Social Media in Retail Banking

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Sample Page
1 Executive Summary

Retail banks that are thriving in the current economic climate are using new technologies and channels to enhance the relationships they have with their customers. By tracking customer behaviour, banks are able to offer relevant and timely products in a cost-efficient way, meaning that the customer receives consistent and superior service across all touch points.

Despite the fact that service quality has been proven to be a key attrition lever, customers continue to feel let down by the quality of service they receive from their primary financial institutions. In 2011, both CapGemini and Ernst and Young found that not only were service quality and brand perception low amongst banking consumers, but that globally almost half of them (xx%) felt as if they got 'no', or 'very occasional' personal attention from their main financial institution. In Europe, the lowest levels of personalization were felt by the UK (xx%), Germany (xx%) and Italy (xx%).

A recent study found that just xx% of British banking consumers said that they had a strong relationship with their bank. By comparison, xx% of Spanish, xx% of US and xx% of German consumers claimed to have strong relationships, illustrating that British banks are lagging behind. Banking customers have shown time and again that they want the same level of personalization that local branches provide, regardless of the channel.

Surveys have shown that across all markets, over half of consumers indicate that they are willing to pay a premium for services or products from brands that have provided them with superior levels of service. This translates to an increase of between x% and xx% in the price that consumers are willing to pay for products and services that they perceive as excellent.

Automated business analytics have the potential to achieve this goal by delivering a premium service and creating a truly personalized banking experience. Not only will analytics lead to an increase in the number of better informed business decisions made across the entire organization, they are also the key competitive advantage in the financial institution’s quest to improve loyalty and increase the level of personalization in each customer relationship.

The multichannel lesson

Social media interactions provide banks with a platform to reach out to their customers and deal with issues in real time, which increased both the quality of their service, and the levels of consumer trust. With banks now able to track each customer relationship through social media analytics, social media data can be integrated into a broader customer intelligence strategy to help banks gain a customer-centric understanding of their products, services and brand as a whole.

Ownership of smart phones nearly doubled in the UK between February 2010 and August 2011. In October 2011, xx% of UK consumers used a mobile device to access internet services, which was more than in the US (xx%), Italy (xx%), France (xx%) and Germany (xx%). User experience of internet usage follows a trend of functionality, whereby users only want what is relevant to them personally – so custom content delivery is becoming the norm.

To truly deliver multichannel marketing to banking customers, world-class analytics must be integrated into the entire organizational culture, so that banks are properly leveraging all available data for customer profiling/segmentation, predictive modelling and making sure that all marketing campaigns are being updated in real time to provide coherent and relevant customer experiences for the consumer. The long term goal is for banks to be able to score customers in real time as they engage with the institution across different channels.
2 Introduction

The global banking industry is facing a series of challenges in the context of global regulatory reforms. The industry is severely impacted by uncertainty prevailing in the global economy. Ongoing sovereign debt in European countries, regulatory challenges – such as Dodd-Frank and Basel III – and unemployment are decelerating industry growth. Especially in financial services industry, technology advancements and changing client preferences (such as the demand for convenience and around-the-clock access to banking services) have driven a shift in customer demands and usage patterns of traditional banking channels such as branches. The shift has resulted in direct channels emerging as important media to reach a larger audience at a much lower cost.

The major issues related to queue management and waiting times across traditional channels such as branches and call centres are also resulting in greater use of direct channels such as social media. At various regional levels, mobile banking adoption continues to gather momentum in North America and Europe due to strong consumer appetite for smart phones and banks’ development of new mobile-based applications and services. These factors have boosted the banks to adopt social media marketing.

The current key channel specific trends are as follows:

- While the branch remains a cornerstone of a bank's sales and service proposition, its role is transforming in areas such as layout and design, sales and service, and staff and people.
- Banks are focusing more on driving sales through the online channel due to the steady growth in the number of customers using social media.
- The significant use of smart phones, technology advancements, and enhanced security levels have helped increase the adoption of social media banking services. As a result, banks have seen reduced operational costs and improved efficiency.

With the exponential use of the internet, online channels have become very popular and, banks are now expected to deliver a personalized online customer experience through social media tools.

