

Chapter 39

The Impact of Social Media on Customer Engagement With U.S. Banks

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ABSTRACT

This chapter has two main aims. First, to investigate the Facebook practices used in the U.S. banking sector with the aim of enhancing customer engagement; second, to perform a comparative analysis of the use of Facebook in this respect, among different U.S. banks. In this comparative analysis, we apply the Federal Reserve charter classification (Nationally chartered member bank, State-chartered member bank and State-chartered nonmember bank). The findings of this study contribute significantly to our understanding of the influence of social media in enhancing customer engagement. Banks, and their community managers in particular, can make use of the conclusions drawn in this study to develop future strategies to foster citizen engagement via Facebook.

INTRODUCTION

Social media, based on Web 2.0 technologies, have elevated online communications to a new level (Constantinides & Fountain, 2008). According to Mitic and Kapoulas (2012), social media are becoming an integral part of consumers' lives and can enhance the understanding of their needs and preferences, on the basis of shared information. Therefore, social media could help organisations build up brand

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awareness, visibility, reputation, knowledge sharing and customer acquisition and retention (Kaplan & Haenlein, 2010; Bolotaeva & Cata, 2010).

The fast rate of Social Media adoption, and their rapidly growing popularity, encourages speculation on the potential goldmine that lies within the complex network of user commentaries, testimonials and communities (Eccleston & Griseri, 2008; Hardey, 2009). In this respect, Mitic and Kapoulas (2012) observed that social media have quickly escalated to become a global phenomenon where connectedness to Facebook or Twitter is everything and the ability to acquire “follows”, “likes” or “shares” means power. In consequence, inspired by the power of social media to engage users, organisations have begun to seek ways to learn to leverage these “likes”, “shares” and “comments” for profit making (Andriole, 2010; Culnan et al., 2010).

In a banking context, social media allow customers to engage, collaborate and interact, and present an opportunity for those banks which strategically adopt Web 2.0 technologies into their organisation structure. Thus, social media provide a perfect platform for customer relationship management (Chikandiwa et al., 2013). Moreover, according to Bonsón and Flores (2011) and Gritten (2011), social media could enable banks to regain the customer trust that had been lost due to the recent economic crisis.

The most popular social media used by banks, for the purpose of communicating with their customers, are Facebook and Twitter (Chikandiwa et al., 2013; Goi, 2014). Samuels (2013) observed that banks are now using social media like Facebook far more intensively, as it affords them more space in which to post images, information and private messages. Similarly, Logvinov (2013) argued that banks are turning to social media to build and rebuild their customer relationships by inviting their customers to participate in the business, such as helping other customers and designing new products and services.

Taking the view that the appropriate use of social media can raise levels of customer feedback, loyalty and engagement (Beuker, 2009; Gallagher & Ransbotham, 2010), pioneers in social media are emerging in the banking sector (Mitic & Kapoulas, 2012). In the U.S., banks such as Citibank, Bank of America and ING Direct now have an active presence in social media, oriented toward creating rapport with customers and providing interactive online service support (Stone, 2009; Cohen, 2010). However, according to Klimis (2010), European banks appear to be more reserved, and there are fewer examples of their presence in the social media. Therefore, although social media implementation in banking is emerging (especially in the U.S.), the sector is still at an early stage of establishing a social media presence and using Web 2.0 technologies to enhance engagement with customers (Cocheo, 2009; Hardey, 2009; Klimis, 2010).

The literature on the banking sector has abundant references to online and electronic services (e.g. e-banking), but has paid relatively little attention to the adoption and use of social media (Mitic & Kapoulas, 2012; Chikandiwa et al., 2013; Goi, 2014; Murray et al., 2014). Furthermore, most previous studies in this field have used interviews or questionnaires, although it has been argued that metrics measuring the effectiveness of social media engagement and its impact on customer relationships are still vague, and to date no hard evidence has been produced to prove the benefits of social media for the banking sector (Jaser, 2010; Vemuri, 2010). Therefore, there is a need to investigate, based on social media profiles, how certain banks adopt social media, why others resist the trend, and what could be learned from their practices and approaches.

Taking these considerations into account, this chapter has two main aims. First, to investigate the Facebook practices used in the U.S. banking sector with the aim of enhancing customer engagement; second, to perform a comparative analysis of the use of Facebook in this respect, among different U.S. banks. In this comparative analysis, we apply the Federal Reserve charter classification (Nationally

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