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Role of Social Media in Financial Services

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ABSTRACT

The financial services industry has undergone a radical change, as far as digitization is concerned as today's customers are online, networked, well connected, and are embracing Web 2.0 applications. Social media is in many respects an unstoppable cultural force - ubiquitous and powerful. By the year 2017, the global social network audience is expected to be around 2.55 billion. Social media platforms can no longer be considered places where people simply connect and communicate in real-time with the click of a button. Platforms, such as WeChat and Viber as well as Facebook, are increasingly providing a broad range of services to their users either directly or through partners, making them central to people's lives. Social media is transforming banking relationships in significant ways, from improving customer services to allowing users to send money to others via online platforms, also to help people get access to credit, to open a bank account and also to get a loan. Integration is happening so quickly, that it might be possible to argue that social media platforms may be the banks of the future. Banks have therefore been forced to rethink their strategies, and slowly but steadily build their presence on social networks, in order to understand their customers better. Social media is the new way to engage customers as it helps banks to build and maintain relationships with existing and prospective customers and also it helps in educating them. The growth of social networking offers several opportunities for banks: viral marketing, co-creation of products with consumers, providing self-help and co-operation through forums. This paper throws light on the role of social media in financial services and how banks have been largely benefitted by social networks.

Keywords: Viral Marketing, Social Media, Financial Services, Digitization, Customer Engagement

1. INTRODUCTION

The financial services industry has undergone a radical change, as far as digitization is concerned as today's customers are online, networked, well connected, and are embracing Web 2.0 applications. Social media is in many respects an unstoppable cultural force - ubiquitous and powerful. By the year 2017, the global social network audience is expected to be around 2.55 billion. Social media platforms can no longer be considered places where people simply connect and communicate in real-time with the click of a button. Platforms, such as WeChat and Viber as well as Facebook, are increasingly providing a broad range of services to their users either directly or through partners, making them central to people's lives. In the world of social media, customer preferences for products or services are influenced by ideas, perspectives, insights and experiences provided by other users. This is achieved through peer reviews, referrals, blogs, tagging, social networks, online forums and other forms of user-generated content. The banks which do not use the social web might be missing their biggest opportunity to connect directly with customers before their competitors do. Social media marketing can not only increase the reach of a bank but also have a positive influence on how customers perceive the bank's brand value. Customers do not use

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social media to buy products or services but to build relationships. In consequence, banks should focus on building a relationship based on mutual trust through real involvement in providing precious resources and information. These type of activities contribute to improving the perception of a brand by means of positive social marketing. The properly chosen strategy of using social media in banking requires an understanding of customers' expectations.

2. SCOPE OF THE STUDY

Social media is transforming banking relationships in significant ways and integration is happening so quickly, that it might be possible to argue that social media platforms may be the banks of the future. Banks have therefore been forced to rethink their strategies, and slowly but steadily build their presence on social networks, in order to understand their customers better.

3. OBJECTIVES OF THE STUDY

- To analyse the importance of social media in financial services.
- To assess the benefits of the usage of social media in financial services.
- To identify the constraints encountered in the usage of social networks in financial services.

4. METHODOLOGY

The study was conducted in the month of September 2016. Data was collected from 60 bank employees using a pre-tested and structured schedule. The study was conducted in Coimbatore city which was purposively chosen. Data was collected from primary as well as secondary sources. Primary sources were in-depth interviews and schedules whereas secondary sources include the use of literature from magazines, articles, journals, newspapers, national and international publications, internet, books and libraries. Descriptive statistics was used to analyze the data and other statistical analysis like percentage analysis was used to fulfill the objectives of the study.

5. RESULTS AND DISCUSSION

Based on the data analyzed, the following results were obtained.

IMPORTANCE OF SOCIAL MEDIA IN FINANCIAL SERVICES

Among the reasons cited by bank employees for social media being considered important in the financial services, lesser expenditure on social media as compared to investment in other forms of communications were stated by majority of the bank employees (88.33%) (Table 1). Research has revealed that 59 per cent of the firms are spending less than £50,000 per year on social media and 29 per cent are spending nothing. About three fourths of the bank employees (70%) stated communicating and educating consumers as the second most important reason as social media is the new way to build and maintain relationships with existing and prospective customers followed by supporting business activities (65%), improving customer service by satisfying them better (60%), engaging consumers (48.33%). Nowadays it's common for every business to create a Facebook or twitter account to create and bring their clients and customers closer, observers speculate that its interactive nature are more than suitable to support relationships between organizations and their consumers. Also co-operation through forums (35%), viral marketing (30%), co-creation of products with consumers (25%) and providing self-help (20%) were other reasons cited by bank employees.

