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SOCIAL MEDIA USAGE IN BANKING INDUSTRY AND ITS MANAGERIAL VIEW: CASE STUDY FOR MEXICAN BANKING SYSTEM

Abstract

Being a basic platform of worldwide electronic business, the Internet has emerged as the world's major distribution channel for goods and services, the easiest and cheapest way for communication and interaction. These changes, which have influenced more or less all business areas by making them to be drastically transformed, require new challenges, communication approaches and creative behavior in the "dot com upheaval". It has affected banking industry and made them to deal with radically new challenges. It has offered lots of opportunities for businesses that can be seen even in the short period. And here managers need to create and establish new ways and methods to transform and adjust their organizations to the new changes, to communicate and interact to customers, which best can be done via Social Media.

Social media has become a part of human life. It has entered consumers' day to day lives. It has tremendous impact on today's world especially in business world. The rapid progresses in technology seem to have more impact on changes in the banking industry than any other. This article is focused on social media usage in banking industry. We define social media as a manifestation, development and transformation of human's most impressive characters: communication and interaction, which nowadays are done throughout the new channels. The right communication is linked with customer satisfaction, which itself is linked with customers loyalty and retention. Thereby, in our opinion social media is a new challenge in banking industry the ignorance of what can cost banks customers' loss.

In fact, today banking industry is extensively debating, discussing and thinking on Social Media usage in financial world. Banks have begun to catch that social media is a new challenge for them and it can become a crucial constituent of banking strategy. Social media in banking industry is a discussion topic of this article which than comes up with its current usage in Mexican banks and its managerial view.

Keywords

customer care, customer satisfaction, communication, social media

1. Introduction

New technologies based on the Internet, World Wide Web and wireless communications have changed the business world in 20th century. Being a basic platform of worldwide electronic business, the Internet has emerged as the world's major distribution channel for goods and services, the easiest and cheapest way for communication and interaction.

Social media is almost an endless source and an important tool for communication. It has radically impacted today business world. And today's customers have proved this fact. Social media is influencing customers' financial decisions. The traditional world of mouth has been changed in social media world of mouth. Thus banking management needs to identify ways

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to make profitable use of social media. By developing presence in social media banks will be closer to customers. We believe that the fastest way to grow a business entity is through social media and networking. Thus social media and its current usage in banking are discussion topic of our paper. It presents the managerial view concerning to social media usage in Mexican banks, its barriers and challenges. Based on statistics and researches in social media area, we present a set of hypothesis and test them in Mexican banks by doing survey among managers, directors and social media representatives in Mexican banks.

2. Social media challenge in global economy and its added value for banking industry

The communication ways and methods have been changed, nowadays banks have to be more communicative, more customer-centric and innovative. Social media is a result of these changes and it has a crucial influence on today's business world. Here is presented the theoretical research concerning our topic. As we know, the last two decades have seen multiple visions for "banking in the future" (Gates, 1995) that comprehended banking from a customer perspective. Alt & Puschmann (2012) supposed that four drivers have become fairly prevalent causing a stronger transformation in the forthcoming years: the financial crises, the changing behavior of banking customers, the pace of diffusing innovative downstream IT-solutions, and the emergence of non-banks. All these have direct or indirect connection with social media phenomenon. Indeed in few years social media showed an explosive growth and established itself as "the media of choice all across the world". (Hun, 2010).

Ernst & Young (2012) in "Global banking outlook: 2013-14" based on their global research advises that banks need to develop new business models and implement new operating models, because customers "disturbing the status quo — they continue to need banking services but are starting to look beyond banks to alternative providers". "A major overhaul of the organization will be needed to adapt to the new environment".

The rapid success of social media has left corporations "in the dust" as they seek to promote their products on these platforms, develop strategies and policies, and fill newly created social media-related positions with qualified individuals (Kelly, 2010).

