

Use of Social Media to Drive Business Advantage in Banking

M.Akheela Khanum¹, Sajjad Anees Nagrami², Prof. M.C.Trivedi³

¹Department of CSE, Integral University, Lucknow, India

²Awami Salar, Lucknow, India

³Department of CSE, ABES, Ghaziabad, India

Abstract: With the rapidly increasing use of social media like Facebook, Twitter, LinkedIn, and Instagram, business organizations are now moving towards adapting this technology to drive business advantages. This paper explores the power of social media in general and how it can be used by banks to provide an edge over their competitors by providing with improved products and services to their customers thereby making their experience easy and responsive. The paper also proposes “SocBan”, a social banking framework and its important components. This study found that even though social media has a power which is ample enough to address all the technical and business aspects of the retail banking, however, what customer expects from this medium and what banks offer to them needs to be widely studied and understood.

Keywords: Social Media; Banking; Customer Satisfaction; Business Advantage; Social Banker; SocBan;

I. INTRODUCTION

The term social media has taken away the Internet by storm since more than a decade. It is the fastest growing technology since its inception. It is a medium which allows interaction. Web 2.0 is an example of social media. Other widely used social media are the

Facebook, Twitter, Blogs, Wikis, LinkedIn, and Instagram. The concept of social media is top of the agenda for many business executives today [1]. With approximately two billion people using social media around the world [2] banks must seriously consider how to engage with customers on social channels [3]. Year 2013 was important for social media in the banking industry [4]. Social media is dramatically impacting the banking industry, as most banks have established a presence on various social sites. Barclays Bank, Citigroup, Inc., HSBC, NatWest and others all engage on social media through Twitter, Facebook, Google+, LinkedIn, etc. J. P. Morgan’s customer service account alone has more than 26,000 followers on Twitter, and the company has sent more than 90,000 tweets since its inception [5]. Banks can be benefited by social media in a way that makes them think fresh and enhance their services to attract customers. While social banking may not transform customer banking habits overnight, the onslaught of social networking is redefining the customer interaction [6]. Banks need to understand the reach and perspective of social banking and financial social networks. Then only they have a better chance of adapting

themselves to the demands of the customers.. Once banks start involving themselves with customers they get access to [6]:

- 1) A dynamic network which keeps on growing (or shrinking) [6],
- 2) The ability to record, monitor, and analyze social interactions, personal preferences and behavior, [6] and
- 3) Instant feedback and reaction—instant communication from any device. [6]

II. BANKING ADVANTAGE

As banks tend to merge new ways in their business, there is a gradual shift in the way banks connect with their customers. This shift in the informational and transactional touch points, together with increasing social media usage can offer vast opportunities to the banks to better understand customer needs, thereby improving the products and services. Some of the vast opportunities banks can reap from social media usage to enhance the customer experience are described in this section.

A. Customized Marketing

Banks can use social media to run targeted marketing campaigns, thereby reducing the overall cost of marketing. For example, if a customer updates his status on social media about his dining into local restaurants, banks can take this information to offer cash backs offers, loyalty points etc.

B. Customer Insight

Banks can use customer data available on social media to gain insights into his activities. For example, say a customer may use social media to inform his friends about his wedding. Bank can use this information and suggest suitable products and services.

C. Improved Product Development

As more and more customers are using social media daily, banks can exploit this to gather customer feedback about their products and services. It can also help banks to tailor products to cater the varying needs of the customers.

D. Increase Sales

Based on customer behavior on social media, such as posts and likes, banks can use analytics to generate leads from this

data, which can be used to perform next best analysis and develop next best actions [7].

E. Improved Customer Service

Banks can leverage on social media responses of the customers to know about their experience with the bank's products and services. Thereby, banks can solve customer's problem in time and make the customer feel satisfied by providing quick response to their grievances.

F. Increase Brand Value

Banks can increase their brand value by reaching out to broad range of customers through social media. A positive feedback about a product or service by the bank's customer can be read and shared by others on social media, thereby exposing the strengths to wider range of customers.

III. SOCIAL BANKING FRAMEWORK

In this section we describe a high level framework "SocBan" which aims to harness the power of social media to drive business advantage in banking sector.

In the recent times, there has been an increased focus on getting a 360° view of the customers. In order to get this complete picture of customers, banks should be able to address the "what" and the "why" with regards to the customer's banking transactions. We believe that by coupling the customer's banking transactions with the social media activities can help the banks in getting a better 360° understanding regarding their customers.

