify potential defaulters and identify market trends. The bank, therefore, can take adequate measures to shield itself from risk and business cycle volatility.

VII. THE CHALLENGE OF USING SOCIAL MEDIA IN BANKING

In today's volatile economy, credibility is a real issue for banks. Financial institutions feel a constant pressure to regain and improve customer satisfaction and trust. With so much transparent content being generated through social media each day and with rapidly evolving technology, financial institutions find it increasingly more challenging to deliver a consistent and integrated customer experience. Many brands in other industries have discovered several creative ways to use social media to solve customer issues and keep all members apprised of important information. The business case centralizes around five key themes:

1. Risk Mitigation – When done correctly, social media listening can provide early risk indicators and mitigate the impact of crises when they do occur. Socially connected consumers can also avail community intelligence to identify and deal with fraud and phishing attacks.

2. Increased Efficiency – Social can help banks centralize teams and give customers a unified, one brand experience across all channels. Financial institutions can also reduce operational costs by using social networks as an effective way to crowd source solutions and deal with issues that don't involve PII (personally identifiable information).

3. Lead Generation – Brands can capture new business leads and revenue opportunities in social that may not surface through other channels. Also, done smartly, financial institutions may discover potential losses before they become apparent through other business channels (i.e., credit card churn).

4. Innovation – Socially savvy banks already using social to learn details about how their customers behave in social in real-time, through social listening, moderation, and engagement are already starting to use that intelligence to plan new products, services, and support.

5. Improved Brand Perception – Quick response to customers on social can help banks improve brand perception and drive long-term loyalty. This is especially necessary as customers continue to adopt a “branch light” banking approach (i.e. seeking out digital resolutions to tasks previously completed in a brick and mortar branch). Using social to nurture those online relationships can lead to real, offline relationships that will be rewarded with greater loyalty, referral, and advocacy.

Tool Selection Opportunities, Challenges

Banks currently use social media for marketing and complaint resolution; however, they can scale their use of social media far beyond these functions by choosing the right social media platform and analytics tools, and making other internal changes, including the following:

- **Investing in new tools:** Before selecting a tool or platform, banks need to have a vision of their social media objectives. For example, geography can be an important factor in tool selection; consider that WeChat has a virtual monopoly in China, making this platform an obvious choice for banks seeking to create a social presence there.

- **Establishing new metrics:** Banks need new metrics to measure the effectiveness of their social strategy, and these metrics will differ from bank to bank, based on their objectives. Once the metrics are established, banks need to analyze the data, identify their most important customers, pinpoint where customers are talking about their products and services, and discover what is being said. These insights will be invaluable for improving product and service design.

- **Redesigning the IT infrastructure:** Social media success requires a robust IT architecture that can harness customer information in the context of burgeoning social data to deepen customer relationships. As such, it becomes imperative to put technology at the forefront of planning and execution. To reap the rewards of a social strategy, many banks will need to significantly redesign their traditional IT. infrastructure.

Technology must be consolidated to deliver a unified, consistent and fully integrated customer experience regardless of the channel of engagement. The IT infrastructure must be rewired to transcend inter-departmental barriers, divisional boundaries and isolated business groups to provide a smooth and seamless experience inside and outside the bank's four walls. This will allow diversified banks in particular to present a single face to customers, partners and associates, spanning all areas, from retail and wholesale banking through wealth management. An integrated IT architecture that employs social media needs to encompass the entire gamut of banking operations, from client facing front office operations to the exchange of information between front office, middle office and back office. This will allow banks to communicate effectively, reduce costs of non-value-added activities and focus more on strategic activities.

- **Moving from CRM to social CRM:** Deploying social CRM will be the next big challenge for banks, as it will enable them to monitor and deduce meaning from numerous data types (structured, unstructured and semi-structured) and personalize their offerings according to individual customer needs. Compared with other industries, banks gather data that reveals a lot about their customers, such as spending patterns, investment choices, dependents and important dates like birthdays and anniversaries. Combining these insights with social data results in a comprehensive behavioral graph of the customer that pinpoints needs and desires, and forecasts products and services that will be required over time to address ever-changing needs.

