

Managerial Perspective on Social Media Implementation in Banking Industry. Comparative Study on Romanian and Mexican Banks

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Abstract

Social media has very strong impact on all of human activities and banking is no exception in this. The ways and methods have been changed because nowadays banks have to be more communicative, more customer-centric and innovative.

The interest point of this article is social media in banking area. Social media is almost an endless source and e-banking management needs to identify strategy to make profitable use of social media. We presented a set of hypotheses and tested them in Romanian and Mexican banks by doing an online survey among managers. For this comparative research we selected the questions that allow us to validate our hypotheses and find out the real level of social media usage. Besides testing our hypotheses we did exploratory research to study deeper some social media issues. We studied our samples using statistical tools for frequencies, crosstabs, correlations, as well as factor and reliability analyses.

Keywords: bank management, social media country profile, social media usage, social media implementation.

JEL classification: G210, O330

1. General Framework

Mayfield (2008) defined social media (SM) as a group of new kinds of online media, which share most or all of the following characteristics: participation, openness, conversation, community, and connectedness. Ahlqvist et al. (2008) defined SM as the means of interactions among people in which they create, share, and exchange information and ideas in virtual communities and networks. We define SM as a manifestation, development and transformation of human's most impressive characters: communication and interaction, which nowadays are done throughout the new channels.

Banks need to start taking the SM industry seriously and develop a clear strategy. But the area is full of gap and need much more efforts and attitude from

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the banks. The challenge is the “how to” in such a highly regulated industry. In less than a few years the daily business will be done from anywhere at any time on mobile devices. Any business needs to adjust to these demands and be available respectively.

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.

Ernst & Young (2012) in “Global banking outlook: 2013-14” based on their global research advised 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”.

SM is all about communication which can lead to customers’ satisfaction and customers’ loyalty/retention (Kirakosyan & Danaiata, 2014).

In his book “Bank 3.0”, Brett King mentioned 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. (King, 2013, p. 237)

Efma & Wipro (2013) shows that there has been an implacable growth in electronic banking around the world and involvement in social media are now a standard practice for banks. The great challenge is to achieve effective “customer engagement” which means developing more significant digital interaction with customers. Consumers of media are intelligent, organizing, and more trusting of their own opinions and the opinions of their peers. (Karpinski, 2005) And companies need view their approach to social media as an integrated strategy that brings consumer experiences to the forefront, all whilst recognizing that Internet-based media does not replace traditional media. (Hanna et al., 2011)

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)

In having right strategy of SM management banks can reach their primary objective, they can reach the largest number of potential customers, they can strengthen the brand and build a good reputation among the biggest potential market in the world. SM can be as well a good platform for Human Resources, cross-selling, crowdsourcing and pushing tool for changing the traditional

marketing strategies to the new innovative and creative ones. Another opportunity is that via SM banks have an opportunity to find out and monitor public awareness about the company, it is a medium for getting information, sharing good and bad experiences, making decisions etc.

To find out current SM usage we conducted survey among Romanian and Mexican banks. But before touching upon our findings, first a comparative profile of the particularities regarding Internet and Social media penetration in researched countries is presented. Then based on our survey we studied and compared social media current usage in banking industry in Romania and Mexico.

2. Comparative Profile for Social Media Usage in Romania and Mexico

In this part we tried to obtain an image of the particularities regarding Internet and SM penetration in the two countries that were taken in our comparative research as well as their economic performance. We have chosen 2 different countries with different profiles. Romanian (European Union country) economy is in modernization process and under influence of European Union and Mexico with its emerging economy has potential to become country with strong economy, besides it has strong influence of USA economy. In size and population these countries are very different. As well as cultural differences play an important role in adopting new technologies, new challenges brought from e-horizon. Though our researched countries are upper-income economy level having stable and strong banking systems and are differ for culture and habits, but social media is accepted and integrated by all of them.

2.1 Mexico: Economic Profile and Social Media Usage

Mexico's economy is the second-largest in Latin America and one of the largest emerging-markets in the world with upper middle-income level with potential "to become the world's eighth-biggest economy by 2050". (Forbes)

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) 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 and it is the first country in Latin America where the president and cabinet became engaged in social media.