Currently, by using the abundant transactional data, which the banks already have, we can address the "what" – what transactions customers had made in the past? However, the banks are not in a position to address the "why" – why are customers making these transactions? In essence, social media can help the banks in understanding the context (*why*) behind the consumer transactions.

SocBan framework relies on three major aspects; Listen, Analyze and provide Insight. Banks can listen (*or monitor*) to customer activities happening on their social media pages. By listening to these conversations, banks are collecting valuable social data of the customers. In the next step, banks can analyze or process this big (*social*) data, couple this social big data with the transactional data and get the insight into the customer's behaviors and understand the context being the transactions.

In order to process and analyze the huge volume of data, SocBan relies on Rule Engine. Rule Engine is the core of SocBan, It plays an important role in each of the tasks performed by the SocBan; from Case Management Framework to Transactional Framework. Rule Engine interprets the incoming data from social media channels and automatically identifies the nature of this data - customer queries, sales leads or transactions. Based on these actions, appropriate actions are triggered by the Rule Engine. For

instance, if the incoming data is identified as a customer query, then this data is automatically routed to the corresponding department which addresses the customer queries.

Figure 1 depicts the conceptual framework of SocBan. Figure 2 depicts the important components of SocBan.

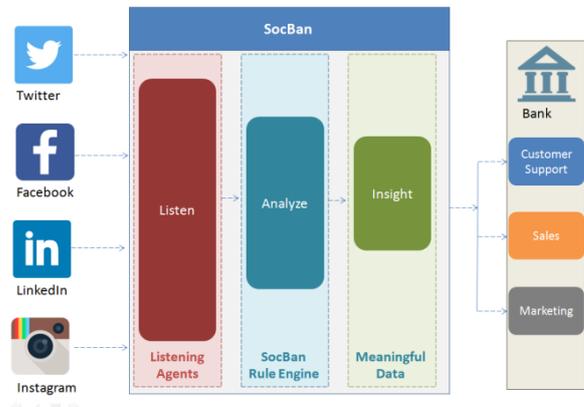


Figure 1 SocBan Framework

A. Social Impact & Outreach:

Communication over social media can have wide ranging impact on the brand of the bank. This is mainly because the communications are truly location and time agnostic. As a result of this, any promotion by a bank or negative news can trend over social media within a short amount of time. This limitless reach can help the banks in leveraging the social media to reach out to the wider audiences.

Let's assume, one of the Banks A's promotion was liked, shared or re-tweeted by an influencer – a person who has 4 million followers on Facebook or twitter. This one action by an influencer has automatically increased social impact or imprint of Bank A's promotion to 4 million uses. Banks can also customize the communications or promotions based on the customer preferences and become more proactive and responsive in customer outreach activities.

B. Sentiment Analysis:

One of the many reasons why social media has become so popular, so quickly is its openness and transparency. Social media, in essence, has given a voice to each and everyone; irrespective of which strata of society they belong to. This "opinion" of the people can have both; positive and negative impact on the banks.

For instance, one disgruntled customer of the bank has shared his bad experience with the bank associate on the social media, this customer query, if not resolved in a timely manner, has the potential to start a negative trend on the social media and there by bringing bad repute to the bank's name. Conversely, if some customer has posted something good regarding the bank or the bank itself has highlighted some of

it's of its achievements, this has the potential to start a positive talk or trend on the social media.

