



Journal of Internet Banking and Commerce

An open access Internet journal (<http://www.arraydev.com/commerce/jibc/>)

Journal of Internet Banking and Commerce, April 2014, vol. 19, no.1
(<http://www.arraydev.com/commerce/jibc/>)

The Impacts of Social Media on the Local Commercial Banks in Malaysia

CHAI-LEE GOI, PhD

Senior Lecturer, School of Business, Curtin University, Sarawak Campus, Malaysia

Postal Address: CDT 250, 98009 Miri, Sarawak, Malaysia

Author's Personal/Organizational Website: <http://www.curtin.edu.my>

Email: goi.chai.lee@curtin.edu.my or goichailee@hotmail.com

Dr. Chai-Lee Goi is a senior lecturer in marketing at School of Business, Curtin University, Sarawak Campus.

Abstract

From a business and marketing perspective, the media landscape has dramatically changed with traditional media supplemented or replaced by social media (Yu et al, 2013). It has become an important method for banks to build relationships with their customers (Econsultancy, 2013). The main purpose of this paper is to review the impacts of social media on the banks, especially in terms of conversation, sharing, publishing and participation aspects. This paper also reviews the impacts of social media on the local commercial banks in Malaysia.

Keywords: social media; local commercial banks; conversation; sharing; publishing; participation; Malaysia

© Chai-Lee Goi, 2014

INTRODUCTION

"Innovation is not a fancy engagement but a response to severe market challenges and regulatory constraints and pressure. Innovation is a continuous change management process which is often messy and chaotic, striving to succeed amidst the complex silos

in financial institutions. 90% of the responding bankers said that their bank today is more innovative than two years ago at the time of the Lehman collapse. The crisis increased the level of innovation across the board although products and channels still remain the key focus of innovation activities". "Depending on the maturity of the market; banks go first through product innovation, then progress to sales innovation and market share innovation and eventually focus on customer service innovation" (The Asian Banker, 2010).

Previously, customers have to wait in a queue at the branch or on the phone to speak with the operator of the bank. Today, customers are able to quickly raise their issues through social media. It has become an important method for banks to build relationships with their customers, especially to reach a younger generation (Econsultancy, 2013). Social media has changed people's way of life dramatically because of its high speed connections, ease of use and great credibility. From a business and marketing perspective, the media landscape has dramatically changed with traditional media supplemented or replaced by social media. In contrast to content provided by traditional media sources, social media content tends to be more human beings oriented (Yu et al, 2013).

Customers' voice is growing in strength and amplified by increasing social media use. *"Banks have made progress in improving their communication channels. Both call centre and mobile banking services have improved, with customer satisfaction up to 8% and 16% respectively year on year. However, the power of the consumer voice has overtaken banks communication channels. Personal recommendations from family and friends are the top source of information about banking products, with 71% of consumers relying on this information as their primary source. 55% of consumers refer to online communities or social networks for advice and a third of customers who use social networking use it to actively comment on the service they receive from their bank" (Ernst & Young, 2012).*

A study has been conducted on the impact of social media on banking. 450 respondents have been involved in this survey. Here are a few fast facts from the survey (King, 2010):

- Majority of these respondents would participate in social media before making a decision on a financial service provider.
- 93% of respondents consider social networking will be worthwhile or critical for banks in the next five years.
- 78% of respondents said social media is worthwhile or critical for corporate banking relationships today.
- Majority of respondents would go first to independent community discussions before coming to the brand itself.
- Facebook and Twitter scored as the highest value social media channels for retail banking engagements.
- LinkedIn, Blogs and Privately managed online communities scored as the highest value social media channels for business interactions.
- 74% of respondents believed that use of social media organisationally will increase over the next two years, whilst only 1% said it would decrease.

Based on Whiting and Williams' (2013) study, there are ten uses and gratifications of social media. These are related to social interaction, information seeking, pass time, entertainment, relaxation, communicatory utility, convenience utility, expression of opinion, information sharing and surveillance/knowledge about others. Thus, the overall of current social media landscape can be summarised into four activities, mainly related to the communication, sharing, publishing and participation (see Figure 1) (Toronto SEO, n.d).

Figure 1: The Social Media Landscape



Source: Toronto SEO (n.d)

The main objective of this paper is to review the impacts of social media on the banks, particularly related to activities such as conversation, sharing, publishing and participation. This paper also reviews the impacts of social media use for local commercial banks in Malaysia.