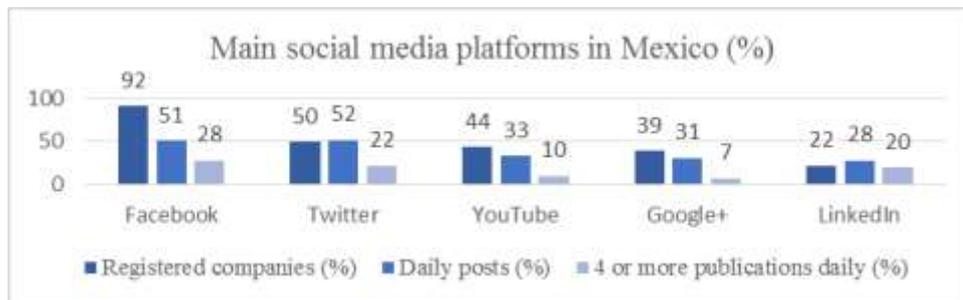
The population in Mexico by Mundi index it is 116,220,947 (source: <http://www.indexmundi.com/>). According to Global Digital Statistics 2014, in Mexico only Facebook users, by the way active ones, are 50,000,000. That means, in Mexico approximately 43% of population are using Facebook.

Each day in Mexico 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). (Source: Global Digital Statistics 2014)

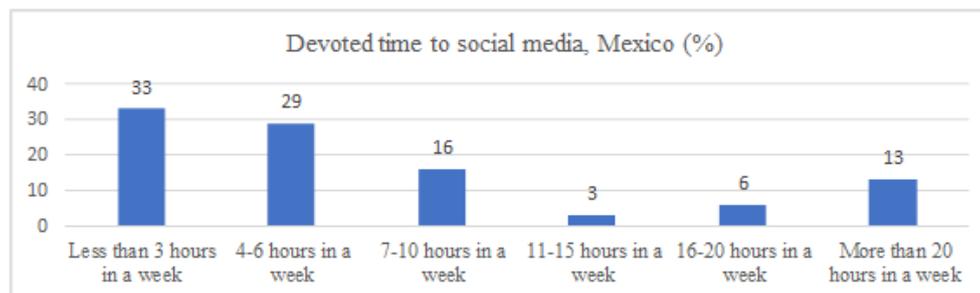
Table 1. Social media usage in Mexico

	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%

The survey “Digital Marketing and Social Networks in Mexico, 2013” done by AMIPCI (Mexican Association of Internet) administered to 615 companies, shows that 85% use social networks. AMIPCI presented as well the main social media platforms with its everyday usage and the time devoted for its implementation (Graphics 1 and 2).

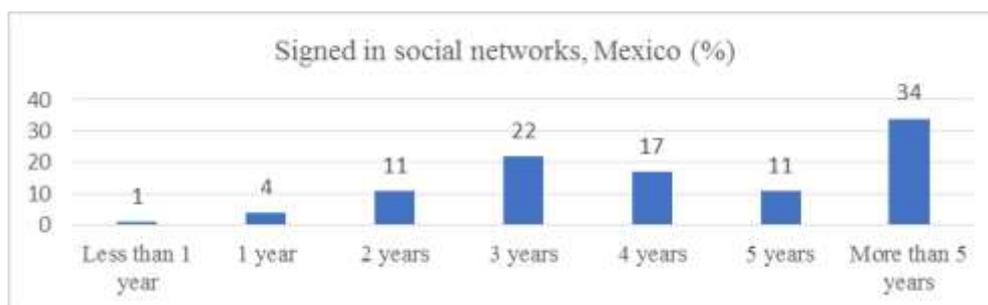


Graphic 1. Main social media platforms in Mexico



Graphic 2. Devoted time to social media, Mexico

AMIPCI (2013) found out that 93% of them use social media and 84% users are in there 3 and more years (Graphic 3).



Graphic 3. Signed in social networks, Mexico

The most popular social media platforms for internet users are Facebook, Twitter, YouTube, LinkedIn and Google+. (Table 2) And 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) (Source AMIPCI, 2013)

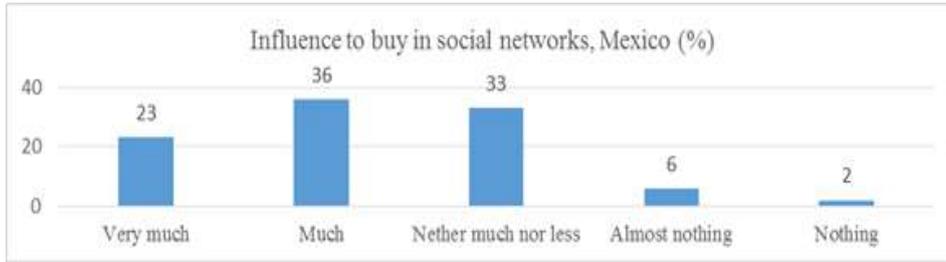
Table 2. The most popular social media platforms among internet users, Mexico