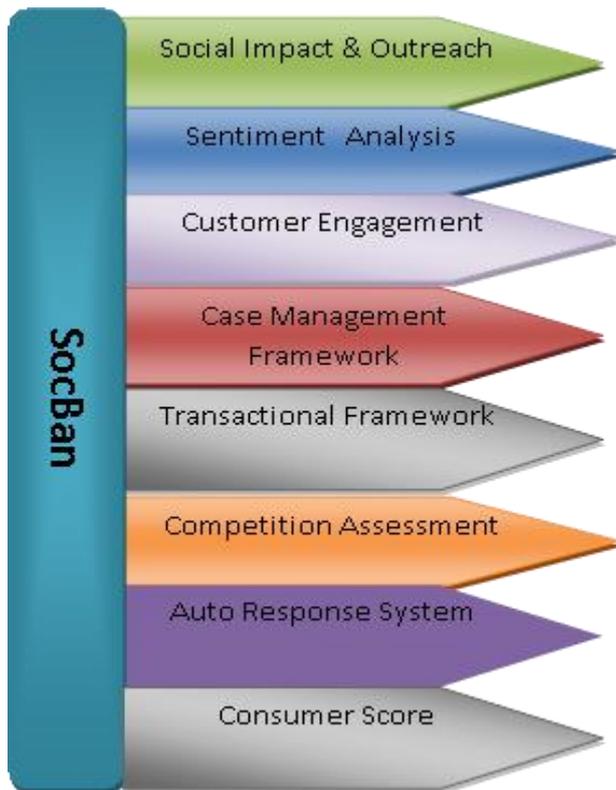


Figure 2 SocBan Components

In both situations, the main reason behind monitoring these conversations over social media is to unearth the positive or negative trends and proactively engage with the customers.

C. Customer Engagement:

Any bank, irrespective of size, is primarily interested in increasing the customer base and wallet share. In order to achieve this, timely and effective engagement with the customer is imperative. By engaging with the customers over social media, analyzing the posts and comments, banks are in a much better position to assess the customer's consumption intent and service her accordingly.

Let's assume a customer has posted "blessed with a baby girl. Both mother and new born are safe..." on Facebook. SocBan's Rule Engine has the ability to analyze this post and come to a conclusion this is potential consumption intent or a sales lead. By listening to social posts and identifying consumption intent proactively, banks are in a much better position to address the customer needs in timely and efficient manner. In this example of child birth, banks can cross-sell insurance to cover the new born baby or offer special interest rates when a bank's credit card is used to purchase child products like pampers, clothes or food.

D. Case Management Framework

Real-time communication is an intrinsic feature of social media. Banks can utilize this to respond to customer queries originating from social media. Banks can respond to the queries in a timely and personalized manner. Banks can also attach SLA's to monitor the effectiveness and performance of customer support representatives.

Let's consider this example; a customer has applied for a home or car loan. He has submitted all the documents to the bank. However; the customer has not heard anything from the bank for an extended period of time. In traditional cases, this customer would approach a bank, call the bank or email the bank to get exact status of his loan application. This customer support can also be extended over social media. In this case, customer would simply send a short query to the bank via the social channel. Since this communication "public", bank has to proactively reach out, respond and resolve this issue. This in effect, is changing the customer's negative opinion of the bank to positive.

E. Transactional Framework

Banks can leverage the convenience, ubiquity and penetration of social media and launch real-time banking services. Common banking services like fund transfer, bill payments, mobile/DTH recharge, checking account balance, check status, check book reordering and viewing last 3 transactions can be launched in a secure environment.

By leveraging social media, banks are in effect reducing the foot traffic by offering full banking services over a new banking channel.

F. Competition Assessment:

Apart from monitoring and analyzing the activity of their own customers, banks can also monitor the activities of its rivals on social media. By doing so, banks can access the market tractions, pain points and cross selling opportunities.

Assume that a customer of Bank A has mentioned her bad experience with getting a home loan sanctioned. This piece of information can be used by Bank B to engage with the same customer and cross sell the home loan which she was originally looking for. This type of assessment can be extended to compare the social media presence and imprint of two rival banks, or two competing banking products and their respective traction in the market.

G. Auto Response System:

Addressing common customer queries via phones, emails or in-person can be a costly proposition to the banks. Banks can use the social media to instantly send accurate responses to customer queries, reduce manual intervention and improve efficiency of bank associates.

A customer has a very common query regarding a specific banking product or a service. Instead of calling or send an email to the bank, customer can just tweet the query, and she automatically receives the correct answer.

H. Customer Scores & Profiling:

Interactions, posts and activities on the social media platforms can provide banks an insight into the customer's behaviors and preferences; like the what sports, cuisine, restaurants, etc. does the customer like. Since SocBan has the capability to extract "meaningful data" from social media and based on this create a profile of a customer. SocBan can also compute demographic, social and overall scores for each of the customers. Rule Engine plays a crucial role in the score computation.

Following parameter are considered while calculating score; type of account, number and type of activities on social media pages on the bank, transactions history etc.

CONCLUSION

In the years to come, social media will become a widely accepted part of retail banking. Banks must emphasize on their understanding of social media in order to better deploy it to the fullest advantage. However, there is still a gap between how customers prefer to use social media in the banking and the services they are currently being provided by the banks. As banks move up for social media strategies, they should try to gain more intelligence about specific expectations the customer have from this medium.

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