THE USE OF SOCIAL MEDIA IN LOCAL COMMERCIAL BANKS IN MALAYSIA

The most popular social media used by netizens in Malaysia at present is facebook. It is not surprising why the banks in Malaysia are using Facebook for the purpose of communicating with their customers.

Until 31 December 2012, the number of Facebook subscribers in Malaysia totaled 13,589,520 and showed penetration of 46.6% overall (Internet World Stats, 2013). Assistant Minister of Youth Development Datuk Dr Stephen Rundi Utom said that Malaysia is in eighth place in Asia and 21st in the world with most registered Facebook users.

Specifically, 34.5% are those within the 18-24 years old age group, 29.5% are those within 25-34 years old and 16.3% are those within 13-17 years old (Talip, 2013).

Currently, Malaysia has eight local commercial banks in operation. Almost all of the local commercial banks have created a Facebook account (see Table 1).

Table 1: Local Commercial Banks in Malaysia

No	Local Commercial Banks	Facebook	Number of Likes (As of 13 November 2013)
1	Affin Bank Berhad	http://www.facebook.com/affinbankberhad	9680
2	Alliance Bank Malaysia Berhad	http://www.facebook.com/AllianceBankMalaysia	28615
3	AmBank (M) Berhad	http://www.facebook.com/AmBankMalaysia	81423
4	CIMB Bank Berhad	http://www.facebook.com/CIMBMalaysia	1184789
5	Hong Leong Bank Berhad	http://www.facebook.com/HongLeongBank	90
6	Malayan Banking Berhad (Maybank)	http://www.facebook.com/Maybank	1027135
7	Public Bank Berhad		
8	RHB Bank Berhad	http://www.facebook.com/RHBGroup	238221

According to Social Media’s (2013) report issued in October by Social Bakers, CIMB Bank (ranked fifth) and Maybank (ranked seventh) was listed in the top 10 Facebook brands by the number of local fans.

The main purposes of the banks in Malaysia are using social media for the purpose of engaging with their customers, in terms of few aspects as mentioned below (Asian Strategy & Leadership Institute, 2011):

- Social media is able to assist in new product development or product innovation. It is a tool to solicit customers’ views and feedback to help develop new products or enhance/innovate existing products.
- Social media is able to enhance customer experience and service level, in terms of assisting banks in addressing products or service issues with customers.
- Banks are able to use social media to build their organisation’s image, especially in terms of branding.
- It is a place for the banks to implement their promotion strategies. Banks are able to integrate and include social network sphere with their products campaigns.
- Social media is able to develop a transparency strategy, as a way to improve transparency with customers and build trust.

A study related to the perception of Malaysian consumers about the use of social media by the banks (Panjamorthy, 2013).

- 61% of respondents commented that they felt loyalty towards their banks. The current loyalty programmes offered by banks are very attractive and impactful.
- 72% of respondents did not rule out shopping around for better banking deals. Thus, banks should not stop at their current stage of accessibility, products, services and innovation in their approach. Else, this will help reduce the number of customers who want to cross over for a better bank or service.
- 69% of respondents are influenced by comments about companies on the social media. 67% of locals trust comments on the social media about companies, especially from people they know such as family, friends and co-workers while 69% are affected by positive comments and 67% by those that are negative.

THE IMPACTS OF SOCIAL MEDIA

Conversation

“The advent of social media provides researchers with a new and rich source of easily accessible data about individuals, society and, potentially, the world in general. In particular, data from social media captures online behaviour of users who communicate or interact on a diversity of issues and topics” (Schoen et al, 2013). Even, *“these conversations can be witnessed by millions of current and potential customers worldwide”* (Dekay, 2012). *“Social media marketing, a system which allows marketers to engage, collaborate, interact and harness intelligence crowd sourcing for marketing purposes, presents opportunity for banks which strategically adopt it into its organisation”* (Chikandiwa et al, 2013).

Mitic and Kapoulas (2012) in their study revealed insights on the four possible tactics for social media engagement for banks. These include creating interactive and relevant content; encouraging clients to interact with the bank via online social networks; encouraging customers to actively contribute ideas to enhance bank’s offers for mutual benefit; and collaborating with online community to create awareness about social media programs.