	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 3. The social network users' age in different social media platforms, Mexico

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

SM 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 SM 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. (Graphic 4) (AMIPCI 2013)



Graphic 4. Influence to buy in social networks, Mexico, Source: AMIPCI, 2013

2.2 Romania: Economic Profile and Social Media Usage

After joining the European Union (EU) 2007 Romania started implement reforms and modernization. Romania overcomes the global financial crisis in 2008-09 by making a quick recovery applying prudent macroeconomic management. Nowadays has a developing, upper-middle income market economy and the poverty rate in Romania is still among the highest in the EU.

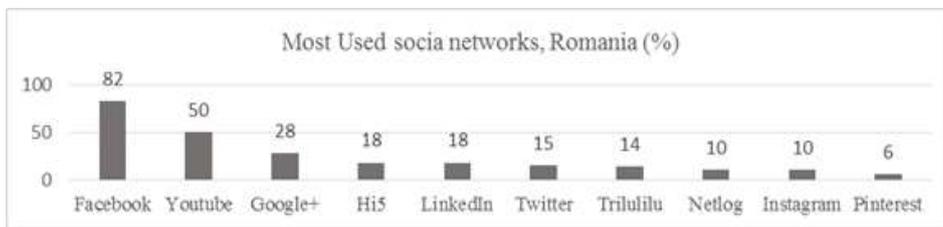
According to Mundi index the population in Romania for 2013 is 21,790,479 (http://www.indexmundi.com/romania/demographics_profile.html). From which 10,924,479 are internet users (Global Digital Statistics, 2014). If we take into consideration that about 14,7 % are in the age of 0-14 and 15,1 % are in the of 65 years and over (Mundi index), we can surely say that in Romania more than 50% of population are internet users and more than 33 % (7,200,000) are Facebook users (www.webbuzz.ro).

The average time spent on social media in Romania is depends on users age, in fact younger people spend much more time on social networks. Table 4 presents time spent on social media in Romania for 2013. (www.webbuzz.ro).

Table 4. Times spent on social media in Romania

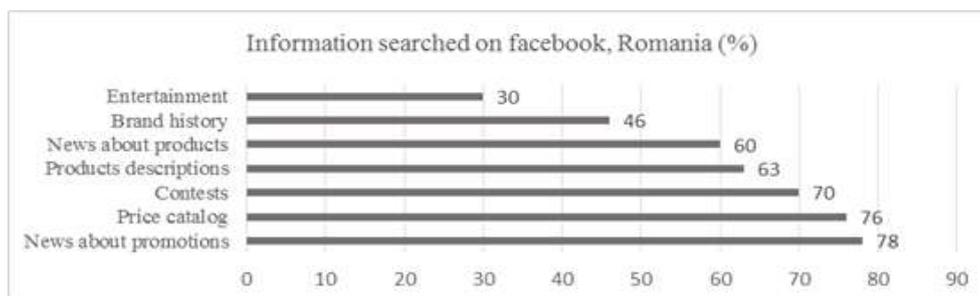
14-25 years old	> 120 minutes
26-30 years old	91-120 minutes
31-35 years old	61-90 minutes
36-40 years old	31-60 minutes
41-45 years old	< 30 minutes

Facebook leads the list of most used social networks in Romania with 82% result. (Graphic 5) (www.webbuzz.ro)



Graphic 5. The most used social networks in Romania, 2013

Romanian customers indicated their cycle of interest concerning to information on Facebook brand pages, and we can see that the list leads news about promotions having 78% then comes price catalog with 76%. In average Romanian internet users are looking more information about prices, products than entertainment. (Graphic 6)



Graphic 6. The most relevant information that Romanian users want to find

3. Social Media Usage: Comparative Analyze of Romanian and Mexican Banks

As we can see from the country profiles both Mexico and Romania have a strong social media usage among population. In this section we will present the results of our research focused on how banks of these 2 countries use SM. Based on statistics and findings about SM usage we set hypotheses and to testify them we have done survey among Romanian and Mexican banks to see how SM is used in each country and to found out similarities and differences. Because of respondents confidentiality we will not mention the name of those banks. We had interviewed totally 49 banking managers: particularly 38 from Mexico and 11 from Romania. We set questions that allow us to validate our hypotheses and studied our samples using statistical tools for frequencies, crosstabs, correlations, factor analysis and reliability analyses. For some questions there were multiple-choice whereby respondents selected all the categories that applied to them. This research presents social media usage of Romanian and Mexican banks for 2014.