King (Bank 3, 2013) told that there has never been a new media type that has such a deep impact on business messaging and dialogue in such a short period of time — ever. When we put it in that light, there are many banks that should have been taking social media far more seriously for quite some time already. But perhaps those banks are waiting for the crash, the dot-bomb of social media.

Jenkins (2006) described the contemporary media landscape as being innovative, convergent, every day, appropriative, networked, global, generational and unequal. Gharibi (2013) pointed out that a crucial element to ensure social media success is to have executive level support for enabling and encouraging experimenting and learning. This makes it easier to "stick with it" since it takes substantial commitment, time, and resources to be successful in social media. Murdough (2009) emphasized that firms try to realize their aims through social media. Steinman & Hawkins (2010) added that the viral feature of social media makes

it fantastic for business environment. Kirakosyan & Dănăiață (2013) showed the link between communication, customers' satisfaction and customers' loyalty/retention. Which means that e-Communication is not only a crucial variable on customer satisfaction but also on their loyalty/retention.

Tapscott & Williams (2006) developed an idea of "wikinomics" and explained the use of mass collaboration in a business environment. They mentioned that leaders must think differently to compete and be profitable, and "embrace a new art and science of collaboration". Financial sectors, especially the heart of it: banks, have to harness the power of social media. "Perhaps akin to the development of websites in the latter part of the 20th century, organizations today sense that social media is—and will remain—an important fabric of commerce, and that they must get on board". (Weinberg & Pehlivan, 2011). Edosomwan (et al 2011) underscored that "Social media helps conversations to reach a wider audience leveraging the "long tail" concept, which means conversations that can be conveyed to different forums". Paridon & Carraher (2009) stressed that "Social media is a cost-effective method for marketing activities". Merrill (et al 2011) emphasized that "via Social networking sites banks should be focused on deeper relation between customers, which will grow to "know, like, and trust". And for each kind of businesses they mentioned "But the opportunity to interact with anyone, anywhere, anytime is too world-changing to ignore". Brown (2010) mentioned "It is well-established that people feel more connected with a company when they have direct communication on an ongoing basis and opportunities to express their opinions." Nadkarni (2013) wrote "But the benefits of engaging with customers on these channels outweigh the cons, primarily, because engagement via social media keeps an organization on its toes and ensures customer grievances are addressed immediately." Vaynerchuk (2009) emphasized that social media gives businesses an unprecedented opportunity for interacting with their customers and communicating their messages. Catherine Zhou pointed out that businesses have been talking for many years about how customers are empowered by information. And now, more and more customers are seeking that information via social media, and it is being filtered by their peers. (Ernst & Young, 2012)

Gallup's Retail Banking Industry survey finds that social media and written materials are by far the most likely to lead to a sales conversion. And if we compare the social media costs (some social media channels are free by the way) with other sources like calls from customer service representative, we will see that social media is the challenge that worth to undertake (Leonard & Youra, 2013). It showed as well that the first place where customers look for bank information is social media.

Samuel (2013) mentioned that social media demanded attention. It needs to be put into the rotation, but that doesn't mean we take something off our calendars to accommodate it, we should just add it to our teams' tasks, challenging them to figure it out until they could make a business case for hiring full-time social media staffers. "If social media is worth doing, than it's worth making time for".

Some banks have special departments for CRM implementation. Via social media channels it is very easy and cheap to manage customer relationship. Thomas (2010) mentioned that social media is "CRM for millennia" but not a just simple marketing tool and its form may be

different direct in the future but it's not going away. But statistics show that businesses don't use social media for CRM purposes extensively as they should. Particularly Social Media Marketing report for 2012 released by Awareness (Brown, 2012) presented that the social CRM issue continues to be one that's lacking in uptake, with only 16% of businesses currently using a social CRM system. While 21% are planning to, 17% don't know what a social CRM system is and why businesses need it.

Hensel & Deis (2010) stated the connection between social media and cross-selling. They mentioned that in social media platform on-line groups communicating with each provide cross-selling opportunities for businesses.

