The value of Social Data Analysis for the Banking Industry
The value of social media data

The analysis of social media data for banks can answer many crucial questions relevant for the banks’ customer service, marketing and internal resource allocation strategies.

What do your customers talk about?
Social media data analysis can help track key trends and relevant social media conversation topics.

Are there any identifiable trends in customer behaviour?
Social media data analysis can help track spikes in conversation volumes and identify seasonality patterns.

Who are your customers?
Social media data analysis can help gain a more detailed understanding of customers and build up insightful profiles; for example their age, gender, status and occupation.

Where are your customers located?
Social media data analysis can give an insight into the location of posts and users.

How do your peers compare?
Social media data analysis can support in analysing and comparing performances between industry peers as well as newcomers to the market.
**Executive Summary**

61% of the UK’s total population are active social media users, spending an average of **89 minutes** on social media daily\(^1\).

The banking industry has recently witnessed a significant increase in the use of social media platforms among banking customers. This trend indicates a shift in customer attitudes in terms of the mode of accessing banking products and services. This shift opens up valuable opportunities to gain significant, potentially new, insight from customers by leveraging social media data.

By applying different analytical techniques to social data retrieved from customers’ social media channels, banks are able to improve their operations ranging from customer service, sales and marketing to internal collaboration. Social data analytics can potentially:

- Lead to opportunities for more insights and better customer intelligence;
- Highlight and discover the need for particular products and services in specific customer segments;
- Be fruitful ground for marketing strategies for new product launches as well as the management of credit defaults and risks.

In order to grasp this competitive opportunity, a number of banks have already started making changes. Banks such as Barclays, HSBC, RBS, First Direct, Sun Trust and CitiBank as well as ASB in New Zealand, have all launched social media channels dedicated to their customers. These social media channels not only listen to customers but also track conversations while engaging with them.

While the potential benefits of harnessing social data are exciting, it is still not uncommon for banks to face challenges in doing so. The challenges range from data collection issues to data management and usage concerns. There might be instances where the guidelines on data usage may be unclear which could then expose banks to potential risks. Social media can also expose banks to criticism, which can be posted publicly by their customers.

To manage these risks and to make the most out of this social media data, three issues are important to consider:

- Data and posts on social media are majorly public in nature, and this content is therefore beyond the control of the banks;
- Banks should consider adopting a transparent approach, by building their reputation as an ethical and responsible organization;
- For the analysis of customer social data, banks may consider outsourcing this analysis to social data research companies, which specialise in the management and analysis of this type of complex data.

“This shift opens up valuable opportunities to gain significant, potentially new, insight from customers by leveraging social media data.”
Introduction

As more and more banks leverage social media, proper and accurate research methods are increasingly expected for extracting customer insights.

Social media adoption is growing rapidly and this realisation has led to banks increasing their presence on various social media channels. Social media is changing the way banks interact with their customers, the way banks offer products and services, do their marketing, manage clients’ accounts as well as collaborate internally. In addition, using social media could also offer quick responses to make the most of business opportunities as well as lead to better understanding potential threats by acting on timely insights.

In general, banks have been engaged in efforts to integrate various social media channels in order to create a more convenient interaction with their customers and their internal operations. The high volumes of social media data alongside the rapid nature of these communications between banks and their customers are proving difficult to manage for the banks. If banks cannot utilize the real-time data on social media more appropriately to improve their services, they may risk losing the chance to create customer rapport and get a 360-degree view of their customer base. This could lead to the creation of obstacles in uncovering and understanding consumer conversations, which can alternatively be achieved through the more time consuming approach of personal interaction.

More than that, after having launched social media channels, many banks have faced strong challenges while engaging with their customers and optimising their existing resources. This has mainly been due to the huge volume of interactions that take place on social media.

Appropriate research methods to analyse this social data have become very important for the banking industry in order to make the most of this specific opportunity and gain the most valuable insight from this data. Recognising this significance, many major banks are now not only listening to the conversations but are also exploring different ways for digging deeper into this data to uncover ways to improve their business.

This indicates that a systematic approach is needed to leverage and analyse social data. A systematic approach can facilitate more immediate action following such data-driven insights. This would optimise the opportunities for successful social data mining as well as gaining other strategic business insights.

