

Social Network Usage of Financial Institutions: A SWOT Analysis based on Sparkasse

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Abstract

In addition to the consequences of the recent financial crisis, traditional financial institutions experience increased competition. New providers offer innovative product solutions and creative ideas of sales approaches and customer retention. In their need to stay competitive, traditional institutions need to find new and entertaining ways of keeping up with their customers. One potential solution lies in social networks, which play an important role in everyday-life of their increasing number of regular users. These networks are typically used to connect with friends, but also to gather and share information about companies or products. The usage of social networks by financial institutions is associated with diverse risks, but at the same time holds great potential to set an organization apart from its competitors. To analyze related chances and risks, a SWOT analysis examines Facebook activities of the Sparkasse. In an internal analysis strengths and weaknesses of the organization are assessed. An external analysis reviews opportunities and threats using the PEST approach. Resulting strategies and recommendations are presented and discussed.

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1. Introduction and Motivation

The traditional financial sector lives through rough times. Altered, and potentially difficult market conditions, resulting from the financial crisis, inventive competitors, and increased technology-driven opportunities, require organizations to amend the way they do business to stay competitive. In order to regain trust in their business, attract new customers, and retain existing ones, financial institutions have to be creative and innovative while remaining adaptable to change. An often underestimated possibility for achieving customer satisfaction is to take part in social media (Stempel 2014). While initially often used by younger generations, the age-span between 35 and 44 years also increasingly uses social media (Kaplan and Haenlein 2010). Social networks, such as Facebook, with millions of regular users allow to connect with friends, but also to gather and share information about companies and products. Consequently, social networks represent a platform for organizations to present and directly discuss their products or services. Yet, only few organization feel comfortable to constantly interact in a digital environment with increasingly reduced control of the information available about them (Kaplan and Haenlein 2010). With threats ranging from shared negative user input to serious shit-storms that potentially damage an organization's reputation as reported by Yang and Albers (2013), resistance to social network activities is more than understandable. However, the usage of social networks holds great potential to set an organization apart from its competitors. To date, many financial institutions hold Facebook accounts, but most of their activities remain conservative and cautious (Czotscher and Heck 2014). One of these accounts belongs to the German bank Sparkasse, who holds the pole position of German banks with regards to the number of Facebook fans and serves as an application example in the course of this paper. By means of the Sparkasse, chances and risks of social media presence are analyzed using a SWOT analysis to answer the following research questions:

1. Which opportunities and threats need to be considered when using social networks as a financial institution?
2. Which recommendations and strategies can be derived from the SWOT analysis to support the Sparkasse and other banks to strengthen their position and remain competitive?

To answer these questions, the remainder of the paper is structured as follows: first the theoretical background is described, covering methodology, the use of social networks by financial institutions and existing studies regarding this topic. Subsequently, a SWOT analysis is conducted and leads to possible recommendations. A discussion followed by a conclusion and outlook complete the paper.

2. Research Methodology, State of the Art, and Related Work

2.1. *SWOT Analysis including the PEST Approach*

A SWOT analysis is a strategic planning tool to systematically assess and evaluate strengths, weaknesses, opportunities, and threats of an organization. While strengths and weaknesses are typically internal to an organization, opportunities and threats usually refer to external or environmental factors. Developed by the Harvard Business School in the 1960's, the objective of the SWOT is to investigate interdependencies between the organization and its environment and to derive recommendations for the organization (Müller-Stewens and Lechner 2011). The internal analysis assesses strengths and weaknesses of the organization itself, including core capabilities, skills, routines, and resources. It also involves a comparison with competitors to clearly identify where the organization is considerably better or weaker (Matzler, Müller, and Mooradian 2013). The external analysis reviews opportunities and threats, and, as suggested by Matzler, Müller, and Mooradian (2013), can be supported by means of a PEST analysis to strategically assess political, economic, social, and technological factors. Outcomes of the sub-analyses of the SWOT are then integrated into a 2x2-matrix, allowing to correlate all aspects with each other and to draw recommendations for strategic planning, with the ambition to maximize strengths and opportunities and minimize weaknesses and threats (Pearce and Robinson 2011).

2.2. Social Networks and their Use by Financial Institutions

Social media, with a focus on social networks in this paper, is based on internet applications that allow the creation and exchange of user-generated content. As to Boyd and Ellison (2007), social networks include the possibility to create a public or semi-public profile, define other users one shares a connection with, and view and traverse the lists of interconnections of oneself and others. One of the most famous social networks is Facebook. Facebook was published in 2004 and has approximately 1.49 billion monthly active users as of June 30th 2015 (Facebook 2015a). It provides possibilities to maintain relationships, communicate with friends and acquaintances, as well as gather and share information about companies and products (Boyd and Ellison 2007). Facebook further allows to derive statistics of the Facebook account, including the number of friends, followers, or fans and the frequency of own posts, based on the type of post. The most relevant measure of success, however, is suggested to be the activity of the addressed users, specifically shares and comments, which act as multipliers (Ketchum Pleon Germany 2015).