Pearson (2013) mentioned about another benefit. He pointed out that social media can play a role in business process management. Some leading companies are already using the power of social media to shape their business process management (BPM) agendas.

Jiang et al. (2012) in their research paper showed that via social media stock market performance can be predicted. This connection was a research topic for many researchers. Das & Chen (2007) pointed out that online social media such as firm-related web forums are valuable sources in explaining subsequent stock behavior. Tetlock (2011) et al. showed that there are three main sources of information for stock prediction: analysts' forecasts, accounting variables in financial statements, and information appearing in news and social media.

3. Social media usage in Mexico

In Latin America internet usage grows very rapidly. World Bank indicators showed that Argentina, Brazil, Mexico, and Colombia have the highest rates of internet usage in the region. A September 2011 report "The Rise of Social Networking in Latin America" found that half of the top ten worldwide markets by time spent on social networking are in Latin America. (Dominguez, 2013). And Mexico has its unique place in this growth. In October 2012, when Facebook passed 1 million users, 19 percent of those users live in Latin America. Mexico is the first country in Latin America where the president and cabinet became engaged in social media. (Dominguez, 2013). The governments of virtually all large Latin American cities now use social media to engage with citizens, and smaller cities are quickly following suit. The Inter-American Development Bank recently found that social media is used by governments of Latin American in 70 percent of the region's 140 "emerging cities" (those having 100,000 to 2 million residents and above-average economic growth rates). (Moreno, 2012)

Global Digital Statistics 2014 done by We are social's snapshot of key indicators, presented the worldwide internet and social media usage. According to it, total world population is 7,095,476,818, from which 2,484,915,152 are internet users. Approximately 35% of worldwide population are using internet and from this over 1,856,680,860 are active social network users. Which means approximately 26% of worldwide population is in social networks. Where else business can find such a huge market? Only Facebook had more than 1 million active users for January 2014. (Global Digital Statistics, 2014)

The population in Mexico in different sources are presented different; by National institute of statistics and geography it is 112 336 538 (<http://www.inegi.org.mx/>), by world population statistics it is 117 410 000 (<http://www.worldpopulationstatistics.com/>), by Mundi index it is 116,220,947 (<http://www.indexmundi.com/>). According to Global Digital Statistics 2014, in Mexico only Facebook users, by the way active ones, are 50,000,000. That means, in Mexico approximately 43 percent of population are using Facebook. And this figure is without taking into consideration that 27.4% of population are in the age of 0-14 years (Mundi index). That means, the target for banks only in Facebook in Mexico is more than it 43% of its population.

In Mexico each day the internet users spend average 5h 22m internet, from which 3h 46 minutes they use social media, which penetration as a percentage of the total population is 33%. Table 1 presents overall social media usage in Mexico and we can see that the list leads Facebook. (Global Digital Statistics, 2014)

	Own an account (%)	Used in the past month (%)
Any social network	98%	72%
FACEBOOK	94%	61%
GOOGLE+	74%	29%
TWITTER	62%	27%
LINKEDIN	36%	12%
INSTAGRAM	28%	8%

Table 1: Social media usage in Mexico (Global Digital Statistics, 2014)

The survey "Digital Marketing and Social Networks in Mexico, 2013" done by AMIPCI (Mexican Association of Internet) shows that 85% use social networks, that means 8 from 10 companies have some social profile. But only 13% of companies devote more than 20 hours in their social networking profiles in a week, though 68% of companies have special staff to manage their profiles (almost 7 from 10), in general the time devoted to social media engagement in a week is not pretty much: 33% less than 3 hours, 29% 4-6 hours in a week, 16% 7-10 hours in a week, 3% 11-15 hours in a week, 6% 16-20 hours in a week.

The same survey " done among internet users found out that 93% of them use social media. If in case of companies only 21% have presence in social media more than 3 years, in case of social media users this figure is much more; 84% users are in social media 3 and more years. (AMIPCI, 2013)

The most popular social media platforms for internet users are Facebook, Twitter, YouTube, LinkedIn and Google+.

