

AN ASSESSMENT OF THE USE OF SOCIAL MEDIA FOR CUSTOMER ENGAGEMENT BY LARGE BANKS IN KENYA

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Abstract

The purpose of this paper is to assess the use of social media by the large banks in Kenya in enhancing customer engagement. Social media provides an opportunity for brands to build on their customer relationships and improve on their customer's satisfaction. This study specifically looks at the large banks in Kenya. A bank with a weighted composite index of 5 percent and above is classified as a large by the Central Bank of Kenya. This study will use content analysis. This is a set of procedures for the systematic replicable analysis of text by classifying parts of a text through the application of a structured, systematic coding scheme from which conclusions can be drawn about the message content (Rose, Spins and Canhoto, 2015). Rose et al (2015) observe that the rise of the internet creates opportunities for using content analysis to analyze online communication. This research paper found out that the big banks in Kenya have not harnessed the power of social media in their engagement with customers. Despite their being various social media tools, the six banks classified as big by the Central Bank of Kenya only use social networking sites like Facebook and twitter and content communities like you tube. The use of these tools is also wanting as the customer engagement by some of the big banks is minimal with an average of seven posts per month or none at all. It is also noted that some banks do not respond to all customer enquiries on their social media pages. However some banks like Equity Bank are very active on social media and are even able to respond to customer queries and complaints on social media. This research paper only looked at the large banks in Kenya. The Kenyan banking industry consists of 43 banks, six classified as big. This therefore means that the results may not be generalized to the whole banking industry.

Key words: Social media, Large banks, Twitter, Face book, you tube, Blog, Pinterest.

1.0 Introduction

1.1 Background.

With the emergence of social media in the twenty first century, the tools and strategies for communication with customers have changed. Customers do not only engage instantaneously with service providers through social media but even more crucial is the fact that customers engage with each other and are able to compare services and products amongst themselves. This means that incorrect information may travel fast. Social media therefore provides an opportunity for brands to build on their customer relationships and improve on their customer's satisfaction. In Kenya there are a total of five million Facebook users and one million five hundred twitter users. The banking industry in Kenya is vibrant with six banks having been licensed in the last ten years. This has encouraged healthy competition and an almost scramble for customers. Traditional methods have been used in the interaction of banks with their customers. However these financial institutions have not been left behind in the use of social media in communicating with their customers. Most banking institutions in Kenya have active social media pages through which current information on products and services is posted for current and potential customers to utilize. Social media is also used to respond to client inquiries either in regard to current product that they are already consuming or products that they hope to take up. This paper seeks to establish the activity of large banks in Kenya on social media. The study also seeks to establish the frequency of the banks' daily engagement with customers. According to the Central Bank of Kenya (2015) banks are classified into three peer groups that is the large, medium and small using a weighted composite index that consists of net assets, customer deposits, capital and reserves, number of deposit accounts and number of loan accounts. A bank with a weighted composite index of 5 percent and above is classified as a large bank. This paper therefore specifically looks at large banks in Kenya.

2.0 Literature review

2.1 Introduction

Global brands are embracing social media and struggling to understand how social media influences their brand image. Social media has allowed consumers to impact brand equity as never before by controlling brand conversation. In the conference of Corporate Communications of 2010, public relations professionals allude to the fact that the key to influencing a brand perception in the social media space is to concentrate on the mastery of relationships and not the technologies. Brian Sollis who is a respected social media thought leader observes that with the injection of social media into the promotion mix people now have the ability to impact and influence the decisions of their peers and also other newsmakers (Sollis 2007). Kaplan and Heinlein (2010) conducted research to classify social media by grouping applications into categories such as collaborative projects, blogs, content communities, social networking sites and virtual social worlds.

Kenyan banks have adopted social media in their interaction with their customers. The use of facebook, twitter, instagram, pinterest and other social media sites by banks is of interest in this study. According to the Central Bank of Kenya (2015) The Kenyan Banking landscape is made up of 42 banks classified into three tiers which are the large, middle sized and small banks according to a weighted composite index that consists of net assets, customer deposits, capital and reserves, number of deposit accounts and number of loan accounts. A bank with a weighted composite index of 5 percent and above is classified as a large bank. For the period ended 31st December 2014, there were 6 large banks with a market share of 49.9 per cent, 16 medium banks with a market share of 41.7 per cent and 21 small banks with a market share of 8.4 per cent.

