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Banking Business and Social Media – A Strategic Partnership

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Abstract. *This paper briefly presents some aspects related to the way banks may use digital and social technologies to enhance their customer engagement and loyalty. In the first part of the paper we realized a brief introduction related the current developments of the banking sector related to adoption of mobile technologies and social media, the evolution from transactional banking to relationship banking. In the second part of the paper we emphasize the role of social analytics capabilities (social Customer Relationship Management systems), alternative distributions channels and other dedicated marketing activities over an efficient growth of the banking sector. The third part of the paper presents what social media represents for banks, its main advantages and challenges, providing solutions for managing weaknesses and building on strengths. The paper ends with conclusions related to the challenges existing in the banking sector and to the manner in which digital and social realm shape current banking practices and future opportunities for the banking sector, preventing banking business models become obsolete.*

Keywords: social media platforms, customer relationship management, technology disruptions, business model, Facebook, Twitter, mobile banking, innovation, reputational risks, social CRM systems, distribution channels, peer-to-peer lending, mobile monies, customer loyalty and engagement.

JEL Classification: D02, G21, G23, G24, L22, L86, M31, O33, O35.

1. Introduction

Over the last two decades, we have been the witnesses of major changing in banking paradigms due to many challenges faced by the banking sector: the impact of regulatory reforms, enhanced capital and liquidity buffer requirements, the advent of peer to peer lending and payments systems, fast democratizing technologies and new social business models causing a disruption on costumer living and shopping patterns and spending preferences. Post-crisis banking sector realities have put even more pressure on banks to scale down their structures and focus on their most profitable core business segments. Both global and European trends reflects further digitalization on financial services.

The emergence of new competitors doubled by the social and digital technologies of today, have given rise to many alternative ways of conducting banking, allowing customers to have access to all major operations and decisions related to deposits, withdrawals, investments and spending, at a simple touch of customers' fingers on their mobile phone, laptop, POSs, APSs or ATMs. Social and digital technologies allow customers to be provider and channel independent, eliminating much the role of the "middleperson".

As social media had become more popular, banks have started using them for reaching out their actual and prospective customers with product changes, offering enhancements and any relevant happening. Fast democratizing technologies and social media have made banks to no longer only compete with each other, but compete with many retailers, automotive companies and innovative small sized entrepreneurial companies as well, since they can offer their customers seamless and integrated experiences with fewer restrictions.

There have been already started important switches related to cashless payments environment due to proliferation of digital wallets, peer to peer transfers and other mobile monies solutions. Deposits and lending have been affected as well due to the emergence of alternative peer-to-peer lending platforms, in a less ceiling regulatory requirements and plenty existing lending gap to be filled. Due to their greater flexibility, lower costs and less regulatory ceilings to meet, alternative funds transfer and capital providers could change dramatically the banking sector trends and picture. Although it is not an easy task, banks have the ultimate responsibility to make sense and solve the puzzle.

Despite the Romanian banking system is well capitalized and did not need public rescue interventions, there are still many coordinated efforts to be made in order to ensure a sustainable development. While the level of bancarization is probably the lowest of Europe, Romanian banks have to reconsider their network and business models without necessary restraining their operations since this would harm the real economy's interest and make the discrepancies even larger between Romania and other European countries.

2. Relationship Banking

As web-based communication channels have spread to mass customers, banks should diversify their distribution channels via mobile, internet and social media network and applications. Due to some technology disruptions and increased product sophistication, personal relationships have significantly decreased, affecting customer perceptions and attitudes related to their bank. Banks could mitigate customer attrition and dormancy through some of the fashioned alternative distribution channels whenever personal interactions make sense. Banks should involve their customers in their marketing campaigns in order to enhance the brand and gain competitive advantages. Leveraging the human touch has proved to be the best effective way to improve the overall banking experience (Dedu and Nițescu, 2014).

Banking is no longer about transactions, the ascent of mobile technologies and social media has shaped customer needs in a different way than they used to be a decade ago. As more people go social, they expect banks to deepen their social intimacy with customers and provide mobile, vivid banking experiences via mobile social media channels. As more people expect banks to connect with their daily life, there is a strong urge for banks to leverage social data and derive insights in order to add social media as part of their strategies and business models.