Overall, the use of social media for communication can be categorised into eight categories, which are blogs, mini blogs, RSS, wikis, tagging, social networks, multimedia sharing and online documents (Gu and Widen-Wulff, 2010). As discussed by Whiting and Williams (2013), social media is a platform for *“social interaction because it was narrower than interpersonal utility but broader than companionship”*.

Sharing

Asia is the leading region in terms of consumer publishing and sharing information online. This trend is being attributed due to the high Internet growth rates and willingness to share information and be more open in terms of online brand involvement (Smith, 2010; Singh et al, 2012).

A study done by Whiting and Williams (2013) showed that 56% of the respondents were using social media to express thoughts and opinions.

At the same time, they liked to criticise others, and how they enjoyed the opportunity to vent on social media.

Osatuyi (2013) identified that users to interact with different social media technologies based on the type of information shared (see Table 2). The study revealed that information producers use different cues to indicate credibility of the information they share on different social media sites.

Table 2: Information Classification Framework on Social Media Sites

Information source	Social media technology; information dynamism [(D)ynamic or (S)tatic]	Information type
Primary	Microblogs (e.g., Tweets)[D], Social Network posts[D], Photo sharing[D]	Political, sensational, Casual
Secondary	Forums[D/S]	Personal
Tertiary	Wikis[S], Blogs[D/S]	Political (history)

Source: Osatuyi (2013)

Even, “social media and Web 2.0 technologies are considered the ‘next milestone’ in the evolution of corporate information and its analysis by the global financial community”. The use of Web 2.0 technologies and social media will increase from its current low level. The new technology could lead to uni-directional expansion of the web site content by blogs, social networks and syndication; as well as use of social networking platforms to open corporate dialog (Strategic Direction, 2012).

Publishing

Banks are using social media like Facebook far more as it affords more room to post images, information and private messages (Samuels, 2013). Dekay (2012) commented that corporations generally post five types of entries, or discussion threads to their Facebook’s wall. These include direct marketing of products or services; promotion of sponsored events; surveys; informational announcements; and fun postings, usually in the form of questions related to recent or upcoming events. “For consumers, the value of the recommendation platform lies in the number and quality (accuracy and honesty) of the reviews, but only a minority of consumers actively posts reviews, while the majority of users are passive readers. Moreover, reviews can have a huge impact on a product’s success” (Constantinides and Fountain, 2008; Goldsmith et al, 2013).

Shiri (2009) conducted a comparative and analytical examination of ten social tagging systems’ interfaces and their features and functionalities. The social tagging sites examined in this study encourage and provide users with features to assign, explore, browse and make use of tags during their interaction with social tagging sites. Their study identified four main categories were developed to further examine the interface features and functionalities:

- User tagging features. There are number of tags that allowed contributing, formatting of tags, tagging notes and the ability to group similar tags.
- Tag browsing and exploration features. This includes supporting users in browsing tags, such as the ability to browse the most popular or most recent tags, and whether there are any system-suggested tags, tag clouds or tag lists.

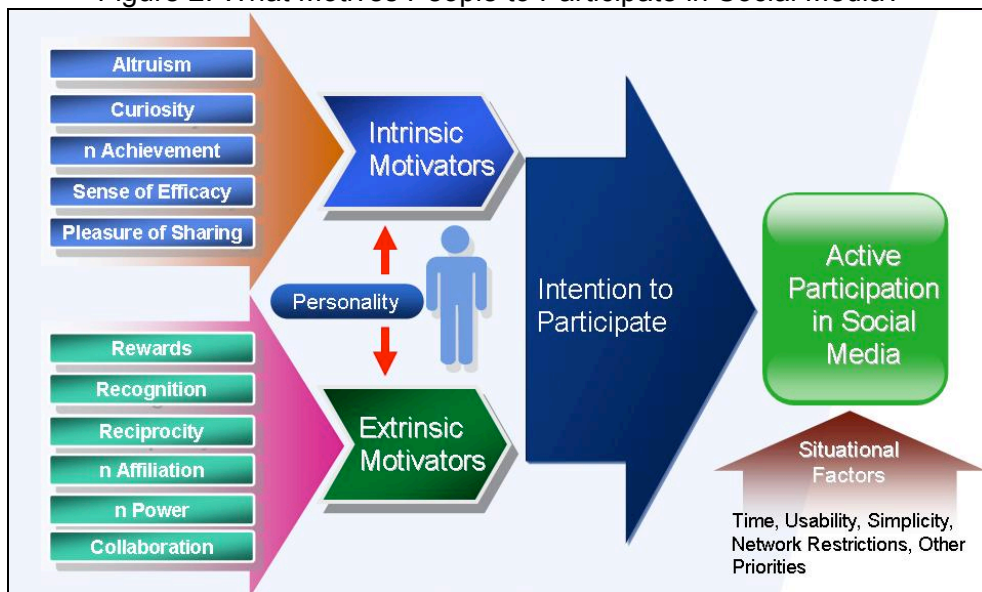
- Interface layout. This includes how prevalently tags are displayed on the homepage, and how different page views are organised for browsing.
- Relation between type of content and tagging features provided. This includes how content type affects the tagging features offered and what tagging features are recommended for certain types of content.