	Registered (%)	Daily access (%)	Men (%)	Women (%)
Facebook	96	93	45	55
Twitter	69	66	44	56
YouTube	65	65	45	55
Google+	57	56	48	52
LinkedIn	38	27	42	58

Table 2: The most popular social media platforms among internet users

Another important factor is the age in social media platforms. In average for the most popular platforms generally the age is 18-24, then comes 25-34. (Table 3)

Age	Facebook (%)	Twitter (%)	YouTube (%)	Google+ (%)	LinkedIn (%)
18-24	39	48	48	44	26
25-34	26	26	25	24	31
35-44	16	14	12	15	21
45-54	13	8	11	11	15
More than 55	6	4	4	6	7

Table 3: The social network users' age is different for different social media platforms (AMIPCI, 2013)

Social media has become the place where customers look for information, promotions, products have become the fans of any of those products, and last but not least, are influenced to make purchase. Thus, from social media users 51 % follow some brand and 40 % are fans for them. The survey shows that 59% social media users had its influence for decision to buy something. (Figure 1)

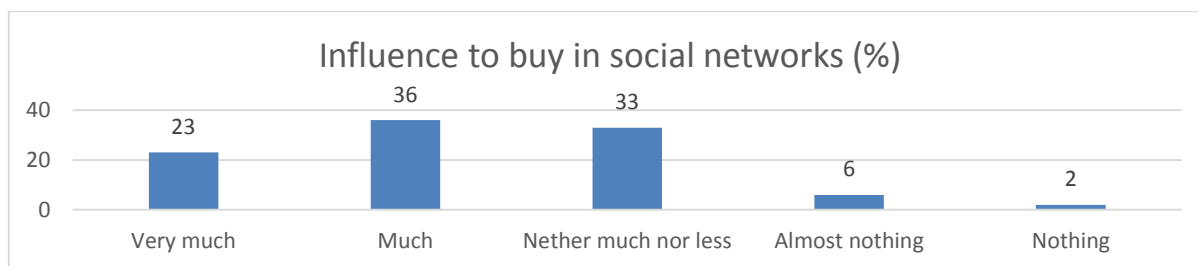


Figure 1: Main social media platforms (AMIPCI, 2013)

4. The managerial view of social media usage in mexican banks

Mexican banking system is very large. It has Mexican Banks, foreign-owned banks, development banks and others. Based on statistics and findings about social media usage which were mentioned in the 1st and 2nd chapters, we set hypothesis and to testify them we have done survey among Mexican banking system and had interviewed 33 managers, directors and social media responsible working there by selected the questions that allow us to validate our hypothesis about social media barriers and challenges.

H1: Mexican banking system has a strong social media presence

H2: The banks in Mexico consider that there are several barriers in social media adoption.

H3: The banks in Mexico consider that social media adoption brings a set of challenges for the banks.

H4: Social media is used among Mexican banks for various purposes.

H5: Social media has a strong impact on Mexican banks.

H1: The banks in Mexico are present on most of the known social media platforms.

90% of the respondents said their bank has presence in social media platforms. The leading platforms are Twitter, Facebook, LinkedIn, YouTube, Wikipedia (Figure 2).