While digital banking is growing, branches remain also an important sales channel for banking products and services. Customers cherish human touch, being the reason why human presence could be realized as well through dedicated video services, allowing the channel migration from branch to mobile, to be natural and less formal, especially in cases where transactions and expertise could be digitized trough a video or audio connection. Although traditional branches will not disappear, their role will gradually shift from transactional to advisory banking, allowing banks to get more insight about their customers and what stands behind their choices, making business analytics needs to be more complex and demanding. Branches could be considered the start point of relationship while enhancing it via Facebook and Twitter.

3. Banking Systems and Social Analytics Capabilities

Banks have to invest significantly in advanced user friendly platforms in order to enable thriving and empowering customer experiences regardless the platform they connect to. Banks have to enable customers, vivid and seamless experiences like sharing audio and video content while enabling them to ask or send money through an online connection with the bank's representative.

It is essential to have a deep understanding about customer profiles and experiences, walking in the customer's shoes, in order to understand how social media may be applied. Banks have to diversify their marketing activities using social tactics, social media, social tools and technologies across all the components of the marketing mix.

They should extend their Customer Relationship Management systems beyond transactions, towards relationship, supporting all mobile and social technologies in the processes related to targeting, acquiring, retaining, understanding and following up the customers.

A decade ago, most banks have had their offerings tailored to specific customer segments: youth, retired persons, families, small business and corporations, providing several types of cards, accounts, lending facilities for each one of them. Today, customers have other expectations. They become more loyal and engaged if they are left to design their own product and services. This is the reason why many banks have started to deconstruct their offering into base-products with dynamic attributes; allowing banks to simplify their business models while giving customers the opportunity to rebuild and realign them according to their needs. The key in successful deconstruction relies in providing customer incentives to interact in the creation of their own solutions through solicited answers, complaints, personalized surveys, pools and any other comments and feedback. Making their voice be openly expressed and clearly heard by many bank internal account and sales managers, product development and even senior managers, is essential in order to create engagement and trust.

Social landscape and analytics enables social campaigns initiatives related to new product propositions, launches in return of increasing customer engagement and advocacy. Banks may track both customer adoption and retention rates and assess their efforts to promote, develop, leverage, or defend the offering and brand. Customer reviews, comments and references represent a great fuel for nurturing customer feedback and sentiment, especially the ones express by viral transmission of published content on social campaigns.

Banks need integrated solutions that enable them to have regularly updated content, generate online customer dialogues, ask and make referrals, set up online and offline appointments via Smartphone applications with no other links that could take the customer away from the bank.

Social media allows banks to gain improved insight into their existing CRM systems, opening opportunities for building social CRMs. Social CRMs allow banks dealing with conversations and relationships, creating a venue for communication and marketing well beyond conventional dealing with data and information. They contribute to an overall customer improved experience from sending automatic responses to customers, analyzing sentiment, volumes and trends across banking platforms and social media, improving customer care and streamline customer research, well beyond the ones focused on plain information and data sets. Social media is not about embracing new business models and technologies; it is about a profound cultural and philosophical transformation related to nurturing customer relationship and rewarding experiences.

Social CRMs represent the pipelines of creative ideas to improve their offerings based on customer likes, events and locations shared on their timeline. Performing data analytics capabilities offer detailed access to the last purchase, what has been propose and said during the last conversation, enabling relationship managers to gain a holistic view across all previous interactions and pick-up discussion from where a previous colleague had left it off, regardless of the bank size and geographies.

Social CRM could be the solution for listening, responding and harnessing the knowledge of the customers due to enhancing marketing understanding and accelerating decision making process. Social CRMs are unbiased customer engagement estimators, their performance metrics enable banks assess the number of active page friends or fans, case closures, conversations, reviews, invites and referrals, number of visits and leads. Although it is time consuming and quite difficult to measure social strategy in terms of Return on Investments, banks tend to monitor the results in terms of easing sentiment, number of fans, friends, likes, comments, enquiries and other engagement and loyalty metrics.