2.2 Social Media and the consumer

Social media encompasses a wide range of online, word-of-mouth forums including blogs, company sponsored discussion boards and chat rooms, consumer-to-consumer e-mail, consumer product or service ratings websites and forums, Internet discussion boards and forums, moblogs (sites containing digital audio, images, movies, or photographs), and social networking websites (Mangold and Faulds 2009). Blackshaw and Nazzaro (2004) also refer to social media, as consumer generated media that incorporates a variety of new sources of online information that is created, initiated, circulated and used by consumers intent on educating each other about products, brands, services, personalities and issues. Kaplan and Haenlein (2010) detail the history of social media. They observe that Tom Trusscott and Jim Ellis from Duke University had created the Usenet which was a worldwide discussion system that allowed internet users to post public messages, although they also observe that the era of social media may have started 20 years earlier when Susan and Bruce Abelson founded the 'Open Diary' an early social networking site which brought early online diary writers into one community. Social media has changed the tools strategies for communication with customers and Blackshaw et al (2004) continues to observe that this form of media describes a variety of new sources of online information that are created, initiated, circulated and used by customers intent on educating each other about products, brands, personalities and issues. Mangold et al (2009) concurs with Blackshaw et al and further imitates that because social media is consumer initiated, it has become a major factor in influencing various aspects of consumer behavior including awareness, information acquisition, opinions, attitudes, purchase behavior, and post-purchase communication and evaluation. He goes ahead to give two roles of social media, the first being

consistent with the traditional promotional mix tools that is to inform customers and the second role being that social media is used by customers to talk to each other. Consumers now have the ability to tell thousands of people what they feel about your product and therefore companies are limited in control over the content and dissemination of information by customers. Cooke and Buckley (2007) further emphasise that the key to understanding social media is basically derived from the user generated content itself which has also resulted in consumers utilizing social media on their own initiative instead of being promoted and encouraged.

Entrepreneurs in Africa have always been viewed with distrust by the rest of the global world owing to their reluctance to embrace technology as a tool for business growth. Modern African entrepreneurs have been slow in adopting web-based trends because of a poor Information and Communication Technology infrastructure (Ukpere, Slabbert and Ukpere 2014).

2.3 The use of social media by banks.

In the recent past the use of social media by financial institutions has gained much interest. Delafroz et al (2013) and Persson (2013) observe that the primary objective of increasing the role of technology in the service industry is to reduce cost and eliminate uncertainty as well as reducing heterogeneity that is prevalent in the employee/customer encounter in the service industry. The bank with the highest number of followers on facebook is the Itaú Bank in Brazil with 8,362,332 followers followed by the State Bank of India with 5,713,127 followers (socialbakers,2016). The number of followers on the social media page are of utmost importance as these are the only current or potential customers that the financial institution can interact with on their social media page. Only a few banks are currently providing transactional capability for customers, and relatively few have this planned. Banks would appear to prefer to encourage customers onto the bank's web site for transactions or product sales, where security can be guaranteed and a better level of service provided. Turkish banks, according to a study by Ozelturkay and Mucan (2014) started to use online services and social media tools to establish deeper interactions with their customers for a long term and even identify an innovative bank in Denizbank that announced in 2012 that they would have a facebook branch. This essentially meant that a customer with a facebook account could transfer money any time of the day and monitor their account or credit card. A study of South African banks by Chikandiwa, Contogiannis and Jembere (2013) also observes that 60 percent of South African banks have been using social media in the last two to five years and that the choice of social media tools depended on the customers being targeted. If business to business conversations were being encouraged then customer blogs would be used. Facebook and twitter were the most frequently used, while LinkedIn and blogs were the least used. Only two banks in South Africa confirmed that they had a content management strategy in place. It was observed that the banks use more of social media for customer feedback and solution delivery and less of the same for advertisements and pushing for sales.

2.4 The banking industry in Kenya

During the quarter ended 30th September 2015, the sector comprised 42 commercial banks, 1 mortgage finance company, 12 microfinance banks, 8 representative offices of foreign banks, 86 foreign exchange bureaus, 14 money remittance providers and 3 credit reference bureaus (CBK 2015). The Annual Banking Sector report of 2014 explains that Kenyan Commercial Banks are classified into three peer groups using an index that comprises of net assets, customer

deposits, capital reserves, the number of deposit accounts and the number of loan accounts. A bank with a weighted composite index of 5 percent and above is classified as a large bank. A medium bank has a weighted composite index of between 1 percent and 5 percent cent while a small bank has a weighted composite index of less than 1 per cent. The report goes further to indicate that for the period ending 31st December 2014 there were 6 large banks with a market share of 49.9 per cent, 16 medium banks with a market share of 41.7 per cent and 21 small banks with a market share of 8.4 per cent. The banks that are in the large peer group in order of size beginning with the largest are The Kenya Commercial Bank, The Cooperative Bank, the Equity Bank Limited, The Barclays Bank of Kenya Limited, the Standard Chartered bank Limited and the Commercial Bank of Africa Limited. This paper specifically looks at the activity of the big banks on social media.