Through the study of various research papers, industry examples and case studies, this white paper aims to highlight the benefits and the challenges that banks face when analysing social data. The paper does this by initially discussing the benefits that the banks stand to gain from analysing their social data. It then focuses on the challenges faced by the banks. This white paper concludes with a series of recommendations for the banks that may help them manage the risks involved in the analysis of social data in the future.
Key trends for social media in the banking industry

Over the last few years, a range of digital channels have contributed to the increase in the number of interactions between banks and their customers. Social media is changing the ways banks communicate with their customers. More than that, customer attitudes and behaviours around using social media to access financial services and products have been changing as well. Two major trends have been identified, which both show the legitimate value in bringing the banking sector and social media closer together.
Trend 1:
Growth in use of social media platforms

Globally, 20% of bank customers are now considered 'digital-only users', indicating a preference and anticipation of future digital interactions. There is also growing adoption among younger age groups (18-34). More than that, consumers older than 55 are also found to be using a wide range of digital channels to meet their needs. Indeed, in the United Kingdom, 81% of the population are daily social media users, as reported in Figure 1.

Additionally, the wide use of online banking has been identified as an important digital means of interaction with the bank that could lead to increased social media interactions. That is why many more banks have built a presence across a range of different social media channels. Some major banks have also established dedicated social media accounts for offering more convenient services. For example, HSBC, Barclays Bank, First Direct and Natwest have all established Twitter help/customer service accounts. HSBC UK’s help account alone has gained more than 30,000 followers as of 22 September 2016, and more than 200,000 tweets have been posted since its launch in June 2011.

“Indeed, in the United Kingdom, 81% of the population are daily social media users, as reported in Figure 1.”
Trend 2: Changing attitudes towards accessing and managing financial products and services

Bank customers require more services even if they seem satisfied with the online service channels when compared to more traditional ways. Increasingly customers would like to share their opinions on financial products and services online. This indicates an opportunity for banks to change and adapt their strategies accordingly. More specifically, a good relationship with customers can be maintained through social media after a purchase has been made.

From the global survey conducted by Accenture Strategy in 2013, 27% of total bank users purchased or subscribed to a new financial product or service over 6 months. Additionally, a study produced by LinkedIn showed that 63% of their users, who were active social media users with investable assets between $100,000 and $1 million, were motivated to take an action to learn about financial products and services on social media.

These trends point to valuable opportunities for banks, indicating that an increased number of conversations take place on social media. Applying analytics to the rich datasets derived from social media offers opportunities for customer intelligence for understanding the needs for particular products and services in specific customer segments, to develop marketing strategies for a new product launch as well as managing credit defaults and risks.

Many banks have realised that they should consider how to leverage these competitive advantages to improve their products, as well as how to engage with their customers on social media, in order to drive loyalty and profitability. The following section demonstrates the benefits banks obtain from existing applications of social media.

“Applying analytics to the rich datasets derived from social media offers opportunities for customer intelligence...”
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Benefits derived from Social Media

Customer Service
- Reduce communication costs
- Engage customers
- Improve customer satisfaction
- Make predictions

Sales and Marketing
- Match customers’ interests
- Expand customer base

Internal Collaboration
The use of social media can help in developing a better integration with the bank’s internal systems

The use of social media in the banking sector can improve customer services in terms of cost, efficiency and customer satisfaction. This can be achieved through the use of social media where transparent interactions, real-time conversations and two-way engagement are offered. Additionally, prediction of customer behaviour could allow banks to take certain measures in advance and respond more quickly. Through such an implementation of new marketing strategies, customer specific demands or potential clients could be recognised based on their reviews, feedback or profile information on social media. Furthermore, another opportunity offered by social media is that it can be used in connection with internal systems to further enhance the bank’s online efforts and strategies. The information generated through the analysis of social data can also help the organisation carry out other work such as customer relationship management (CRM).
1. Improving customer service via social media and social media analysis

Social media analysis can aid in the improvement of the bank’s ability to manage its customer service. Two key benefits are discussed below.

Reduce communication costs and increase customer engagement

Shifting the interaction to social media reduces the frequency of costly methods of communication with customers. As many more banking customers are using social media, the digital accessibility to banks offer wider and more convenient channels for customers to express themselves. At the same time, banks are able to receive instant feedback from customers and because of this, quick, helpful and personal responses can be provided to customers.

In an investigation by EConsultancy into how 16 UK retail banks handled customer service on Twitter, the quickest response customers could expect was within 3 minutes (from HSBC), thus potentially significantly reducing customers’ waiting time and improving interaction efficiency. Although this study did not look at the quality of the interaction, such speedy and active interactions make it possible for banks to engage customers in order to deliver better customer services.