Key drivers of social media in retail banking

The adoption and use of digital channels, such as mobile phones and social media, has grown rapidly over the last decade. Though security remains a key issue (real and perceived) with most digital channels, consumer adoption rates have been on the rise due to the ease of use, faster turnaround to carry out banking activities and transactions, and convenience that these digital channels provide. The growth of online banking is important for banks and they seek to reduce their cost of service. To reduce their cost of operations, they are adopting social media to market their products and services. This trend is accelerating the adoption rate of social media marketing by retail banks across the globe.

Online banking has evolved over the last decade from a source of product information to a one-stop-shop providing a complete set of banking services. Banking clients demand more services to be delivered through the online channel. As a result banks have started using this strategic tool to help them deliver better customer engagement and service.

Online channels growth

Due to the growth and popularity of online channels, banks are now expected to deliver a personalized online customer experience through social media tools. Banks are relative latecomers compared to industries that have already embraced social networks. However, the banking industry today is investing in social media tools such as social networking sites, blogs, video sharing sites, wikis and RSS feeds to create awareness and to expand their reach. The ultimate goal of adopting social media marketing is to attract new customers and generate increased loyalty across existing customers, which will help banks increase their revenues and profitability.
3 Social Media Role in Retail Banking

Social media interactions provide banks with a platform to reach out to their customers and deal with issues in real time, increasing both the quality of their service and the levels of consumer trust. With banks now able to track each customer relationship through social media analytics, social media data can be integrated into a broader customer intelligence strategy to help banks gain a customer-centric understanding of their products, services and brand as a whole.

Social networking sites sit at the intersection between marketing, public relations and customer relationship management. They can be used as a promotional platform, a sounding board for customer complaints and as a near-organic way of measuring what’s being said about a brand. However, what banks and other businesses should be asking is how can social networks be used to drive favourable business outcomes? Of course, this depends entirely on the type of business in question, as well as the sorts of behaviours that result as a consequence.

Social media helps to increase a company’s trustworthiness and goodwill, lead generation and customer engagement. It also generates highly powerful traffic to their websites and allows organizations to discover customer preferences.

The user experience of social media (and across the web as a whole) follows a trend of functionality – users only want what is relevant to them personally, so custom content delivery is becoming the norm. Social media has the power to spread brand sentiment across peer groups virally, which can have both desirable and abhorrent results. When upset customers air their dirty laundry in public, banks must act swiftly and resolutely.

However, social media is a trade-off between quality and quantity, with the trust of each customer at stake with each generic brand announcement. When brands exploit the platform to send out repetitive announcements, it damages customer relationships. Unfortunately, in the era of ‘triple screeners’ and viral sensations, marketers often look to grab attention rather than formulate a long-term strategy when they formulate announcements for their social media followers.
4 Commonly Used Social Media Tools and Their Penetration

The most commonly used social media networking sites by retail banks are Facebook, Twitter, LinkedIn, Blogs, YouTube, Google+, photo sharing sites, forums, social bookmarking or news sites, geo location sites and daily deals. According to a survey by Social Media Examiner, an online social media magazine publisher, Facebook, Twitter, LinkedIn, blogs and YouTube were the top five social media platforms used by marketers, with Facebook leading the pack. Their use is shown in figure 2.

Figure 1: Use of Social Media Sites (%), 2011

Source: Social Media Examiner © VRL and Timetric
5 Social Media Usage by Retail Banks in North America

Many banks in North America have started using social networking websites and enjoying success by returning real value for their institutions. Even small and newly emerging banks have started using social media platforms to target groups of categorized people.

For instance Missouri Bank, also known as Mobank, serves an eclectic customer base, and though they have only three branches, they're located in areas where people are invested in the community. 1st Mariner Bank’s marketing department uses social media tools to take a look at their customer's needs and uses that to build new products and services.

Figure 2: Social Media in North America and Retail Banks Active on It, 2011

Overview:
Most banks in North America have started using social networking sites. The North American banks have recorded the highest presence on social media. Web-enabled smart phone penetration is growing continuously and is expected to be an important channel for social media. According to the Internet World Stats, there were around internet users in North America in 2011, representing the overall population.