2.5 The Kenyan Social Media Space

The International internet world statistics indicate that Kenya has got five million Facebook users with two million daily users. As at the end of the second quarter of 2015, Kenya had 29.6 million internet data subscribers and users with mobile data internet subscriptions contributing ninety nine percent of the total subscriptions. The internet and data penetration is recorded at sixty nine percent. The Communications Authority of Kenya observes that the growth in the data market is due to the availability of internet enabled mobile services and increased connection of the last mile fibre optic network (Communication Authority of Kenya 2015).

2.5 Theoretical framework

2.5.1 The Socio-technical theory

The socio-technical view stresses the joint optimization of the technical and social sub-systems rather than the optimization of the technical sub-system and the adaption of the social sub-system around it (Cherns 1987). The socio-technical perspective recognizes that technology changes the relationship between social and technical sub-systems in organizations (Montano and Dillon 2005). For these reasons it is considered appropriate for banks as the industry seeks to find an effective customer engagement model in the context of a new media environment. The Socio-technical theory is being employed to see the issues that arise in the use of social media technology by banks in their bank customer relationships. Ballantyne 1998 emphasizes that social technical theory is open to the environment and the boundary between the system and external environment must be managed in order that opportunities can be identified and information flow more freely.

2.5.2 The Uses and Gratification Theory

The Uses and Gratifications Theory observes that people by their own choice choose a certain media to gratify their own needs and justify their doing so by asserting that different people use the same mass media for very different purposes (Ruggiero 2000). It uses the theory of mass communication that focuses on individual use and choice of media (Katz et al. 1973). The main purpose of this theory is to explain why people choose a specific medium over alternative communication media and the underlying needs that motivate people to use that media. This theory states that users are goal-directed in their behaviour and are aware of their needs (Cheung et al. 2010). This theory is relevant to this study because bank customers who use social media

are thought to choose the appropriate medium in this case social media because many more people are using the medium and because their end needs are met.

2.5.3 Diffusion of Innovation Theory.

This theory by Rogers (2003) suggests that when a concept is perceived as new, an individual utilizes communication tactics within their social systems to arrive at a decision point of either adoption or rejection of the innovation. The innovation characteristics serve as an important influence over an individual's adoption decision. DIT also predicts that media and other interpersonal contacts provide information and influence consumer behavior. This paper concentrates on the adoption of social media by banks in Kenya.



3.0 Methodology

This is a descriptive study that uses content analysis. This is a set of procedures for the systematic replicable analysis of text by classifying parts of a text through the application of a structured, systematic coding scheme from which conclusions can be drawn about the message content (Rose, Spins and Canhoto, 2015). Rose et al(2015) observe that the rise of the internet creates opportunities for using content analysis to analyze online communication. The data was collected for the year 2014 between the months of January to December. The author visited social media pages of the banks to be able to answer the research questions.

1. Do the banks use social media tools? .
2. What social media tools does the particular bank use?
3. What does the bank use social media for?



4.0DISCUSSIONS AND FINDINGS

Table 1: SOCIAL MEDIA TOOLS USED BY BANKS.

BANK	BLOGS	SOCIAL NETWORKING SITE EG FACEBOOK	VIRTUAL SOCIAL WORLDS	COLLABORATIVE WORLDS	CONTENT COMMUNITIES EG YOUTUBE	VIRTUAL GAME WORLDS
EQUITY BANK LIMITED	BLOG	FB TWITTER LINKED IN	N/A	N/A	YOUTUBE	N/A
COOPERATIVE BANK OF KENYA	BLOG	FB TWITTER LINKED IN	N/A	N/A	YOUTUBE	N/A
BARCLAYS BANK	N/A	FB TWITTER	N/A	N/A	YOUTUBE	N/A
KENYA COMMERCIAL BANK	BLOG	FB TWITTER	N/A	N/A	YOUTUBE	N/A
STANDARD CHARTERED BANK	N/A	FB TWITTER	N/A	N/A	YOUTUBE	N/A
COMMERCIAL BANK OF AFRICA	BLOG	FB TWITTER	N/A	N/A	YOUTUBE	N/A

The large banks in Kenya only use blogs, social networking sites and content communities. Other social media tools like the virtual social worlds, collaborative worlds and virtual game worlds are not yet utilized and yet have a lot of potential in enhancing communication with customers. Note: N/A means that the bank does not use the respective social media tool.