Participation

One of the elements in Social media is participation. This element will encourage users to add, edit or simply rehash content (mashups) (Newstead, 2007). *“Though the beauty of social media is its two-way conversation value between brands and consumers, there is plenty of room for one-way, push communication that comes directly from the brand. But there’s a lot to consider before sending a Tweet or posting to Facebook. That’s where publishing best practices can help”* (Nelson, 2013).

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 (Logvinov, n.d). From customers’ perspective, their intention to participate in social media arises from either intrinsic factors or extrinsic factors. *“Intrinsic motivation refers to motivation embedded in the action itself (comes within the individual), rather than from external rewards such as money or recognition. Intrinsic motivation comes from the pleasure of completing the task satisfactorily. On the other hand, extrinsic motivation refers to the motivation coming outside the individual”* (Amarasinghe, 2010).

Figure 2: What Motives People to Participate in Social Media?



Source: Amarasinghe (2010)

CONCLUSION

Overall, social media has an effective impact on banks, especially in terms of conversation, sharing, publishing and participation. Moreover, local commercial banks in Malaysia have been using social media to communicate with their customers.

Specifically, banks in Malaysia are using social media for the purpose of engaging with their customers, especially to assist in new product development or product innovation; to enhance customer experience and service level; to build their organisation's image; to implement promotion strategies; and to develop a transparency strategy (Asian Strategy & Leadership Institute, 2011).

Due to the use of social media, it is important for the banks in Malaysia to increase their investments in social media, and It is very important as well for banks to think about the *"adoption of an innovation"* (Perrigot et al, 2012). *"While many see a role for social media – and many more realise that it will be a necessity to service the next generation of customers who have grown up with it". "This is a view of the future of banking, using social tools to not only help run a traditional bank, but to reshape the whole idea of banking"* (BankingTech, n.d).

REFERENCES

- Amarasinghe, A. (2010). What Motivates People to Participate in Social Media?. *Social Media Today*. 20 April. Available at: <http://socialmediatoday.com/SMC/190499>.
- Asian Strategy & Leadership Institute (2011), Engaging the Next Generation Consumer by RHB, 15th Malaysian Banking Summit, 20 - 21 May, Kuala Lumpur, Available at: http://asli.com.my/DOCUMENTS/15MalaysianBankingSummit/Engaging%20Next%20Generation%20Consumers_2.pdf.
- Bankingtech (n.d). The Emperor's New Social Media Site?. Availalbe at: <http://www.bankingtech.com/49401/the-emperor%E2%80%99s-new-social-media-site>.
- Chikandiwa, S.T., Contogiannis, E. and Jembere, E. (2013). The Adoption of Social Media Marketing in South African Banks. *European Business Review*, 25(4), 365-381.
- Constantinides, E. and Fountain, S.J. (2008). Web 2.0: Conceptual Foundations and Marketing Issues. *Journal of Direct, Data and Digital Marketing Practice*, 9(3), 231-244.
- Gu, F. and Widen-Wulff, G. (2010). Scholarly Communication and Possible Changes in the Context of Social Media: A Finnish Case Study. *The Electronic Library*, 29(6), 762-776.
- Sam H. Dekay, S.H. (2012). How Large Companies React to Negative Facebook Comments. *Corporate Communications: An International Journal*, 17(3), 289-299.
- Econsultancy (2013). How banks are using social media. 30 September. Available at: <http://econsultancy.com/my/blog/63493-how-banks-are-using-social-media>.
- Ernst & Young (2012). Available at: [http://www.ey.com/Publication/vwLUAssets/News_release_20120702/\\$FILE/News%20release%20MY%2020120702%20-%20Power%20in%20the%20banking%20relationship%20shifts%20dramatically%20to%20the%20consumer.pdf](http://www.ey.com/Publication/vwLUAssets/News_release_20120702/$FILE/News%20release%20MY%2020120702%20-%20Power%20in%20the%20banking%20relationship%20shifts%20dramatically%20to%20the%20consumer.pdf).
- Goldsmith, R.E., Pagani, M. and Lu, C.J. (2013). Social Network Activity and Contributing to an Online Review Site. *Journal of Research in Interactive Marketing*, 7(2), 100-118.
- Internet World Stats (2013). Asia Marketing Research, Internet Usage, Population Statistics and Facebook Information. September. Available at: <http://www.internetworldstats.com/asia.htm>.
- King, B. (2010). Social Media's Impact on Banking. 19 February. Available at: <http://www.banking4tomorrow.com/media/social-medias-impact-on-banking>.
- Logvinov, M. (n.d). Banks Aren't Social? Think Again. *Bank Tech*. Available at: <http://www.banktech.com/business-intelligence/banks-arent-social-think-again/240162041>.
- Mitic, M. and Kapoulas, A. (2012). Understanding the Role of Social Media in Bank Marketing. *Marketing Intelligence & Planning*, 30(7), 668-686.
- Nelson, A. (2013). Salesforce Marketing Cloud Blog: 10 Social Media Best Practices for Publishing Content. *Salesforce Marketing Cloud*. Available at: <http://www.salesforcemarketingcloud.com/blog/2013/06/social-media-publishing-best-practices>.
- Newstead, H. (2007). Web 2.0/language learning. Available at: <http://web20andlanguagelearning.wikidot.com/second-life>.

