



## IMPACT OF SOCIAL MEDIA IN BANKING

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### **Abstract**

Information Technology has spread widely in society and is integrated into all aspects of life. Modern technologies provide faster access and higher quality to information. Social media and Mobile Internet use is quickly catching on as a trend for both established businesses and start-ups in developed countries. Social media was chosen as the most effective and efficient way of connecting and building the relationship with younger audiences. Banks could start blogs, enabling discussions of specific economic developments, new services, or the latest research of interest to target customers. Three key opportunities that await those banks that are willing to take the leap reaching customers, reducing costs and restoring confidence. Some banks have begun incorporating latest technologies into their customer offerings; few have succeeded in integrating all their various channels into a seamless customer experience. As the world becomes more and more digitized, new technologies will become particularly attractive to the next generation.

**Keywords:** Information Technology, Social Media, Banking, Customers, Face Book, Twitter, Skype, You Tube.

### **1.0 Introduction**

Globalization creates new structures and new relationships. In today's business world, most organizations depend on Information Technology (IT) for their day-to-day activities. Information technology has spread widely in society and is integrated into all aspects of life. Modern technologies provide faster access and higher quality to information.

Social media and Mobile Internet use is quickly catching on as a trend for both established businesses and start-ups in developed countries. Technological advances and the convergence of social media, the 'cloud' and smart phones/devices are all essential drivers for tech start-ups today. Social media can help young people bridge the gap between their qualifications and job market demands, and acquire the required skills for different positions. With the global outpouring of social media usage, many businesses are experiencing tremendous pressure to extend to where their customers are paying attention. In the present day, the heart of customer activity is progressively becoming virtual, situated inside a social media or social networking site. People prefer the social media networks because of the ability to reach wide range of people, user friendliness and cheaper compared to traditional modes of marketing and advertising

Information Technology is considered as the engine driving wheel to move while employment caused growth and dynamism in economy and create a new kind of economic called the knowledge based economy.

Latest technologies have transformed the way people live and work by making it easier to connect and engage online. They have also enabled major changes in customer behavior, which in turn has revolutionized industries that have successfully incorporated these technologies into their distribution models

Modern technologies provide faster access and higher quality to information. Email is the most common application of Information Technologies, so that individuals and organizations can interact with each other in a cost effective manner. Another important application of new Information Technologies is the World Wide Web that enables people to access information.



## 2.0 Impact of Information Technology

Information Technology is one of the strongest drivers for competitiveness, innovation and change in our modern economy. IT is changing our lives – the way we socialize, work, shop, search for information, and communicate. A few figures to capture the emerging trends:

1. Two billion people are now connected to the Internet and this number is growing by 200 million per year.
2. Information Technologies cut across all industries and services and create wealth, growth and jobs. More than 75% of the value added created by the Internet is in traditional industries. The IT main impact is through the modernization of traditional activities. Smart innovation enabled by the Internet and IT developments leads to higher productivity and has benefited all industries.
3. IT enables all forms of innovation, from social to organizational and technological innovation. IT boosts businesses' efficiency and competitiveness in the global market.
4. The advent of Internet has changed the global business landscape. Internet accounted for 10% of GDP growth over the past 15 years. Recent IT developments like Enterprise 2.0, cloud computing social networks, etc. are enabling dynamic new and smaller companies to develop and bring to market innovations that before were too expensive to develop.
5. European SMEs grow two-three times faster when they embrace the Internet.
6. For every job destroyed by the emergence of the Internet, 2.6 new jobs were created. Still, the huge potential of IT-enabled business innovations remains to be unleashed by European SMEs.

## 3.0 Social Media in Banking

Social media was chosen as the most effective and efficient way of connecting and building the relationship with younger audiences while also educating them about finance, sharing ideas and provoking conversations

In travel, trip planning combined with social networking features, and in telecommunications, Internet services such as Skype are finding success by undercutting traditional telephone operators. Yet even as these industries and others have embraced Web 2.0, retail banking has largely remained on the sidelines. The Internet has already significantly changed many aspects of banking. For example, online banking has grown substantially over the past decade, with online bill payment.

With latest technologies, consumers are changing their behavior, and they are demanding a more user-friendly, networked banking experience, one that provides a greater level of trust, transparency, and interactivity. The banks' goal, ultimately, is to attract new, digitally savvy customers by building their confidence in banks through increased involvement. The greater loyalty such efforts will generate, across all customer segments, will help banks increase revenues and compete more successfully.