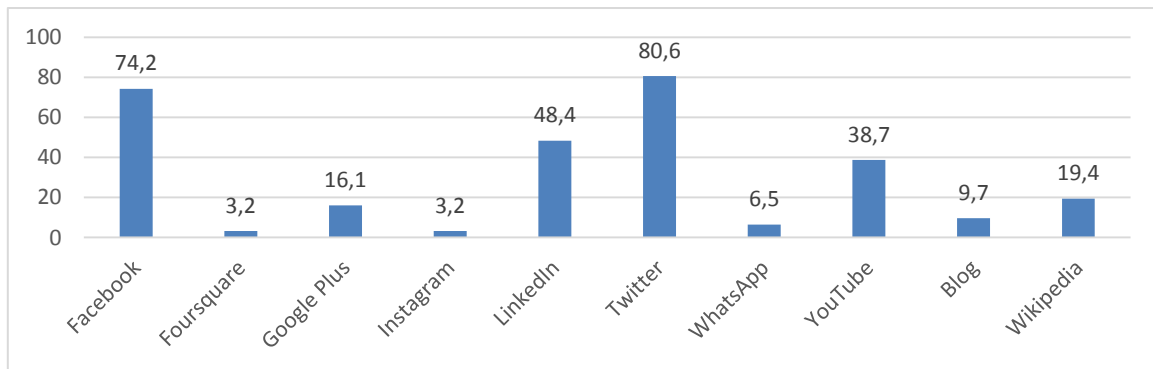


Figure 2: The main social media platforms in Mexican banks for 2014

H2: The banks in Mexico consider that there are several barriers in social media adoption.

69.6% respondent think that one of the barriers is the lack of strategy around social media usage (Figure 3, Multiple-choice question whereby respondents selected all the categories that applied to them).

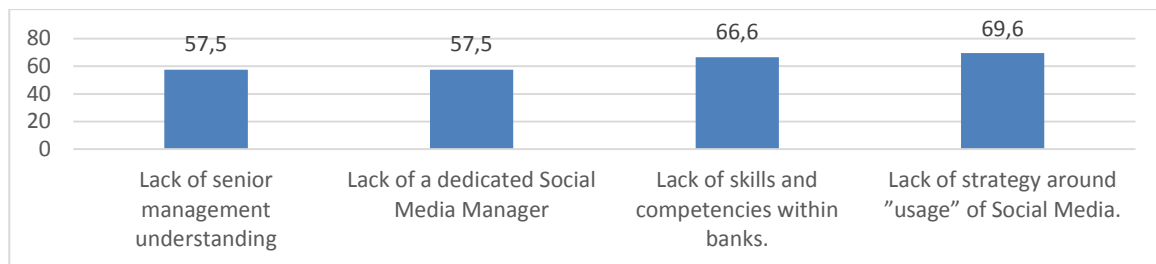


Figure 3: Managerial view on Social media adoption barriers in Mexican banks, 2014

H3: The banks in Mexico consider that social media adoption brings a set of challenges for the banks.

81.8% respondent think that one of the challenges in social media usage is customers' demand and behavior recognition (Figure 4, Multiple-choice question whereby respondents selected all the categories that applied to them).

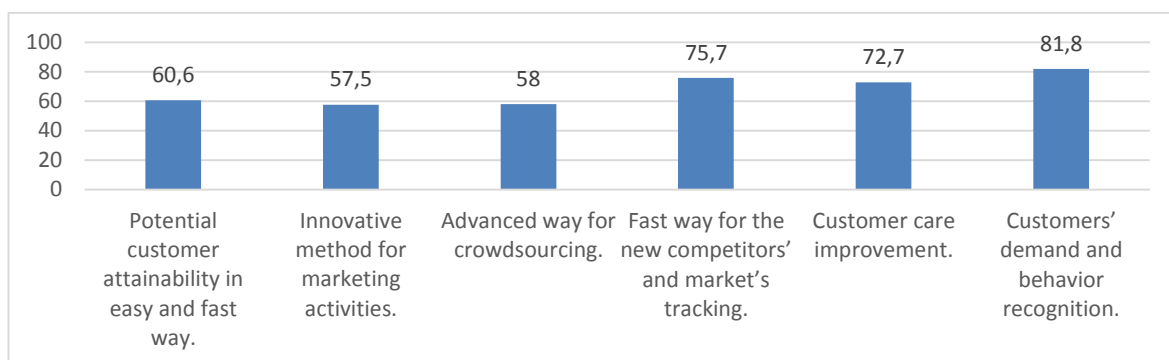


Figure 4: Managerial view on social media challenges in Mexican banks, 2014

H4: Social media is used among Mexican banks for various purposes.

