

# Banks and their models for modern communication and business via social media

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*Abstract:* Widely recognized as it is, bank institutions but also most business institutions are active in social media and are valuing this medium not only as a means to reach out to customers but also to realize business. In banks' practice there are four main models for applying of social media banking – use of social platforms as a marketing tool, as a communication channel as well, also as a channel for feedback and reactions and lastly, but most important - for transactional social banking. For the latter, banks allow their customers to realize active operations. There are successful examples already present from banks to implement transactional social banking. In this paper a case-study is presented about applying the models of social media banking in the five largest banks in Bulgaria. The outcomes point out that the banks have been using the first three models successfully already, but are rather indecisive about applying and ultimately neglecting the use of transactional social banking with the opportunity of active operations on social media platforms. Since the reach of social networking but also of social banking is widening, a forecast can be made for growth and affirmation of transactional social banking as a new, innovative digital banking channel.

*Key-Words:* social media banking, models, marketing tool, channel for communication and reaction, transactional social banking , marketing intelligence

## 1 Introduction

In the recent years social media are becoming more and more popular among consumers, but also more and more important as a tool for businesses. Hence the presence of banks and financial institutions on social media is required since their target audience is actively using it. The numbers of social media users are only likely to grow and companies are aware of that. When taking this fact into account, businesses are trying to make it available for their clients to make transactions through social media as well. The latter trend is very relevant for bank institutions as well.

## 2 Bank models for social media banking

Relationships between banks and their customers through social media can be comprised in four models - as a marketing tool, as a communication channel, as a channel for feedback and reactions, and as a model for social media transactional banking.

### 2.1 Use of social media as a marketing tool

Banks have the opportunity to use social media as a very effective marketing tool, when using them in a right way, including as a relationship marketing tool. [2]

On the one hand, through social media banks can strengthen their reputation and build more brand equity through further differentiation and stronger associations with the brand in consumer's brain.

After the global financial crisis in 2008-2009 that had very unfavorable effect on the financial sector, banks do not enjoy positive images of themselves in consumer's perception and the relationship between banks and its clients would not be close. Social media, among other tools can help bring back the trust of and closer relationships with their clients. Through it the consumers can feel that banks are friendlier, more real and more gracious towards them.

Most banks are using widely known media, such as TV and online ads, but also direct sales marketing and email marketing to reach out to consumers. Now that social media is added to those, as a new channel, banks can advertise, promote and use it as they please to build more brand equity. They can use social media for research purposes as well by

collecting customer data and create customized advertising.

## 2.2 Social media as a communication channel between banks and their current and potential customers

Social media are a channel enabling banks to react fast to customer queries and respond to their needs and complaints in quick and effective manner. As social media are introduced, banks can communicate with their consumers without using other channels and media, for example without using call centers. In social media banks can:

- Offer actual information;
- React quickly to questions and consumer problems and issues;
- Offer solutions and reach to everyone that is in need.

Social media can be the place, where consumers are receiving competent answers to their questions instantly, conveniently and for free.

An important advantage of social media as a communication channel is that many queries can be received and solved in the same time, which makes this tool more scalable and very effective when responding to inquiries and solving problems. According to a survey by NM Incite, a consulting company, which is a partnership between the companies Nielsen and McKinsey, social customer care costs around \$1 per interaction while using phone support costs at least \$6, and further interaction per e-mail costs \$2.50 to \$5 [1].

## 2.3 Social media as a channel for feedback and reactions from clients about banking products and services

Thanks to social media, banks have the opportunity to receive feedback from clients about new products and services, but also for existing ones and as a whole, banks receive feedback on how to optimize their products and services and ultimately the customer experience.

On social media, clients can react to a change in conditions of use of particular products or service that they do not feel is positive and banks on the other hand can give out information on the reasons for a change. As an example of such reaction, in March 2014 J.P. Morgan's stopped an individual's right to deposit cash into another person's bank account. The bank's reasoning was that this action would have a positive effect on the problem of money laundering. Clients reacted instantly with a

wave of negative comments on Twitter. On the same day J.P. Morgan reacted with offers for alternative ways to transfer money and also with public reasoning for that implementation. Currently J.P. Morgan Chase has more than 546,000 followers on Twitter and has more than 22,000 tweets. Chase's Facebook page has 3.87 million likes.

Bank's practice in using the three aforementioned models reveals that they often face challenges when communicating with customers on social media. In some cases the reactions of the bank staff are close to automated answers and hence have not much of a conviction and empathy. Besides, the public communication between banks and their customers can be risky and unfavorable for them, just because they are transparent. Especially when it comes to complaints, banks would have to be very careful.