## 4.0 Opportunities in Social Media

Banks could start blogs, enabling discussions of specific economic developments, new services, or the latest research of interest to target customers. Active participation in social networks could increase loyalty among existing customers and attract new ones.

The benefits of such efforts will have an impact on both the top and bottom lines. Revenue growth will be enhanced as increased transparency, trust, and convenience encourage customers to engage online and compare, evaluate, and discuss different products and offers. Banks will also benefit by using the direct, unfiltered feedbacks they receive from their customers to further develop and improve their services.

Three key opportunities that await those banks that are willing to take the leap.

### 4.1 Reaching customers

In developed markets, virtually every member of Generation C uses the Internet and almost two-thirds use social networks to access information, entertain themselves, and stay in touch with friends and family.



- New Web technologies have significantly opened up the possibilities for better communication over the Internet and through smart phones
- Citibank one of the largest consumer banks in the USA is actively using Twitter to resolve customer complaints via Twitter, YouTube
- Europe, Spain's BBVA now offers a personal financial management tool that aggregates account balances and transactions in one place, categorizes the transactions, and automatically generates special offers keyed to customers' financial needs.
- UK bank HSBC- an eModeration client – have been proving the worth of social media both on Face book with their Advance and Student pages, and on Twitter. HSBC Advance is a pilot by the global banking team to test whether its customers wanted to communicate via Face book.
- Aviva – the world's sixth largest insurance group and a UK savings and pensions provider – implemented a social media campaign across Face book, You tube and other social media sites, aiming at encouraging younger workers to save for the future.

#### **4.2 Reducing Costs**

By closing the online communication gap, banks could make real gains in efficiency and effectiveness, since shifting communication to the Web has the potential to drive down the frequency of more costly methods of communication. The most innovative banks will find ways not just to communicate with customers, but to use these new channels to boost loyalty and develop cross-selling and up-selling opportunities

The classic approach to channel management aligns the complexity of a product with the cost of selling it over a particular channel. Typically, for example, banks try to sell low-margin products through low-cost channels

Banks can leverage a variety of technologies to reduce the cost of sales. Online forums that bring customers together to discuss various products and explain them to one another can reduce reluctance among buyers. Blogs can be set up to target particular customer segments, introducing them to relevant products and using case examples to help explain those products. Both Deutsche Bank and BBVA already let customers speak directly to bankers and financial advisors through video chat, providing greater convenience at a significantly lower cost than a branch setting.

#### **4.3 Restoring Confidence**

In the financial-services industry over the past several years, consumers have lost confidence in their banks and bankers. The cause isn't just lack of faith; dealing with banks remains inconvenient, and products are often overly complex.

Latest technologies play a major role in building customers' confidence in their banks, simplifying the process of conducting transactions and finding information, and helping customers understand complex financial products. One recent survey indicated that growing numbers of consumers are turning to online advice from peers as a source of valued financial information. Banks could also produce video clips for their websites to explain products and offer access to financial advisors through video calls. And they could host online communities and finance-related forums on their websites that would enable customers to discuss financial products with one another and with bank representatives.

BankSimple, sees its competitive advantage in providing straightforward, transparent banking services online. Its home page proclaims, "We're not a bank. We're better." It says it will offer free online bill payment, free online and telephone support, and even the ability to deposit checks through a smart phone, and it promises that there will be no hidden fees. Online account information and transactions are designed to be as simple as possible, and the bank has a blog that already boasts a lively assortment of comments.

#### **Conclusion**

Some banks have begun incorporating latest technologies into their customer offerings; few have succeeded in integrating all their various channels into a seamless customer experience. Indeed, providing customers with a fully integrated experience will not be easy; it means designing a new operating model along with the IT and



operational capabilities needed to implement it. Too often, new modes of online communication seem like ad hoc add-ons that are poorly integrated with other online and mobile banking offerings or with branches and contact centers. A consistent user experience must be created across all channels, together with seamless customer contact across channels. This experience must be enhanced by the development of suitable products and service levels for different customer segments. And the entire effort must be tied together through powerful customer analytics, a clear Understanding of the key drivers of value, and the ability to measure success.

As the world becomes more and more digitized, new technologies will become particularly attractive to the next generation of “prosumers” — those professional, productive, and proactive consumers who typically offer the most long-term value to retail banks.

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