Banks are compelled to manage online communities, identify their problems and create solutions for them, while offering them the perception that their voice is discovering and creating the whole thing, as banks' main advisors. Banks could effectively convert customers into advisors via interactive social platforms, where their suggestions and creative audios could be incorporated in bank's offering and strategy. This way, banks could turn communities into the facto marketers and spread their content virally through the entire social landscape, with less costs and more focused efforts. Customer Voice used in performing CRM systems leverage social media analytics in identifying any forms of feedback or discussion, where further feedback from the bank may be called for. Having a holistic view across all previous customer interactions, general mood and personal lifestyle changes, compel banks to invest in modern technologies, capable to operate across geographies and platforms, switching sharply the way banks collect and disseminate information across the entire banking group.

4. Social media – "The Human Touch Banks Never Had"

The emergence of new technologies and social interactive online communities, where people connect with friends, meet people, share interests and interact with businesses, has changed the way people and banks communicate with each other, providing banks significant edges in order to develop an improved customer knowledge and feedback, closer relationships needed for catering customers' needs and increase the up-sell/ cross-sell potential.

Most banks have acknowledged the importance of being present in the social space, most of them having already started or at least are planning to become more social and leverage a fraction of social banking potential. As the widespread popularity of social networking, the financial sector is undergoing significant transformation in the way it approaches customers and shape their purchasing behavior. Social networks offer banks access to a wide array of customers' social profiles, allowing greater insight and visibility over the customers' behavior. Social networks allow banks not only to understand better their customers but as being sensitive to their concerns, in order to engage customers at its maximum possible level without having a doubt for choosing another bank while securing their identity in the digital realm.

The social landscape has been useful for spreading and listening messages, managing content and helping marketing campaigns to be more responsive and interactive, efficient and less expensive, helping the bank cater customer needs due to the larger reach of social media compared to the traditional channels. Moreover banks can increase brand awareness through a series of discounts, rebates, cash back offerings, loyalty points, targeted directly based on every customer's life stage needs (marriage, baby born, changing jobs, anniversaries, etc.) and general mood. Social media enable banks to solicit instant customer feedback, allowing crowd-sourcing of ideas for dedicated offerings according customer needs and aspirations.

Mapping account numbers to their mobile phones and/or social profiles, banks could enable integrated access to realize payments and fund transfers. Based on analytics capabilities of post and likes received, banks could have and overweigh about what customer segments are spending their money on and interact with them in a timely and personalized manner in order to solve any misunderstanding, shape their habits and increase bank closure deals.

Although more and more banks are being present on social landscape, there is still a lot of work to be done for closing the gap between using the social web space for business and leisure. It's not enough to communicate but to interact – have an ongoing interaction with both customers and stakeholders – understand their lifestyle, cater their needs in order to gain their loyalty and advocacy through interactive campaigns, positive messages and firm internal collaboration. Internal collaboration is essential for helping staff to understand and work with this new environment and realize an optimal allocation of resources.

In the social landscape, the emotions are shared in videos and images. Banks should be more proactive in reaching out to customers at a personal level in real time, rather than waiting a sign from their side. They have to maintain a dynamic, clear and consistent customer oriented content through all the communications channels without delays in responding to any issues arising, sharing news and events that could create a competitive advantage and foster the brand. The key differentiator factor represents the quality and adequacy of the content. It should offer relevant and useful information and should not have a sales allure, since people go social to buy something, but rather present issues in an educational context with high value added service under the bank brand name. Demystifying complex financial subjects via free downloadable guides and video clips is essential for an initial dialogue about understanding customer needs, since many of them pay little attention to ambiguous subjects and dislikes complexity. They want educational materials not sales brochures, enabling them to educate themselves and find content relevant to them, including about unaware risks, presented in a vivid manner, to help customers find proper solutions according to their life stage and personal profile. Right next to them, banks could allow a series of posts, comments or tweets along to the link to featured links to the institutional website that enable customers access quick follow up by a bank representative.

Banks should define their business model in the light of the customer's lifestyle and experiences. Banks need to pose themselves some questions related to customer behavior before realigning their business model and ambitions: what is the role of social media in their overall marketing position and ambitions? What differentiates the social landscape from the other traditional banking channels? How technology disruption may affect the traditional ways of delivering banking services and the dynamics of social banking and what could be the benefit / loss for being or not being present in the social networking space? Having good answers for all, banks could ensure that they understand customers' lives, making their resources more cost-effective, their services more fitted to customer's aspirations and nevertheless, their goals be more realistic and achievable.