<table>
<thead>
<tr>
<th>Country Name</th>
<th>Population</th>
<th>Internet Users</th>
<th>Penetration (% of Population)</th>
<th>Global Players</th>
<th>Local Players</th>
<th>Banks on Social Media</th>
</tr>
</thead>
<tbody>
<tr>
<td>The US</td>
<td>313,232,044</td>
<td>245,203,319</td>
<td>78.3%</td>
<td>• Facebook</td>
<td>• Pinterest</td>
<td>• UBS</td>
</tr>
<tr>
<td>Canada</td>
<td>34,030,589</td>
<td>27,757,540</td>
<td>81.6%</td>
<td>• Twitter</td>
<td>• SkyRock</td>
<td>• Wells Fargo</td>
</tr>
</tbody>
</table>

Source: Ideya.eu and VRL analysis © VRL and Timetric

According to the world retail banking report from Cappeximini published in 2012, banks recorded a global average of xx% in terms of customer satisfaction, with North American banks having the highest average levels at xx%. Banks in North America experienced a x% increase in trust and confidence levels compared to 2011, while those in Western Europe experienced an increase of x%.

In North America, on average, Canadians spend more time than Americans on social networks. According to the eMarketer, more than xx% of social network users in Canada will log onto Facebook at least once a month in 2012, but other social networks – particularly LinkedIn – have also shown impressive growth. According to LinkedIn, Canadian user numbers rose xx% from January 2011 to January 2012, reaching x million users. The top five social networks in Canada include Facebook, Twitter, Windows Life Profile, LinkedIn and Tumblr. Both Facebook (xxx minutes per visitor) and Tumblr (xxx minutes per visitor) are ranked as the ‘stickiest’ social networking sites.
6.1 Introduction to Social Media in Europe

European retail banking has shown impressive growth in the use of social media in recent years. The financial crisis has substantially changed customer attitudes toward banking, and for European banks, social media and smart phones are becoming hugely important modes of communication to regain customers’ trust, in particular due to the rapid rise in internet penetration.

According to Internet World Stats in 2011, there were around xxx million internet users in Europe, representing xx.x% of the European population. The top five countries in terms of internet use were Germany, Russia, the UK, France and Italy. In Europe, the UK has the highest percentage of internet users with xx.x%, followed by Germany (xx.x%), France (xx.x %), Italy (xx.x %) and Russia, (xx.x %).

### Figure 3: Snapshot of European Social Media and Retail Banks on It – 2011

<table>
<thead>
<tr>
<th>Country Name</th>
<th>Population</th>
<th>Internet Users</th>
<th>Penetration (% of Population)</th>
<th>Global Players</th>
<th>Local Players</th>
<th>Banks on Social Media</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>65,102,719</td>
<td>50,290,226</td>
<td>77.2%</td>
<td>Facebook</td>
<td>StudyVZ</td>
<td>ING DiBa</td>
</tr>
<tr>
<td>Russia</td>
<td>138,739,892</td>
<td>61,472,011</td>
<td>44.3%</td>
<td>Twitter</td>
<td>Sparda</td>
<td>Sparda Banken</td>
</tr>
<tr>
<td>Germany</td>
<td>81,471,834</td>
<td>67,364,898</td>
<td>82.7%</td>
<td>LinkedIn</td>
<td>Commerz Banken</td>
<td>Deutsche Bank</td>
</tr>
</tbody>
</table>

Overview:
The use of social media in European retail banking has grown impressively in recent years. The penetration of web-enabled smart phones is growing continuously, and this is expected to be an important channel for social media. According to Internet World Stats, there were around Internet users in Europe in 2011, representing the population.

In Europe, social networking has reached more than xx% of internet users and also showing similar penetration across the five leading European markets: France, Germany, Italy, Spain and the UK. Facebook ranked as the top social networking site, not just in Europe overall (xx.x %) but for individual countries as well, reaching nearly seven in 10 Europeans online. Spain showed the highest penetration for social networks in the European region with xx.x %. However, the UK showed the highest penetration for Facebook, with xx.x %.