- Osatuyi, B. (2013). Information Sharing on Social Media Sites. *Computers in Human Behavior*, 29(6), 2123-2828.
- Panjamorthy, P.K. (2013), Malaysian Banks Should Be Social Media Friendly, *Bernama*, 9 April, Available at: <http://finance.bernama.com/news.php?id=657845>.
- Perrigot, R., Kacker, K., Basset, G. and Cliquet, G. (2012). Antecedents of Early Adoption and Use of Social Media Networks for Stakeholder Communications: Evidence from Franchising. *Journal of Small Business Management*, 50(4), 539–565.
- Samuels, T. (2013). Banking on More Social Media. *Socialnomics*. 20 August. Available at: <http://www.socialnomics.net/2013/08/20/banking-on-more-social-media>.
- Schoen, H., Gayo-Avello, D., Metaxas, P.T., Mustafaraj, E. and Peter, M.S. (2013). The Power of Prediction with Social Media, *Internet Research*, 23(5), 1066-2243.
- Shiri, A. (2009). An Examination of Social Tagging Interface Features and Functionalities: An Analytical Comparison. *Online Information Review*, 33(5), 901-919.
- Singh, N., Lehnert, K. and Bostick, K. (2012). Global Social Media Usage: Insights Into Reaching Consumers Worldwide. *Thunderbird International Business Review*, 54(5), 683-700.
- Smith, T. (2010). Global Social Media Trends—Asia Impact. *GlobalWebIndex*. Available at: <http://www.globalwebindex.net>.
- Strategic Direction (2012). Are Big Banks Engaging Their Stakeholders in a Dialogue?. *Strategic Direction*, 28(6), 7-10.
- Talip, Z. (2013). Malaysia Ranks 8th in Asia as Facebook User. *New Sarawak Tribune*, 15 June. Available at: <http://www.newsarawaktribune.com/news/6837/Malaysia-ranks-8th-in-Asia-as-Facebook-user>.
- The Asian Banker (2010). Innovation in Retail Banking - Asia Pacific. September. Available at: <http://www.theasianbanker.com/assets/media/dl/whitepaper/InnovationReport22Septembe2010.pdf>.
- Toronto SEO (n.d). *Integral Internet Marketing Strategy*. Available at: <http://www.integralseo.com/webstrategy.html>.
- Whiting, A. and Williams, D. (2013). Why People Use Social Media: A Uses and Gratifications Approach. *Qualitative Market Research: An International Journal*, 16(4), 362-369.
- Yu, Y., Duan, W. and Cao, Q. (2013). The Impact of Social and Conventional Media on Firm Equity Value: A Sentiment Analysis Approach. *Decision Support Systems*, 55(4), 919-926.