Table 2: SOCIAL NETWORKING TOOLS

BANK	FACEBOOK	TWITTER	LINKED IN	MYSFACE	PINTREST
EQUITY BANK LIMITED	√	√	√		
COOPERATIVE BANK OF KENYA	√	√	√		
BARCLAYS BANK	√	√			
KENYA COMMERCIAL BANK	√	√			
STANDARD CHARTERED BANK	√	√			
COMMERCIAL BANK OF AFRICA	√	√			

Source: Social media bank sites.

The symbol √ indicates that the bank has the respective social media page.

Facebook and twitter are the social networking sites used by the large banks in Kenya. Myspace and Pintrest are not used at all by the large banks in Kenya. Some banks like Cooperative Bank and Equity bank also have linked in accounts.

Table 3: CONTENT COMMUNITIES

BANK	BLOGS
EQUITY BANK LIMITED	http://equitybankgroup.com/blog
COOPERATIVE BANK OF KENYA	https://www.co-opbank.co.ke/blog
BARCLAYS BANK	N/A
KENYA COMMERCIAL BANK	http://blog.kcbbankgroup.com/
STANDARD CHARTERED BANK	N/A
COMMERCIAL BANK OF AFRICA	http://cbagroup.com/blog/daily-exchange-rates/

Source: Social media pages of banks studied

N/A means that the bank does not have a social media page.

Standard Chartered Bank and the Barclays Bank of Kenya do not have blogs. The other four banks use content communities to share their products and services with their clients. On the blogs, these banks post profit announcements, major corporate events and their new products and services. These blogs are also used to educate customers on the safe use of current products. Blogs give the customer the opportunity to give comprehensive feedback.

Table four: BANK TOTAL CUSTOMERS VS SOCIAL MEDIA USERS

BANK	BANK CUSTOMERS In thousands	FACEBOOK USERS	PROPORTION TO TOTAL BANK CUSTOMERS	TWITTER FOLLOWERS	PROPORTION TO TOTAL BANK CUSTOMERS	LINKED IN	PROPORTION TO TOTAL BANK CUSTOMERS
EQUITY BANK	8437	545,400	0.064%	83,402	0.01%	13392	0.002%
Coop bank	2575	664,007	0.25%	91,300	0.035%	2902	0.0011%
STANCHART	215	108,471	0.5%	37,500	0.2%	N/A	N/A
BARCLAYS	1374	224,366	0.16329%	53,900	0.04%	N/A	N/A
CBA	9350	24,433	0.00261%	83,500	0.009%	N/A	N/A
KCB	2324	633,875	0.272%	107,000	0.05%	N/A	N/A

Source: Social media pages of banks studied.

The banks that have very few social media users in comparison to the number of customers of the respective bank. All the banks have less than 1% of their customers utilizing their social media pages. This means that banks may still need to use the traditional methods of passing information which are more expensive. Most customers also may still have to walk to the bank to get information which could easily have been processed securely through social media.

Table 5: THE USE OF SOCIAL MEDIA BY THE BIG BANKS IN KENYA IN THE YEAR 2014

BANK	AVERAGE MONTHLY FACEBOOK UPDATES	AVERAGE FACEBOOK REVIEWS	AVERAGE FACEBOOK WALL INQUIRIES PER MONTH	AVERAGE CUSTOMER RESPONSE RATE ON FACEBOOK	TWEETS AS AT 7/8/2016		
SCB	7	REVIEW DISABLED	18	98%	5,407		
BBK	6.5	REVIEW DISABLED.	>100<200	97%	17,900		
COOP BANK	9	662	>200		29,716		
CBA	6.6	24	6	70%	58,100		
KCB	7	REVIEW DISABLED	>200	95%	148,000		
EBL	30	REVIEW DISABLED	>200	99%	58000		

Source: Social media pages of banks studied.

The most active bank in terms of average monthly facebook updates is the Equity Bank of Kenya. The bank frequently gives updates on its corporate events, new products and services and general promotion campaigns. The bank in turn experiences a lot of customer enquiries on facebook which are actively responded to. The Kenya Commercial Bank of Kenya has not responded to several customer enquiries in the month of July 2016 thus lowering its response rate to 95%. It can be noted that although the Commercial Bank of Arica is the largest bank in

Kenya in terms of the number of customers, it has very few facebook enquiries. Notable also is that the bank does not respond to all the enquiries on its page.

Conclusion

Social media gives Kenyan bank a cost friendly communication vehicle. However the tool is not fully utilized and the number of customers with whom the banks are able to engage with on social media is wanting. Banks are not giving adequate information on social media. They are also not responding to all customer queries on social media and this discourages customers from using the tool. The financial institutions can rectify this by having a social media policy which will enable them to have quality engagement on social media and also will help them reap the most from the vehicle.



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