Predictive analysis for proactive steps

Whilst banks can use social media channels to communicate, they can use analytics tools to predict how customers will respond to new strategies and take proactive steps to mitigate complaints. A dedicated social media team can make the bank more accessible and responsive to customers. Providing the right information to customers is more likely to increase customer satisfaction and elevate the bank to trusted advisor status. Therefore, in this case, social media conversations are a valuable pool of information for banks to receive predictive signals and requests from their customers.

“...the digital accessibility to banks offer wider and more convenient channels for customers to express themselves.”
2. Implementing marketing strategies accordingly

The banking sector could productively use social media as a way to better offer their products and services but also to expand their customer base. Moreover, the specific needs of their existing clients could be extracted from comments and feedback on new products by online "beta tests" as well as their ratings and reviews on products and services. This constant stream of feedback could lead banks to offer customers products that match customers’ interests on the basis of real-time analysis. This could help with increasing the possibility of long-term retention and brand identity. Additionally, geographic information of potential customers can be accessed via social media and used in such a way to open up new possibilities for the bank. For example, unbanked customers can be reached and provided with general banking services, such as no-frills account opening services and low-denomination funds transfers.

3. Improving internal collaboration with the integration of social media

Using social media also offers a valuable opportunity for improving banks’ internal collaboration through developing integration between social media and internal systems (e.g., CRM), as well as leveraging open-source approaches to enhance internal tools. As social media allows banks to address customer queries and concerns in a more narrow response time, banks will need to strengthen internal collaboration to facilitate seamless communication. In addition, crowdsourcing by social media can help drive innovation and realise the potential for banks.

Based upon the principle of universal participation, crowdsourcing is regarded as a broad information gathering approach for developing public sectors. Many banks have not yet realised how to use social data as an appropriate and effective tool for customer insights. For example, on the whole, banks are still unclear about the set of skills they need to produce interactive systems.

Furthermore, banks in the main have not firmly decided yet whether it is worth investing in social media, to what extent and whether this represents a good return on investment. This confusion can in turn lead to a lack of engagement and to minimal fan growth on their social media accounts like Facebook and Twitter. It also makes their social presence less effective. Therefore, it is crucial for banks to foster a culture that can embrace the voice of customers as well as produce a feasible system to derive benefits from their social media communities.

“...crowdsourcing by social media can help drive innovation and realise the potential for banks.”
Case Studies

Reduction of communication costs and increase in customer engagement

ASB has been a well-liked brand in New Zealand since the 1990s. ASB’s Facebook virtual branch operates a live video chat, which allows customers to speak face-to-face with banking specialists and at a convenient time and place for them. In this way, the frequency of customers going to banks in person and the number of employees hired by banks can be reduced. In addition, social media decreases the fee cost for banks to broadcast messages, such as the advertisement for new services, products and brand visibility.

In addition, ASB built a digital community by setting up accounts on Facebook, Twitter, Instagram, YouTube, LinkedIn, Google+ as well as a blog. In this community, customers are able to actively participate in discussion and contribute to the content which banks are sharing. According to the online conversation of customers, banks can figure out and update the most frequently asked and the most urgent questions. This can help banks to create an automatic section for answering related questions. In addition, once the digital community is built, a customer-help-customer phenomenon can be created. That means, answers can be shared among customers even without the interference of the banks19.

Predictive analysis for proactive steps

Both Sun Trust and CitiBank use specific tools for managing and tracking social media conversations. In Citi’s case, if one customer service representative starts a communication with a specific customer and then his or her shift ends, another customer representative could track back the full history. For Sun Trust, its Twitter accounts are utilised to identify mentions and assign them to their clients. In addition, the background information (bios and geo-locations) of the commenters are considered in order to respond appropriately20.

Barclays uses real-time social media analysis via its mobile banking application, “Pingit”, to receive instant customer feedback. As there is a great volume of social buzz transferring when a customer uses its application, Barclays used the Sentiment Metrics provided by a social media monitoring company to identify positive and negative feedback and then it developed new apps specifically based on this feedback21.

Avidia Bank is another example with its product launch campaign. When doing product launches, it markets to its customers based on their location and positions its brand on social media. It is noted by the Chief Marketing Officer of Avidia Bank that this is the best way to promote its mobile banking22.