There are many benefits for using social media, some of the most important being: instant customer feedback over existing and prospective offering, enhanced brand visibility due to the extended reach that virtually no other channel can offer, enhanced customer service (addressing customer concerns in real time – chatting on Facebook or tweeting their inquiries), enhanced channel value and collaborative opportunities for future customer generations, increased business potential from social referrals and cross-selling opportunities, and enhanced marketing tools for gaining customer retention and advocacy (Singh and Garg). Social media should not be seen as a simple marketing tool, but as an opportunity to listen to the customers, improve service and rebuild the trust.

Social media platforms and forums provide excellent cross selling opportunities for banks to track and hone customer behaviors. They offer an important source of information to gauge a customer's likes, dislikes, preferences and behavior patterns. Leveraging this information in addition to the analytical tools (advanced CRMs systems) they already use, could help banks better understand and cater customers' needs with tailored products and services. Forming virtual communities supported through blogs, wikis, and forums may allow developing open and transparent discussions about risk management, provisions, rules and regulations, including the most recent financial trends and offerings.

Customers are rather skeptical about things being sold to them. They do not enter forums to be pushed something onto them, but to foster relationships, share news, experiences and views. This is the reason why banks need to recognize the importance of alternative social channels and be along customers on forums to understand customer preferences and needs, indirectly educating them. Forums represent the two-way collaboration mechanism that enable customers to educate themselves and ask peers or network friends for reviews and advices, in order to make informed decisions about the risks and rewards. Forums and social networks could not only be a protection against brand equity loss but as well could be the key for leveraging sales and reducing service costs and marketing activities. Banks could provide customer services through dedicated Twitter, Facebook, Skype, Youtube, Wikis, proprietary online TV channels and Linkedin accounts, encouraging the staff to take part in responding to the posts online and provide expert interviews. Banks need to redesign their commercial strategies around various social causes and customers' interests.

Social landscape enables ideas and expertise to be discovered, developed and shared. Today's customer demands to be heard, catered and understood. The social prospective customer uses alternative online channels, trusts advices provided by online friends, bloggers and forum users, tends to buy more online than offline, carefully reads product reviews, provides feedback, expects tailored customer experiences and seeks support in obtaining special offers and answers to their complaints and concerns by connecting with peers. Customers are prone to crowd thinking – they place more value on knowledge, ideas, perspective, referrals, experiences provided by their friends, relatives, offline and online actors including social media users, rather on the message controlled by brand statements and advertising. This is the reason why banks should not treat social inquiries and communication negligently, any gaffe or sever mistake could cost bank dearly.

In order to depict how anything true or not true is said about the bank and remain an important source of influence and information, it is mandatory for banks to have a sound presence in the social landscape. Only the bank's presence could engage customers to be its brand advocate through positive "word of mouth" promotion on Facebook, Twitter, Youtube. Banks must have new ways to support word of mouth forms of promotion, innovative ideas spreading and enhanced customer experience sharing rather than having a persuasive one-way role. Banks shall foster landscapes where not only the customers are invited to participate in the bank's decisions but also the employees (fostering corporate social networks) – bringing their ideas to the banks – making them feel more loyal for the bank they work. It is essential to create a culture that continues to invest in its people sharing a common set of values, cultivating innovation and excellence, aligning staff with the overall business objectives and recognizing personal relationship management customers as a key pillar for a sustainable industry future. Taping information coming from employees and customers at all level and within any channel, improves service and product offering.

Collecting and leveraging vast amounts of customer data in real time and automatically manner may be realized through complex behavioral Customer Relationship Management solutions, focusing upon the psychological underpinnings of the service interaction (Dedu and Nițescu, 2014). CRMs allow banks analyze customer behavior real-time and monitor sales increases/decreases globally and/or individually, enabling banks to maximize customer profitability and improve customer experience and retention, reaching the right customer, at the right time, through dedicated channel and appropriate manner. With proper CRM solutions, banks may cutoff costs without being necessary to cut value or leaving banks exposed may create the necessary linkages between customer segments, geographies and distribution channels. Integrating social landscape with CRMs, smart gadgets, simulators, calculators and modelers may allow customers to compare different products and understand the necessary steps to be taken in order to achieve the customers' financial goals.

