

Impact of Financial Service Providers Using Social Media: A SWOT-Analysis

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1. Introduction and Motivation

This thesis explores the potential strategies for banks to effectively use Social Media, in particular, on the platform *Facebook*. By Conducting a SWOT-Analysis on the example of the Sparkassen Finanzgruppe, not only are the strengths and weaknesses of the company analyzed, but also the latent opportunities and threats in the environment of the enterprise. The external analysis of the potential opportunities and threats will be conducted by using the PESTLE approach. The Sparkassen Finanzgruppe is constantly working on improving its Social Media appearance and the utility it derives from it.

Beginning with an introduction into Social Media and the current situation of its usage by German banks, and its outreach, the focus will be set on Facebook. Since Social Media is a wide range topic, the scope will be narrowed and specified in the first chapter. Through a review of literature, we explore the potentials for Financial Service Providers to use Social Media, and the extent of German banks that already use this medium. The current position for the Sparkasse on Facebook will be analyzed by evaluating statistics created by using the Social Media-Analysis tool Quintly. Based on the results of the SWOT-Analysis, different strategy options will be examined and summarized in a SWOT-Table in the final conclusion. These distinctive strategy groups can be aggregated in four particular combinations for a company's actions.

The image of Financial Service Providers has been severely damaged by the crisis in the past years. Additionally, few banks have lost a part of their customers' trust through disclosure topics and other matters. Regarding this situation, the conclusion will give a statement about whether Social Media can help regain the customers trust, and if so, which activities and attempts should be considered. The conclusion of this thesis will summarize the findings of the analysis.

5. Conclusion

Digitalization in the last years has changed the way information is communicated and consumed. The amount of internet usage is enormous and the number of people who are using Social Media is increasing with a positive trend. Every day new online forms and activities appear such as blogs, forums, networks and many more. The digitalization and Social Media create a new source for customers to get information, communicate with each other and interact with companies. Case studies prove that Social Media significantly influences the investment behavior, by showing that people trust recommendations published by other customers on the social web. There are clear indications that the usage of Social Media benefits and increases the value of a company e.g. through improving customer relations or improving the image and reputation. These arguments make it necessary for German banks to further engage in Social Media. Through the Web 2.0 big potentials for German banks still lie in Social Media, particularly in Facebook, and are waiting to be exploited. On the other side there are possible threats due to the increase of power on the user side, which can lead to grave negative impacts on the image of the banks (e.g. Shitstorms). In conclusion it can be said that the banking industry is still holding back when it comes to using Social Media efficiently. Many of the banks do have a fan page on several Social Media platforms but the users hardly notice their presence. It is shown that the users on the other side wish for more communication and interaction possibilities with the banks. In addition to having to keep up with the strict banking regulations, it is evident that it is also necessary to act and to keep connected to the internet-affine customers and to exploit the first-mover advantages by being innovative. Social Media cannot be seen as a one-time campaign like the “Giro sucht Hero” campaign but rather as a customer service operated on a daily basis. An authentic dialogue with the fans is necessary which means that it is not enough to only have fan page with a large number of fans but it is also necessary to manage the site efficiently. Nothing is more difficult than earning back trust and faith, which were lost during the financial crisis, but if efficiently used, Social Media provides a valuable chance to reconnect to the customers and to rebuild trustworthy relationships. Due to the many currently unexploited digital possibilities, it is very likely that there will be many movements and changes in the near future for banks and for customers.