The rapid penetration of web-enabled smart phones has shown the positive impact on social media adoption in retail banking industry. In February 2012, Barclays launched Pingit, a Smartphone application which enables users to send and receive cash through a mobile device.

Caja Navarra in Spain and Jyske Bank in Denmark are two leading banks in Europe in terms of how they use social media to interact with their customers.
7 Social Media Usage By Retail Banks in Emerging Markets

7.1 Introduction to Social Media in Emerging Markets

Social networks are increasingly being used in emerging markets for banking information. According to the Global Consumer Banking Survey in 2012, around xx% of banking customers use social networking sites as sources of information on banking products and services. Most banks in emerging markets are using social media to interact with their customers – xx% of Chinese customers use social networks to find out more about banking products and services, xx% to access their accounts and xx% to comment on service received. The involvement of China Merchants Bank with Renren, the main Chinese social network, is a driver of this phenomenon.

Figure 4: Snapshot of Social Media and Active Banks in Asia, 2011

Overview:
Social networking sites are being increasingly used in emerging markets to access banking information. The penetration of web-enabled smart phones is growing continuously, and this is expected to be an important channel for social media. According to Internet World Stats, there were over ______ Internet users in Europe in 2011, representing ______ of the population.

<table>
<thead>
<tr>
<th>Country Name</th>
<th>Population</th>
<th>Internet Users</th>
<th>Penetration (% of Population)</th>
<th>Global Players</th>
<th>Local Players</th>
<th>Banks on Social Media</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>1,336,718,015</td>
<td>513,100,000</td>
<td>38.4%</td>
<td><em>Facebook</em></td>
<td><em>RenRen</em></td>
<td><em>IOICI Bank</em></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td><em>Twitter</em></td>
<td><em>Kaixin001</em></td>
<td><em>China Merchant Bank</em></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td><em>LinkedIn</em></td>
<td><em>Qzone</em></td>
<td><em>SPD Bank</em></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td><em>YouTube</em></td>
<td><em>Ibibo</em></td>
<td><em>Standard Chartered Bank</em></td>
</tr>
<tr>
<td>India</td>
<td>1,189,172,906</td>
<td>121,000,000</td>
<td>10.2%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Korea</td>
<td>48,754,657</td>
<td>40,329,660</td>
<td>82.7%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: VRL and Timetric analysis © VRL and Timetric

Social networks are highly popular among internet users in the emerging markets. They are considered to be more influential for consumers making brand decisions than in developed markets.
8 Retail Banks’ Challenges in Effective Social Media Adoption

Retail banks are facing numerous challenges in social media adoption. These can be broadly classified under ‘customer’, ‘competition’ and ‘environment’ dimensions.

### 8.1 Customer Dimension

In the past, an unhappy customer could convey displeasure through a letter or email to the bank, or share it with friends and family. Its effect was relatively low. However, with social media, unhappy customers can reach hundreds of thousands of online users through tweets, viral videos and other avenues. Also, customers are becoming increasingly reliant on communities of peers on social networks for their financial decisions.

### 8.2 Competition Dimension

Non-banks like Virgin Money, which are more agile and not so bound by channel silos and regulations, are aggressively entering into banking functions. These competitors are using social media for social banking in a significant way. The levels of innovation and customer experience provided by these non-banks through online channels, including social media, are far superior to those provided by the banks. Personal financial management sites like Mint and Geezeo as well as peer-to-peer lending aspects of social banking pose great challenges for banks.

### 8.3 Environment Dimension

The exponential growth of social networking is threatening to shift the financial services landscape. Customers who use social and other media have started to perceive that their banks are inflexible, and this negative perception has become a major obstacle in adopting social media by banks. The customers believe that the banks don’t serve their needs due to their standardized products and inflexible credit terms offered. Online banking users are asking for more tailored and personalized services from banks.
9 Conclusion

Social Media has become an increasingly hot topic in the financial industry. Though the adoption of social media in retail banking is relatively slow when compared with other industries, it is an effective marketing channel for the financial services industry. Traditional marketing channels are gradually being overtaken by social media due to its strong penetration levels, and social media is developing into a considerable tool for businesses to access a large consumer base. Retail banks have also started to realise its benefits.