The business model of the banks is changing due to the "lively" interaction with customers. Additional services are developed by the banks based on the data gathered within the social media environment.

5. Barriers/Challenges faced

Social media compliance and building customer relationships on it is not enough. There still remains significant vulnerabilities to be managed regarding data security, privacy, legal and reputational risks. Customers tend to share honest opinions about their banking experiences, opinions that are definitely public and mainly driven by personal experiences. Due to the open and unmediated nature of social landscape, banks have reduced control when making reputational mistakes. Although it revolutionizes the banking sector, social media brings risks to new tiers. Banks can no longer expect to control the sayings about their brand and offerings but rather influencing and trying to prevent further harm. Moreover, they have to take gauge about the reliability of data, assess who else has access to data since most of the internet data has increasingly become commoditized and what could be the risks to be sabotaged.

Despite the fact that banks may access external expertise for social analytics towards mining and overcoming any negative trend sentiment emanating from social channels, the brand image could still be affected at a faster rate than banks can react. Banks should encourage constructive dialogue with customers, providing helpful information and advice. It's a matter of minutes before an upset customer complaint becomes viral on social network, this is the reason why instead of waiting customers to post an official complaint, banks should actively seek dissatisfied customers on social platforms, providing faster issue resolution before escalade. They should strive to turn negative sentiment into positive one, and convert customers into net promoters of the bank, due to a stronger relationship than before the issue occurred.

It is difficult to implement robust systems and procedures for real time monitoring activities on social channels while ensuring compliance with the existing banking and non-banking regulations and general norms of ethical conduct. The key relies on long-term relationship with customers reflecting true respect for customer sensibilities and delivered promised experiences.

Embracing social and digital technologies is not an easy task, most of the banks have to overcome many other threats and barriers (Virgili and Kaganer, 2012) besides of reputational risk: external regulations starting from the simplest website privacy policy and website cookies related to traffic, location and communication data, any filing in forms on their digital pages, third party links and storing personal data, up to internal resistance that banks often face from its employees. Some of their employees may not see the real benefits of social media, some of them do not want extra-training, do not want to change the existing routine in the business workflow. Without senior management support, education and proper incentives, banks could not face the needed cultural change in order to align social initiatives across the financial institution. Adapting existing core and non-core banking IT systems to mobile and social platforms represent another challenge to be faced, since most of the systems are transaction not relationship related. It makes sense now why gaining a single style and tone of voice deeply sustained by senior management/board support is essential, the sooner the better, since traditional channels become more and more fragmented and obsolete and all aspects of the business model will be affected (culture, processes, technology).

Other aspects to be considered are related to the competition, new digital competitors (most of them non-bank/non-financial service providers) are fighting to translate social media and customers "attention" into revenues.

Banking business involves also risks assessment and risks management. This aspect supports further developments based on how banks interacts with social media and on the cross border nature of digital developments.

Managed correctly, the social banking experiences could indicate any upcoming risks and mitigate the impact when risks occur, although security and privacy issues remain sound challenges for financial institutions. This is the reason why most of the banks that are being present on social media don't allow (yet) customers to make payments, transfer money or check their balances via social platforms but strive to educate and shape behavior.

6. Conclusions

Digitalization of financial services and cyber security represents top evolutions that change the business model of the banks, determining financial, technical but also regulatory challenges.

Social banking is no longer a concept, a matter of "if" but rather a reality, a matter of "when" adopting it, regardless the "adjustment" costs towards digital and social realm. Adjustments should not be considered as something wrong or painful, but rather a past practices catalyst and a creative opportunity for changing the approach.

Most European leading banks are already responding to this trend, assembling their own unique social puzzle, embracing transparency and bilateral interaction through social media channels.

What about the Romanian banking sector? Are Romanian banks prepared for the emerging social landscape and digital banking disruption? How could they face technological challenges? How could they move from simple transaction banking to long-term relationship banking, internalizing feedback, leveraging influencers and engaging customers advocacy in order to create a new paradigm – "banking with friends"?

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