## 2.4 Use of social media for transactional social banking.

In addition to being an effective marketing tool and means for quick and personalized communication with consumers, social media can be used for transactional social banking. Through users' social media accounts banks give their clients an opportunity to make standard transactions as for example to make fund transfers. In that way social media are becoming a channel for executing transactions in a quick and a convenient way. This approach is most applicable in person to person payments. Through it, customers are able to make transfers to their Facebook friends through the social platform.

Some banks use social media directly as a platform, where they give their clients the opportunity to realize active operations.

## 3 Examples of banks using social media for transactional banking

The model of social media for transactional banking as a new way of using social platforms is affirming itself as a concept and has already being put into practice by banks. In the following lines, some examples of financial institutions that have already used this model will be presented.

- The Indian bank **ICICI Bank** started in January, 2015 banking services on Twitter - **icicibankpay**. Clients can do both financial and non-financial transactions using Twitter [3]. In financial transactions they can do funds transfer and prepaid mobile recharge. In non-financial

transactions they can check balance and view their last three transactions using just their Twitter account. Customers can make payments to friends without knowing their friend's bank account up to Rs. 5,000 per transaction (around 75\$ as per March, 2016). There is also a daily limit of Rs. 10,000. The security is guaranteed through two factor authentication process using one time password which is sent to the client's phone number as an SMS.

- **Garanti Bank**, the second largest private bank in Turkey by assets, has the big ambition to be the most-followed financial institution on Facebook in Europe and Turkey. Except for most popular platforms Facebook and Twitter, Garanti Bank uses other social media platforms such as FourSquare, Instagram, Snapchat, Vine, Line and others, in total 10 [4]. Besides Garanti offers socially integrated' mobile banking service called iGaranti which connects with Facebook, Twitter and FourSquare to help users send money to friends and family.

- Since May of 2014 the Spanish **CaixaBank** offers a Facebook application to its users that allows them to view their bank account balances and perform transactions via the social network. It was the first case of a European bank doing that - allowing customers to check account balances, make micro-donations and contact personalized card services. The new CaixaBank service for Facebook also delivers quick access to the bank's primary online channel, Linea Abierta. [5].

#### **Examples of banks refusing the transactional social media banking model**

Besides examples of successful implementation of the transactional social media banking model there are instances of banks refusing to employ it.

Among others, ASB Bank stopped the service because of lack of interest. It is a bank owned by Commonwealth Bank of Australia, operating in New Zealand. One of the bank's characteristics is its tendency to implement banking IT innovations. In July 2012 the bank introduced the capability to make payments to Facebook friends through the mobile banking app. Because of the *low customer demand* three years later the bank has discontinued the Facebook payment functionality from its mobile apps [6]. The bank justified its decision by the fact there is insufficient interest on the ability to make payments to Facebook friends through its mobile banking app.

## **4 Case study about the use of modern social media banking in top Bulgarian banks**

The use of social media banking from Bulgarian banks working on the Bulgarian market is very much correlated to the Bulgarian consumers' participation in it. The only way for them to participate is if they have access to the Internet. According to the official Statistical Office of the European Communities Eurostat the proportion of households with internet access in Bulgaria in 2015 was 59%, which is the lowest rate of internet access among the EU Member States [7]. For comparison: in the EU-28 it was 83% on average. Although there was a growth of 29% in households' access to the internet between 2009 and 2015, Bulgaria has still to catch up. Other statistical data from Internet World Stats show that Internet users in Bulgaria are 4,083,950 as of end of November 2015, that number representing 56.97% of the population. The same source shows that the number of individuals in Bulgaria using Facebook is 3,200,000 or 78.36% of all Internet users use Facebook. This figure of more than three-quarters is impressively high.

For the purposes of research we have formulated the following hypothesis: Bulgarians' big interest to participate in social media would attract banks to use social media effectively and to its potentially full extent. In order to prove the formulated hypothesis, a research is conducted about the use of different models of social media banking from the Bulgarian banks.

The Bulgarian banking system consists of 28 banks. The BNB Banking Supervision Department groups banks in 3 groups based on the amount of their assets at the end of each reporting period. The first group consists of the largest 5 banks, the second group comprises of all the remaining banks, and the third group comprises the branches of foreign banks in Bulgaria [9].

In the following lines outcomes of investigation is displayed of the use of social media banking from the banks from the first group - the five largest banks in Bulgaria by assets at the end of 2015. These are the following banks: Unicredit Bulbank, DSK Bank, Fibank, Raiffeisenbank (Bulgaria), United Bulgarian Bank (UBB). A summary of the results can also be found in Table 1.