- **Designing new internal processes:** Banks will require new processes to encourage collaboration across dispersed teams, business groups and divisions. Doing so will enable financial institutions to arm the right individual(s) with the right information, at the right time, in the right format needed to address customer preferences at every stage of their relationship.

- **Establishing new policies:** Banks have to exercise discretion when collecting, processing and sharing customer information and consider privacy issues. Organizational policies on customer information must be drafted, and these need to be transparent and aligned with ethical business behavior.

Looking Ahead

A Harvard Business Review survey found that 50% of financial institutions polled were currently using social media, 25% planned to use social media, and 22% had no plans to use social media. Given customer expectations, this last group is placing itself in a position to fail, as is any bank that does not plan to integrate social media into its mainstream business operations.

An approximate blueprint for a successful social media strategy can be summed up in the following steps:

- Develop a vision and gather needed organizational support for embracing social media strategy.
- Define the scope and objectives for the social media strategy.
- Determine the right metrics for measuring the effectiveness of the strategy.
- Draft a robust risk mitigation plan before engaging in social platforms.
- Understand the regulatory and compliance requirements to be observed on the social journey.
- Integrate the technology infrastructure to advance the social strategy and achieve the business objectives.
- Ensure organization-wide cultural assimilation of the social strategy.
- Achieve customer centricity through the social strategy.

The social media sphere is rapidly evolving. Banks and financial institutions that is quick to synergize their business operations with their social media strategies will be more responsive to customer needs and better able to offer customers the best experience. Nonetheless, there are also pitfalls to overcome, and a first-mover advantage may not always translate into market leadership. As such, social media can be likened to a double-edged sword — on the one hand, it can raise the specter of

security and privacy threats for banks and their customers, while on the other, and it most assuredly will generate enormous value.

VIII. CONCLUSION

Banks and credit unions can use social media much more effectively than they have in the past. More than just using social media to monitor consumer sentiments, there is the potential to improve customer acquisition, enhance engagement, increase share of wallet and reduce attrition, while also delivering operational efficiency and reducing risk.

To realize these benefits, institutions must make social media an integral part of the company's marketing efforts. A social media marketing strategy needs to be determined based on meeting specific business goals. And then testing and measurement needs to be done to determine strategy effectiveness.

References

1. Shaping the Future of Business and Society — Symbiosis Institute of Management Studies (SIMS) Edited By B.R. Londhe, Rajiv Divekar and Arti Chandan.
2. "Social Networking Reaches Nearly One in Four Around the World," eMarketer, June 18, 2013, <http://www.emarketer.com/Article/Social-Networking-Reaches-Nearly-One-Four-Around-World/1009976#2k77mDov2c5DtbcZ.99>.
3. "Infographic: The Social Customer," Banking.com, Jan. 29, 2014,
4. Rachel Louise Ensign, "Social Media Transform Bank-Customer Interplay," The Wall Street Journal, March 13, 2014,
5. Donna Fuscaldo, "Should You Social Network With Your Bank?" Bankrate, <http://www.bankrate.com/finance/savings/should-you-social-network-with-your-bank-1.aspx>.
6. Kamakshi, "ICICI's Pockets App Lets You Share Money with Friends via Facebook," Techtree.com, December 2013, <http://www.techtree.com/content/news/5165/icicis-pockets-app-share-money-friendsfacebook.html>.
7. Ben Pankonin, "Official FFIEC Guidelines for Social Media in Banking," The Financial Brand, Dec. 15, 2013.
8. Puneet Sikka, "Will Facebook's Acquisition of WhatsApp Impact Tencent's WeChat?" Yahoo Finance, March 14, 2014.
9. "The New Conversation: Taking Social Media from Talk to Action," Harvard Business Review, 2010, http://www.sas.com/resources/whitepaper/wp_23348.pdf.