3.1 Hypotheses Comparative Test

We formulated two main hypotheses and 11 sub hypotheses that where tested using the same questionnaire survey in both countries. First we researched SM implementation by taking into consideration the level of existence of social media platforms, team (employees), 24/7 presence, full-time stuffers, as well as social media policy, strategy and risk management plan. Then we researched social media current usage by pointing out for what purposes banks use social media, what is the level of social media data usage as well as the level of banking transactions via social media platforms.

H1: Romanian and Mexican banks have different approaches/levels in SM implementation.

H1a: The banks are present only on several well-known SM platforms.

H1b: Banks have special SM team (employees), no matter the countries differences.

H1c: An approach to assure 24/7 SM presence has being integrated by banks in different levels.

H1d: Full-time SM staffers' existence integration has different levels in Mexican and Romanian banks.

H1e: SM policy existence is an important factor in social media implementation in both countries.

H1f: SM strategy has been integrated by both banks in a considerably high level.

H1g: More than 50% of or respondent banks have SM risk management plan.

H1h: More than 50% of or respondent banks have customers' segmentation in SM.

H2: Romanian and Mexican banks have different approaches/levels in SM usage.

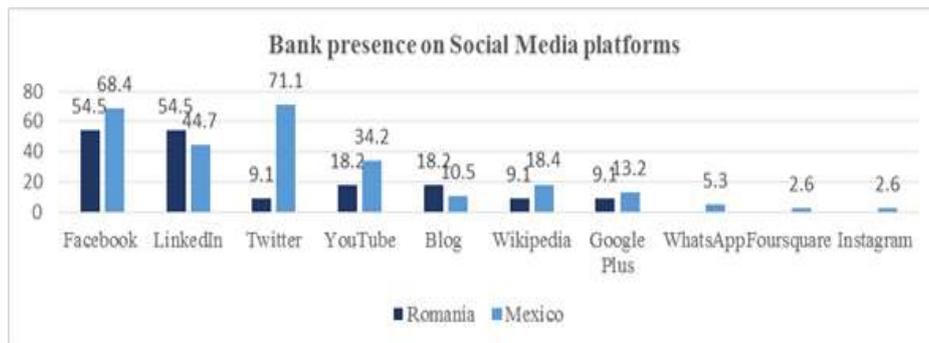
H2a: SM data is used by Mexican and Romanian banks in different levels.

H2b: The usage of special programs in social media platforms for banking main activities has different level in different countries.

H2c: SM is used for various purposes in Romanian and Mexican banks.

Hypothesis 1 Test.

H1a: Both countries have more than 90% presence in SM platforms. The leading platforms for countries are different. For Romanian banks they are Facebook and LinkedIn (both has 54.5% usage) but for Mexican banks the leading platform is Twitter (71.1% usage) which in Romania is used only in 9.1% (see Graphic 8). Another element of differentiation is that Mexican banks use more platforms than Romanian banks. We have to mention that we put in our list most used worldwide platforms (19 platforms), but only 7 of them are used in Romanian and 10 in Mexican banks. This means that there is a lot of room for extending the banks presence in Social Media in both countries.



Graphic 7. The main social media platforms for 2014

H1b: SM team existence is connected with intellectual property and risks because via social media channels customers complaints can be responded to in real time by social media representatives. The presence of SM team (employees) is important in researched countries. On average 85.4% of our respondent has social media team. (Graphic 8)

H1c: Banks' presence in SM must have 24/7 basis because different customers may want extra service delivery channels and as conversations about companies take place 24/7 days why banks do not take part of these conversations on 24/7 bases? The average value for 24/7 SM presence is researched countries is 64.2%.

Mexico assures non-stop presence less than 50%, but Romania has 81.8% value here, which means that Romania puts more attention on being available for his customers at anytime and anywhere (Graphic 8).