Improving internal collaboration with the integration of social media

“RBS Ideas Bank”, an online and open portal built by RBS, is used for retail banking customers to submit ideas for helping banks to improve. Other examples are: Barclays with “Your Bank” project and the “Firstdirectlab” of First Direct. The “Sparkasse Lab” of Erste Bank, and “Wepad project” of Webank, “Developer center” of Capital One and “Gamification challenge” of Rabobank are all initiatives in this area. They give customers the power and opportunity to participate in their product and service innovation. Also, these innovative approaches can lead staff within the banks to get inspiration for further improving their work processes23.
Challenges

Banks can benefit a lot from social media, but they also face a number of challenges, which are important to explore as well.

The often playful, entertaining character of popular online social networks can frequently clash with the “serious” nature of banking: sometimes perceptions are stronger than reality and thus marketing via social media becomes a risky strategy while trying to establish relationships with clients.
1. Challenges of social media analytics

Adopting social media and analysing social media data more effectively also involves a number of challenges.

Unstructured data
Social media data is not like other forms of data, for example, survey data. Social data is mostly unstructured (estimates 80%, IBM). It is impossible to apply any numeric analysis directly. Some of the newer Artificial Intelligence-based methods, such as Natural Language Processing could help with the analysis; however these are still in early stages of development. In order to get better understanding of banking conversations, a proper text analytics method is needed.

Noise in social media data
‘Noise’ here refers to the undesired data present in a dataset. Noisy data is ‘meaningless data’ which is often used as a synonym for any data that cannot be understood and interpreted correctly. The inherently linked nature of social data further complicates the analysis task and requires analysts to approach noise-removal differently than they would with attribute-value data. This can be a time-consuming task.

Data representation
Social media is only part of the overall conversation. More than that, the social data we can tap into on sites such as Facebook and Twitter may merely constitute a fraction of what is being said about your company or products in specialist and word-of-mouth forums, blogs and elsewhere online.

“Facebook and Twitter may merely constitute a fraction of what is being said about your company or products”

90% of the conversations and influences still happen offline. “Social network is not the ultimate answer to everything, and it’s not the only way to be listening to customers”
2. Lack of control over content

Some banks are concerned about the lack of control over content when it comes to social media. In social media, the ability to edit the content and share it across the networks is in the hands of the user. According to research, which looked at the role of social media marketing in the banking sector, banks may face the risk of purposeful attacks aimed at damaging the bank’s image. Companies should therefore always be careful when they give the power to their customers and the wider public. Both the tracking and detection of potential issues is essential, so that control is not totally lost and immediate action can be taken. In other cases, banks are likely to view these instances as purposeful attacks; where customers use online forums to express their dissatisfaction with the bank’s services or its policies.

“In social media, the ability to edit the content and share it across the networks is in the hands of the user.”

3. Lack of safety regulations and standards

Most banks express their concerns over the lack of safety regulations and standards in social media. The banking industry is heavily regulated and it faces additional scrutiny and requirements not shared by other industries. In particular, bank clients are sensitive as far as their money or financial information is concerned. The more conservative banks state their major concerns as follows:

- Information privacy
- Lack of control over data
- Negative impact on corporate image

However, this does not make social media usage impossible for banks. It simply means that these initiatives require careful planning, more attention to detail and putting proper controls in place to manage social media data and content.
Case Study

Lack of control over content

For instance, J.P. Morgan (the largest banking and financial institution in US) intended to hold an online discussion with their vice chairman James B. Lee Jr. via an online Q&A session on Twitter with its #AskJPM hashtag in 2013. Unfortunately, it ended up being bombarded with hostile questions and jokes. JPMorgan had no better option but to call off the Q&A session on Twitter.

#AskJPM Given the # of reg violations + scale of fines paid across the bank, please explain why the board hasn’t been replaced by livestock?

Would you rather negotiate with 1 horse-sized Eric Holder, or 100 duck-sized Eric Holders? #AskJPM

Sorry we ruined your hashtag event, if you could just apologise for your plunder of the global economy,. I think we’d be even. #askjpm

Quick! You’re locked in a room with no key, a chair, two paper clips, and a lightbulb. How do you defraud investors? #AskJPM

Bet the JPMorgan PR team is less than thrilled with how #AskJPM is going.
Recommendations

Below we outline five recommendations for making the most of social media analysis within the banking industry. Firstly, banks need to start engaging in social data analysis to improve decision-making. They should also explore the best approaches for analysing social data content. Whilst the conversation on social media cannot be controlled, the potential benefits of better understanding your customers via these new online channels should outweigh the likely risks involved. Outsourcing the analysis should be considered a good option, as there are now numerous social data analytics vendors. Many major banks have adopted this route. Lastly, we highlight a number of key ethical issues that should be considered.
1. Move the existing social media platforms beyond listening and monitoring tools

Having extended the interactive experience via social media platforms, most banks now have a wide base of social users involving a huge volume of online conversations. Thus, it is time for banks to transform their social media communities into a new growth and problem detecting engine for better decision making processes. By analysing the content of the online conversations, a clearer insight from customers can be extracted to inform strategies and tactics in advance. Moreover, with the on-going growth in the social media user base as well as higher engagement, better and more accurate statistics can be obtained.