The managerial view for social media usage in banking industry shows that 42.4 % respondents do strongly agree that social media is a tool for brand strengthening. Table 4

presents the managerial view concerning to the purposes of social media usage in banking (Multiple-choice question whereby respondents selected all the categories that applied to them by rating scale).

For what purpose banks use social media	Strongly agree (%)	Agree (%)	Neutral (%)	Disagree (%)	Strongly disagree (%)	N/A (%)
For conversation with audience	21.2	30.3	24.2	9.1	9.1	6.1
To build relation with existing and potential customers	12.1	30.3	30.3	15.2	9.1	3.0
To reach banking transparency/visibility	12.1	27.3	27.3	15.2	15.2	3.0
For Customer loyalty / retention programs	18.2	36.4	21.2	12.1	12.1	0.0
To monitor public awareness	12.1	24.2	36.4	18.2	9.1	0.0
For information distribution	36.4	36.4	15.2	12.1	0.0	0.0
For brand strengthening	42.4	30.3	15.2	9.1	3.0	0.0
For Customer Relationship Management	15.2	42.4	21.2	15.2	3.0	3.0
For cross-selling	18.2	18.2	39.4	12.1	9.1	3.0
To reduce advertisement expenses	15.2	24.2	30.3	15.2	9.1	6.1
For HR purposes	9.1	24.2	33.3	15.2	3.0	15.2

Table 4: Social media usage purposes for Mexican banks, 2014

H5: The banks in Mexico consider that they benefit from social media usage.

More than 50 % agree that via social media the bank can restore trust among stakeholders. Table 5 presents the managerial view on benefits from social media adoption (Multiple-choice question whereby respondents selected all the categories that applied to them by rating scale).

	Strongly agree (%)	Agree (%)	Neutral (%)	Disagree (%)	Strongly disagree (%)	N/A (%)
Social media reduces workload in the branches.	15.2	39.4	24.2	18.2	3.0	0.0
Social media reduces call workload.	18.2	42.4	21.2	15.2	3.0	0.0
Social media increases banking recognition.	39.4	39.4	15.2	6.1	0.0	0.0
Social media effects banking reputation.	30.3	45.5	15.2	3.0	6.1	0.0
Via Social media the bank can restore trust among stakeholders.	12.1	51.5	18.2	18.2	0.0	0.0

Table5: Managerial view on Benefits from Social Media adoption for Mexican banks, 2014

The hypothesis test

H1: Accepted; 90% of the respondents said their bank have presence in social media platforms

H2: Accepted; 50% of our respondents agree with our barriers

H3: Accepted; over 60% of our respondents agreed with the chosen set of challenges

H4: Accepted; banks use intensively or moderately all of the mentioned purposes and activities

H5: Accepted- strong influence of social media on banking recognition, bank reputation.

5. Conclusion

The most important stakeholders for banks are customers. And this factor forces banks to change the way they interact with them and put attention on relationship and communication which can't be done without using all modern online communication channels. From which the most popular and powerful one is social media. Banks must start to take the social media industry seriously and develop a clear strategy. Some banks have already started using social media for their services. While some are focusing on providing information about products and trying to generate leads, others are providing transactional services. By taking into consideration that Social Media has a big impact on today's business world, banking management needs to identify ways to make profitable use of social media. Social Media is a powerful tool for gaining customer and for communicating with potential and existing ones. It allows banks to reach end-consumers at comparably low cost and higher level of efficiency than can be achieved with more traditional communication tools. Though being a new way of communication it is not an easy task for its usage. It requires new methods, new ways of thinking. And the results can be not always satisfying, because there are no well-known or well-researched methods and tools for Social Media involvement. The key factor for the success of social media is conversation, communication and interaction first, then product and service marketing. Banks needs to be there where present and potential customers are talking, blogging, complaining, expressing their pleasure or dissatisfaction about their products and services.

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