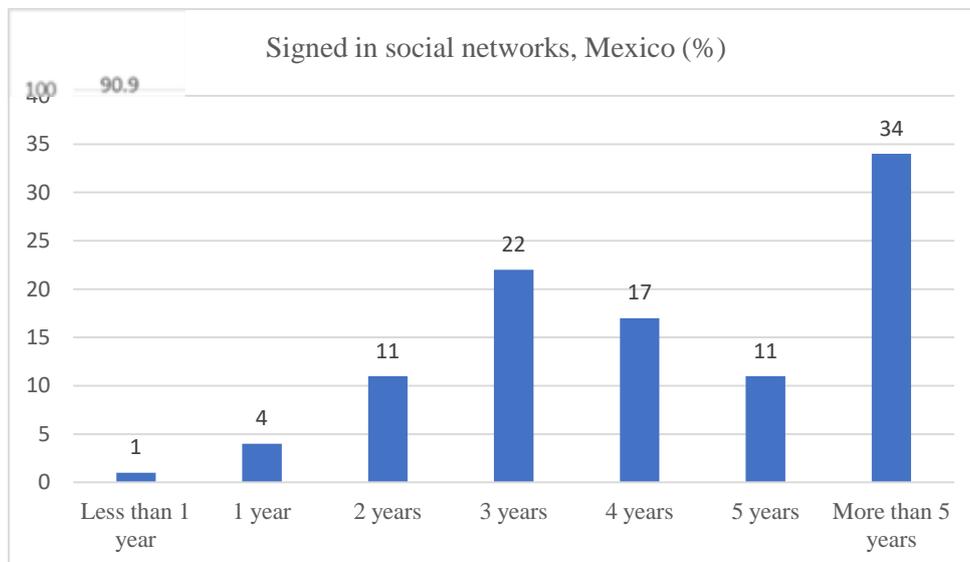
H1d: 72.7% of Romanian banks have SM full-time employees which is more than 2 times more that in Mexican banks (33.3%), as it can be seen in Graphic 8. This means or Mexican banks do not hire social media specialist for full time job or they give social media implementation on the hand of their existing employees who in the same time are implementing other duties. In our opinion, this is one of the common mistakes that banks do. If in Mexico social media employees' existence has such a high usage level 80% and 24/7 social media presence near 50%, how they do that without having full-time social media employees? This is a contradiction between theoretical knowledge and practical implementation which needs to be taken into consideration for making ongoing social media plan. Banks need to recognize that "If social media is worth doing, than it's worth making time for".

H1e: SM policy is the guide for employees' behavior. The stuff responsible for company's SM participation should have special trainings, which need to include overall imagination of company's social media policy. As we see, banks do give high importance to this issue, on average social media policy is exists 87.5% in the banks of our respondents (Graphic 8).

H1f: For holistic SM implementation banks do need to define their specific SM strategy. Which as we can see from Graphic 12, is implementing on high percentage in our respondent countries, on average 87.5% banks of our respondents have SM strategy from which we can affirm that its existence is an important factor in social media usage. As we notice both social media policy and strategy have exactly the same usage level for countries: both are used in Romanian banks in 90.9% and Mexican banks 84.2% (see Graphic 8).

H1g: A very important factor in SM usage is its risk management plan existence, which allows banks to distinguish, measure, monitor, control and regulation the risks related to social media. In case of our respondents' banks, they do not give signification to this important factor. On average 63.8% banks of our respondents have SM risk management plan but again in Romania banks this issue is more signification than in Mexican banks (see Graphic 8).

H1h: SM customer segmentation is a very important activity in social media usage. Based on this segmentation banks will create a winning social media plan with target customer group. Without this segmentation their efforts for selling products/services can be useless if not directed to target group. On average 56.8 % banks of our respondents have social media customers' segmentation and again in Romania banks this issue is more signification than in Mexican banks. (Graphic 8)