**Why use social media adoption in retail banking?**

**Increasing number of high net worth individuals (HNWIs)**

A recent study in 2011 from the Federal Reserve’s Board of Consumer Finances revealed that high net worth individuals under the age of 50 hold xx% of the US wealth across all asset classes. This younger generation can easily be reached through social media channels. A 2011 Spectrum Group study also revealed: “Younger investors are likely to view a financial advisor in a negative light if he/she does not have a social media presence.” This indicates that it is important to anticipate a growth in young HNWIs and a widespread transfer of wealth from baby boomers to the more technologically aware Gen X and Gen Y.

**Investors exchange information online**

Social media is not only used for exchanging information by investors, it is also increasingly influencing investors’ decisions. The Cisco IBSG report (2011) revealed that the investors exchange information and guide each other on blogs and message boards. Also, many young HNWIs use social media to discuss investment decisions.

**The increasing use of social media by baby boomers**

A study from the Pew Internet & American Life Project in 2011 revealed the use of social networkers by people aged 50 and over has grown by over xx% in during the period from 2004 to 2011. This indicates that older generations are slowly adopting and using social media. The American Association of Retired Persons (AARP) also cites that there is an estimated 270 million internet users in the US, one of which one-third are from the baby boomer generation.
Appendix

10.1 Methodology

Timetric’s dedicated research and analysis teams consist of experienced professionals with an industry background in marketing, market research, consulting and advanced statistical expertise.

Timetric adheres to the Codes of Practice of the Market Research Society (www.mrs.org.uk) and the Society of Competitive Intelligence Professionals (www.scip.org).

All Timetric databases are continuously updated and revised.

10.2 Contact Us

If you have any queries about this report, or would like any further information, please contact info@timetric.com.

10.3 About Timetric

Timetric is an independent economic and business research firm that provides critical intelligence on emerging economies and key global industries. The company offers detailed economic and sector intelligence, business insights and independent and authoritative commentary.

Underpinning all Timetric’s research services is a belief that data – if gained following the right technologies and analytic frameworks – can provide unique and powerful economic and business insights.

The Timetric economic and industry intelligence centres are premium decision tools that provide access to comprehensive research, data and expert analysis. They provide invaluable decision support, presented in an easily digestible format and grounded in rich, proprietary data and data analysis frameworks.

Each year, Timetric produces hundreds of high-quality research reports across countries, industries and companies. These reports draw on in-depth primary and secondary research, proprietary data and high-quality modelling and analysis to give its readers a deep insight into global market dynamics and economic trends.

Timetric helps its clients to:

• Gain an unbiased, expert insight from a genuinely independent and trusted source
• Save time in researching, visualizing and comparing economic and industry data
• Access the latest and most useful data sets, indices and forecasts
• Gain access to a unique methodology for understanding economic trends
• Forecast and predict trends more accurately
Economic Research Services

Timetric’s economic research services are founded on three key goals:

1. To provide the strongest base data:
   - The most accurate data
   - The most timely and frequently updated data sets
   - The best data curation methodologies and standardizations
   - Unique data sets and forward-looking indicators
   - Industry-specific, premium data sets

2. To develop the best data analysis frameworks:
   - Unique economic indices and data analysis frameworks
   - Forward-looking indicators
   - Proprietary indices and surveys
   - Data analysis frameworks, scorecards and models

3. To provide authoritative independent economic insights:
   - To give a uniquely local perspective on developing markets
   - Truly expert, independent economic analysis and commentary
   - Proprietary analysis techniques and frameworks
   - Unique forecasts

Timetric believes that world-class content delivery should be the enabling factor across all it does. All its research services follow the principle that data and research should be easy to access, visualize and consume.

All economic research products are built on the Timetric economic research software platform, which has four layers:

1. Unique, proprietary aggregation and curation software for pulling together the world’s data
2. A cloud time-series database filled with top-quality statistics from across the globe
3. Web-delivered search, discovery and research software to allow customized data searches
4. World-class browser-based display to visualize the data searched

10.4 Disclaimer

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