The research shows that all five banks are active on Facebook, four put stress on and have accounts on Twitter (without DSK Bank) and three find it important to be present on Google+. It has to be noted that the biggest bank in Bulgaria Unicredit Bulbank is present on six platforms and with that it

proves its leadership competencies by showing a desire to reach out to more consumers using different social networks.

**Table 1** Use of models for social media banking in the five largest banks in Bulgaria

Presence in social media platforms	Use of type of models for social media banking
<b>1. Unicredit Bulbank</b>	
Facebook, Twitter, Google+, YouTube, Pinterest, LinkedIn	1. Marketing tool 2. Communication channel 3. Channel for feedback and reactions
<b>2. DSK Bank</b>	
Facebook, YouTube	1. Marketing tool 2. Communication channel 3. Channel for feedback and reactions
<b>3. Fibank</b>	
Facebook, Twitter, Google+	1. Marketing tool 2. Communication channel 3. Channel for feedback and reactions
<b>4. Raiffeisenbank (Bulgaria)</b>	
Facebook, Twitter, Google+	1. Marketing tool 2. Communication channel 3. Channel for feedback and reactions
<b>5. United Bulgarian Bank (UBB)</b>	
Facebook, Twitter	1. Marketing tool 2. Communication channel 3. Channel for feedback and reactions

Bulgarian banks' stress on their presence on Facebook is based on the biggest number of Bulgarian clients active on the platform. Figures show that at the end of 2015 98.01% of social media usage in Bulgaria is concentrated on Facebook. After that come Pinterest (0.75%), Twitter (0.54%), Google+ (0.26%), followed by yet other platforms. [10].

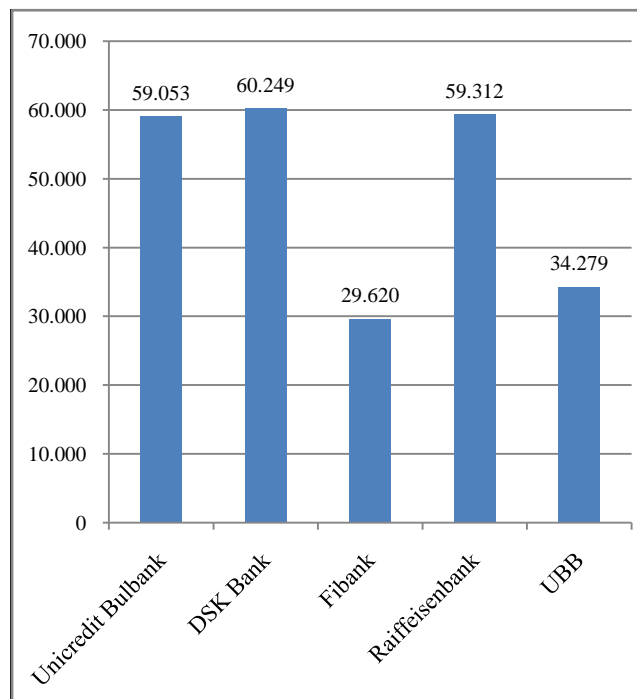
When looking at using the different models of social media banking it can be concluded that all of the five banks in questions have the first three models in operation, namely social media as marketing tool, as communication channel and as channel for feedback and reactions. Banks are taking advantage of opportunities social media is presenting and they are using it accordingly. However none of the banks is

taking action to implement transactional social banking.

The popularity of the five banks on Facebook is displayed on Figure 1.

**Figure 1** Number of likes on Facebook for the five largest banks in Bulgaria

(end of February 2016)



A statement can be drawn from the graph that in spite of the big popularity of Facebook as a social media in Bulgaria (78% of online users), banks tend to not get a lot of likes of their pages. Much needed action can be taken from these institutions to improve the brand image, raise popularity and personalize their efforts with the help and means of social networking sites.

#### 4 Conclusion and Future Work

On a global level, banks tend to be active on social media. They have established practices of usage of the social platforms as a marketing, communication and reactions tools, and for some of them social media is a place for conducting business in the form of transactions as well.

Our research shows that the biggest banks in Bulgaria are active on Facebook, Twitter, Google+, but they are stuck being focused only on the traditional models, without offering their clients transactional social banking. The top five banks in Bulgaria still do not enjoy big popularity on Facebook compared to the big number of Facebook users in Bulgaria. In accordance to the fact of the

ever-increasing popularity of social media and the customer demand, the prognosis is that transactional social banking model will become more popular and be affirmed as a tool on the Bulgaria market as well.

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