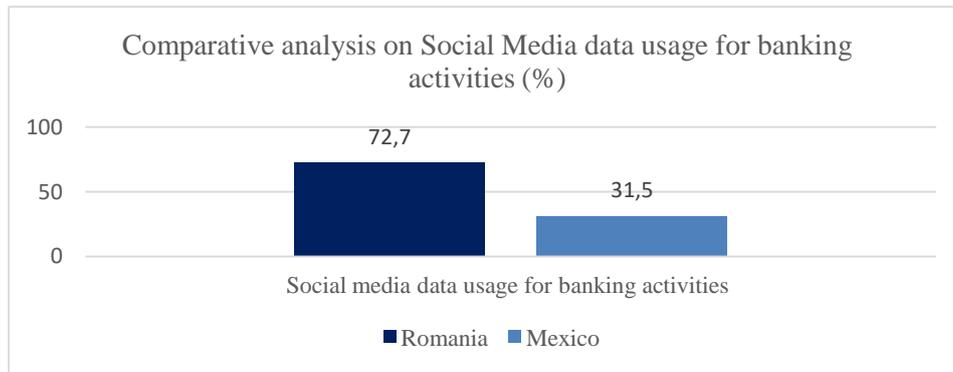


Graphic 8. Social media implementation

Hypothesis 2 Test.

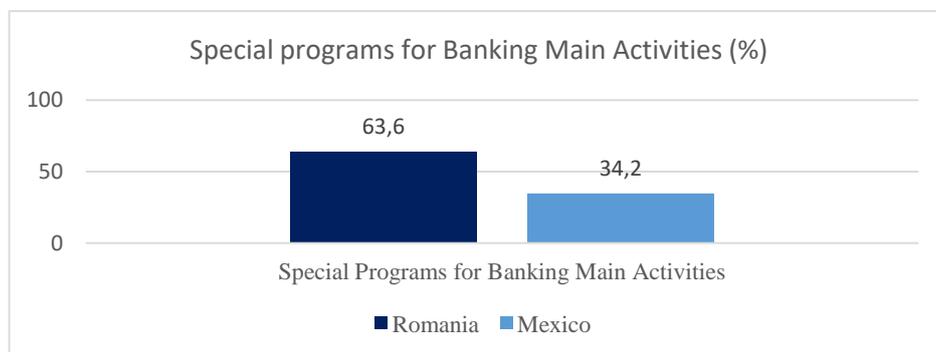
H2a: SM data needs to have special attention and as we supposed it is not used effectively. Indeed, banks have huge amount of customers' data which volume and variety increase daily. Not using appropriately SM data banks miss the opportunity for new product development, correct and efficient market segmentation, cross-selling and marketing activities.

In case of our 2 countries on average 52.5% banks of our respondents use social media data. In other words, this is not a significant percentage for such an important and powerful tool. (Graphic 9) But there is a significant difference between countries (Phi Cramer's V is 0.014). In Mexico the percentage is very low 31.5% and in Romania banking system do recognize and make profitable use of social media data with 72.7%.



Graphic 9. Social Media usage for banking activities

H2b: By asking about SM media programs, we mean different kind of banking transaction via SM platforms. On average only 48.9% banks use social media for main banking activities (Graphic 10). We can see that Mexico (34.2%) uses special programs in very low level which means that Mexican banks are afraid to enter this field and implement special programs such as transactions for credit, deposit, money transfer etc. but in Romania situation is different; they do use it for 63.6%.



Graphic 10. Special programs for banking main activities

Transactions types that banks implement via SM by using special programs are presented in Table 5. And it is not clear if they are implementing whole process via social media or using it just for some part of transaction process.

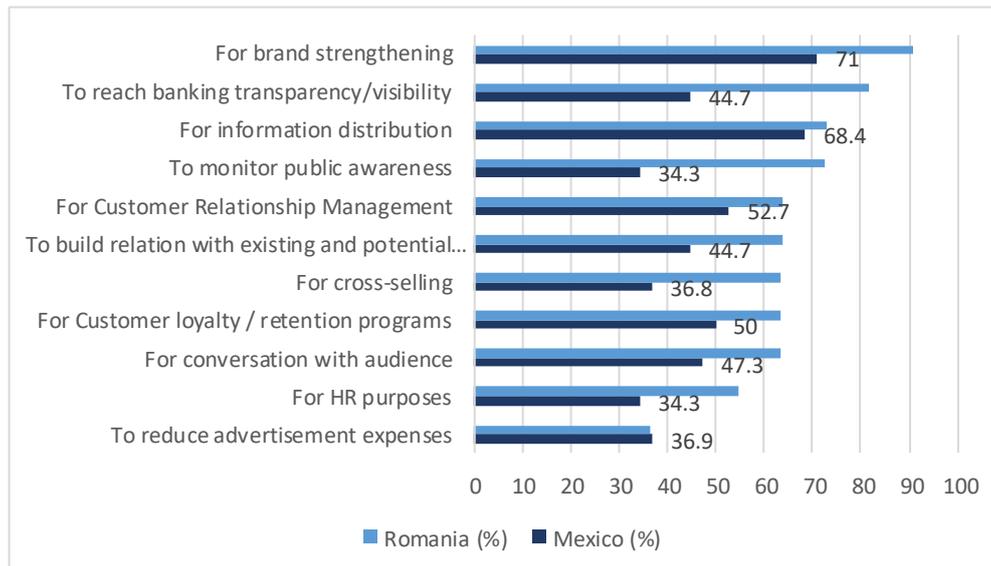
Table 5. Conducted Transactions via Social Media in Countries