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IMPORTANCE OF SOCIAL MEDIA IN FINANCIAL SERVICES

SL. NO.	IMPORTANCE OF SOCIAL MEDIA IN FINANCIAL SERVICES	NO. OF RESPONDENTS	PERCENTAGE
1.	Communicating and educating consumers	42	70.00
2.	Improving customer service	36	60.00
3.	Engaging consumers	29	48.33
4.	Viral marketing	18	30.00
5.	Co-creation of products with consumers	15	25.00
6.	Providing self-help	12	20.00
7.	Co-operation through forums	21	35.00
8.	Supporting business activities	39	65.00
9.	Low expenditure	53	88.33

Note: Multiple responses were given by the respondents

TABLE NO 1

BENEFITS OF THE USAGE OF SOCIAL MEDIA IN FINANCIAL SERVICES

From Table 2, it is evident that cent per cent of the bank employees believe that social media allows users to send money to others via online platforms followed by driving transactions (93.33%), building long-term and beneficial bank - customer relationships (86.66%), improving the effectiveness of the organizational structure (81.66%), access to credit (75%), creating awareness (63.33%), opening a bank account (53.33%), fostering innovations (36.66%) and getting loans (23.33%). Bank services are much different than selling or promoting products, social media can be used to announce new services, guidelines on how to use these services and advertising. They are marketing tools used to motivate customers. Banks in order to reduce their cost of operations, adopt social media to market their products and services.

The banks which do not use the social web might be missing their biggest opportunity to connect directly with customers before their competitors do. Social media marketing can not only increase the reach of a bank but also have a positive influence on how customers perceive the bank's brand value. Customers do not use social media to buy products or services but to build relationships. In consequence, banks should focus on building a relationship based on mutual trust through real involvement in providing precious resources and information. These activities contribute to improving the perception of a brand by means of positive social marketing. The properly chosen strategy of using social media in banking requires understanding customers' expectations.

Social media can always be used to generate rapid awareness through customer base by announcing and advertising in the network, driving the much needed awareness to notify the new services and products. By having a strong and well-executed social network community, customers affinity will be grown and improved thus attracting new and present customers to use social network in turn reducing costs for customer services. Engaging in customers relations and involving them in several topics to get feedback and improving the services. As understood by observing communities, customers themselves will promoting the bank and suggesting improvements for new ways to solve problems, communicating even in bank's closing hours. Using social networks specially forums can make a ground for discussing new transaction tutorials for customers, people can talk and learn new ways and trade fast and simple by using these methods.

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BENEFITS OF THE USAGE OF SOCIAL MEDIA IN FINANCIAL SERVICES

SL. NO.	BENEFITS OF THE USAGE OF SOCIAL MEDIA IN FINANCIAL SERVICES	NO. OF RESPONDENTS	PERCENTAGE
1.	Building long-term and beneficial bank - customer relationships	52	86.66
2.	Improving the effectiveness of the organizational structure	49	81.66
3.	Allowing users to send money to others via online platforms	60	100.00
4.	Access to credit	45	75.00
5.	Opening a bank account	32	53.33
6.	Getting a loan	14	23.33
7.	Driving transactions	56	93.33
8.	Fostering innovations	22	36.66
9.	Creating awareness	38	63.33

Note: Multiple responses were given by the respondents

TABLE NO 2

CONSTRAINTS IN THE USAGE OF SOCIAL NETWORKS IN FINANCIAL SERVICES

Compliance has traditionally been an obstacle for social media adoption in financial services. However, technology and education have both proven to be instrumental in overcoming this barrier. Hackers, targeted phishing, social engineering, unsafe links or accounts, account takeovers, piracy, fraud being active on social media comes with just as many risks for businesses and in an industry such as financial services where wealth transfer is regularly occurring, these risks can have especially serious and far-reaching consequences.

According to IBM, 60 per cent of all cyber-attacks were carried out by insiders meaning anyone who has physical or remote access to a company’s assets and one-third of those attacks were carried out by “inadvertent actors,” which IBM defines as “typically well-meaning employees (or other insiders) who either mistakenly allow an attacker access your data or fail to pay attention to your company’s cyber security policies.”

6. CONCLUSION

Financial services firms consistently hold a narrow view of social media. These firms do not engage the customer beyond building and retaining their own closed communities. The power of social media will have a significant impact on the way financial services conduct business; this can have a transformational impact in their corporate thinking and marketing capabilities. From connecting directly with end customers, or engaging with employees, to collaborating with partners, social media provides a significant value proposition that companies ignore at their peril. The reach of social media is extraordinary. Increasingly, younger generations use social networks and make choices based upon online recommendations. In addition, with consumers’ trust in banks touching an all-time low in recent years, negative comments by disgruntled customers act as another dose of negative reinforcement. In such scenarios, retail banks cannot ignore the power of social media. However, failure rates of social media adoption by banks are high. Banks face many challenges that hinder their effective adoption of social media. Banks can however overcome the challenges and leverage the full potential of social media by following a structured and optimal

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approach to adoption. There’s a growing need for organizations to tap into this social listening model first, gather insights and take a holistic view of feedbacks, complaints, customer networking and risk potentials before strategizing actions to drive better profitability.

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