2. Appropriate approach for social media analysis

To make the most of social data, different analytical methods are needed. Some analytical tools are useful to capture public conversations about your organisation on different platforms. Data collection is the first and most important step of the analysis process. From here, a robust, tested and verified content analysis can be used to develop insights based on these online conversations. Content analysis can achieve high levels of accuracy when natural language processing in machine learning is still in early stages of development.

Identifying key topics can aid in finding out more about customer characteristics and help with the CRM and marketing. This data can also become more valuable over time when collected and analysed regularly. Recognising patterns and trends in customer conversations can detect issues quickly and could be used to build predictive models in the future.

3. Acknowledge the lack of control

On social media platforms, one of the challenges is dealing with negativity. Because of the lack of control over content, all banks potentially face having to deal with negative exposure on social media. But banks need to realise that these conversations cannot be controlled. Even though there are risks involved when opening gates of communication to their customers and the wider public, the academic research literature urges banks to overcome the fear of dealing with customer criticism in this space. Otherwise, the potential of social media is not fully developed for the purpose of improving service experiences. Banks need to therefore demonstrate being open and honest, by letting the world see how they handle problems. Researchers suggest developing procedures and steps for tackling negative reviews in social media.

Using data from different social media platforms wisely can be highly beneficial to the banks.
4. Outsource social media analysis

Facing the increasing usage of social media, some banks may need guidance and assistance to successfully implement their initiatives\(^3\). Asking support from external experts or outsourcing the social media analysis can shorten the time and cost for online conversation monitoring and limits the need to have these skills internally. Currently, there are many advanced outsourcing solutions provided which prove to be a good option. Citi and SunTrust engage with customers by using CoTweet provided by ExactTarget\(^4\). The management team of First Tennessee report that they have evaluated six social media analytics vendors in the past year. Radian6 is also used by many banks.

5. Ethical considerations

There are wide-ranging debates on the ethics of social media research and the policy of social media data usage differs from industry to industry as well as within industries. We however urge banks to take extra care when it comes to data privacy issues in data collection, data storage and data reporting. Personal data shared, as well as any information or data point that could potentially identify an individual user, should not be reported. Any organization should endeavour to protect the privacy of social media users, should be mindful of their privacy needs and be open about how their privacy is safeguarded by the organization.

“Any organization should endeavour to protect the privacy of social media users.”
Conclusion

The competitive benefits of leveraging social data has resulted in banks seeking to maximise this potential by finding and implementing appropriate approaches to gain valuable actionable insight. However, banks are facing particular challenges to catch up with the pace of social media and to adopt analytical approaches that can make the most of this data. Banks may hesitate to invest in social media due to the stated potential risks as well as the lack of proper research expertise and suitable analysis methods. This confusion could result in making their social presence less effective and useful. Overall, a well thought out communication and analysis strategy aimed at offering wider and more reliable support in order to aid strategic decision making, launch new products and deal with daily customer services are all important benefits. A key consideration should therefore be to consider if your organization could afford to not update or adopt a communication and analysis strategy for social media and risk falling behind in this fast moving space.
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About Klood:

Established in 2011, Klood is a forward thinking digital services business employing the latest technology to provide clients with cutting edge tools. Developed by a team of market research professionals, technology experts and data scientists, Klood Radar is the efficient way to capture, categorise and share qualitative data at scale.

About MMRI:

With over 30 years market research experience MMRI are doing things differently, leading the way in bespoke approaches across a variety of sectors in the research field, delivering high quality, tailored results through advanced technologies paired with an experienced and versatile team.

About the Information School, University of Sheffield:

The Information School at The University of Sheffield is characterised by its distinctive, interdisciplinary focus on the interactions between people, information and digital technologies. It has the ultimate goal of enhancing information access, and the management, sharing and use of information, to benefit society.

About this White Paper:

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