Transaction type	Country	Mexico (%)	Romania (%)	Average (%)
Transactions for credits.		21.0	36.3	28.6
Transactions for card issuing.		21.0	9.1	15
Transactions for deposits.		15.8	45.4	30.6
Transactions for banking accounts.		23.6	36.4	30
Transactions for money transfers.		15.8	18.2	17
Foreign currency transactions.		21.0	18.2	19.6

It is not an easy task for the banks to implement transactions via SM, besides all barriers and risks it faces with technological aspect, particularly to implementing these kinds of transactions banks need to adjust their technological infrastructure, in other words they need to have and change the right technological infrastructure.

But who else if not banks are ready for these kinds of changes? Having huge data for customers, their needs, cycle of interest etc., having special segmentation which allows using target marketing for target groups, they need to start using social media more for main banking activities than they do now. Otherwise, as we mentioned before, non-banks are emerging and providing innovative IT solutions. While banking system have limited online transactions and limited online presence, third party social web applications are coming into service. Nowadays major cash-rich internet firms offer loans to business customers; IT, retail, and telecommunication companies leverage a mix of their footprint, expertise and customer base to expand their banking and payment services etc.

H2c: In different countries banks use SM for different purposes at different levels though there are several purposes that are popular in both countries. In Romania the list of usage purposes lead brand strengthening 90.9% and reach banking transparency/visibility 81.8% and in Mexico they are brand strengthening 71% and for information distribution 68.4%. (Graphic 11)



Graphic 11. Purposes of Social Media usage in Romania

3.2 Countries Comparative Results

Our comparative research in two different countries taking in consideration their surface and population size, level of economy, culture, conducted to interesting similarities and differentiations regarding their Social Media adoption in banking industry: In Table 6 we present the results of our comparative research in Romanian and Mexican banks, the two main hypotheses with all their sub-hypotheses being validated.

Table 6. Hypotheses test results

H1	Accepted	<ul style="list-style-type: none"> • Mexican banks use more SM platforms than Romanian banks. • 85% of our respondent banks have SM team (employees). • Romanian banks give more signification to assure 24/7 SM presence compared with Mexican banks. • Full-time SM staffers' existence has high level of usage in Romanian banks but in Mexican banks the usage is only 30%. • The existence of SM policy in both countries has high percentage of usage: more than 84%. • SM strategy has been integrated by the banks in high level: more than 84%. • In Romanian banks SM risk management plan is integrated in higher level of usage than in Mexican banks. • Both countries have customers' segmentation in SM with a little difference of the usage level: Romanian banks give more signification to this issue than Mexican banks.
H1a		
H1b		
H1c		
H1d		
H1e		
H1f		
H1g		
H1h		

H2 H2a H2b H2c	Accepted	<ul style="list-style-type: none"> • Romanian banks (72.7%) use SM data approximately 1 times more than Mexican banks (31.5%). is used by Mexican and Romanian banks in different levels. • The percentage of the usage of special programs in SM platforms for banking main activities in Romanian banks (64) is approximately 2 times more than in Mexican banks (34%). • SM is used by Romanian and Mexican banks for various purposes.
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Conclusion

Romanian and Mexican banking systems have a good presence in social media platforms by using it for different purposes. There is a difference in social media implementation and usage, particularly: Romanian banks give more significations and have higher level of usage than Mexican banks.

This difference can be connected with cultural habits or economic situation. Future research could be done to find out what factors have influence on social media usage in researched countries as well as to find out the reasons of low level of usage of many social media important factors in Mexican banks.

Social Media is a powerful tool for gaining customer and 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. The results can be not always satisfying, because there are no well-known or well-researched methods and tools for Social Media involvement.

Banks needs to be there where present and potential customers are talking, blogging, complaining, expressing their satisfaction or dissatisfaction about their products and services.

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