Financial institutions do not represent the typical initial user group of social networks. Even though the financial sector started to realize and utilize respective benefits, there still appear to be unleashed opportunities. In contrast to news services or retail firms, the activity of banks using Facebook is yet comparatively low (Stempel 2015). This is particularly valid for the German banking sector. It gets visible when comparing the bank Sparkasse, with 125,000 fans in July 2015 (Facebook 2015b), with the German internet-based retailer Amazon.de, with approximately 3.1 million fans (Facebook 2015c). To be fair, the number of Amazon customers exceed the Sparkasse ones, still, these numbers provide an idea on social network marketing potential. Regarding the German banking sector's Facebook presence, the Sparkasse is ahead of their competitors, potentially due to their recent focus on social media. Their mission statement presented in 2014 emphasizes their changing attitude towards social media. They want to use their online presence to keep their marketing promises of being fair, humane, and close to their customers. Therefore they focus on dialog and service, which is facilitated by social networks through direct and personable communication to costumers, prospects, and non-customers. In addition, the establishment of a special social media monitoring and escalation management further emphasizes the growing importance of social media (Sparkassen-Finanzportal GmbH 2014).

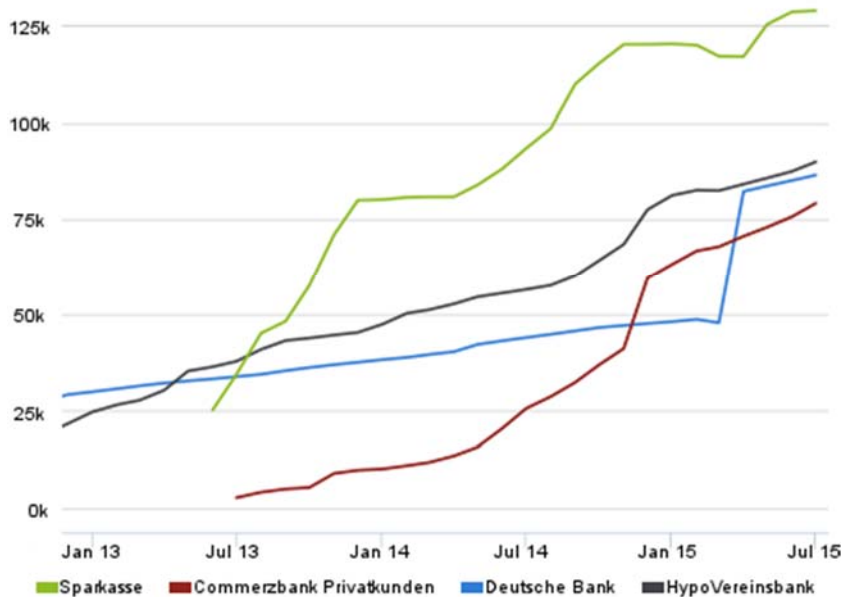


Figure 1. Total Number of Facebook Fans of chosen German Banks from January 2013 to July 2015 (Quintly 2015)

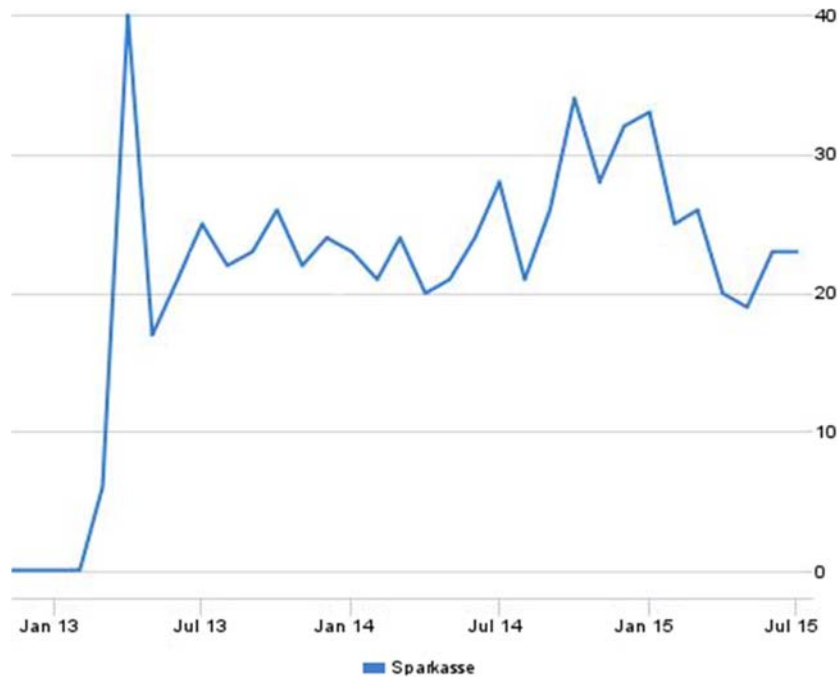


Figure 2. Number of Sparkasse's Own Posts from January 2013 to July 2015 (Quintly 2015)

A comparison of the German banking sector depicts the Sparkasse as holding the highest number of Facebook fans, followed by Hypovereinsbank, Commerzbank Privatkunden, and Deutsche Bank. Figure 1 illustrates respective Hypo numbers from January 2013 till July 2015. As visible, statistics for the Facebook accounts of Sparkasse and Commerzbank Privatkunden were not launched before July 2015. Represented by the green line, the Sparkasse reached more than 100,000 new fans within the first two years of their account. Thereby they outperformed both, existing and new, Facebook accounts of their competitors. Figure 2 represents the number of own posts per month for the same timeframe, which settles at about 25 posts per month after initial "enthusiasm". Through their continuous posts, the Sparkasse apparently attracts new fans; yet the curve appears to slowly flatten.

2.3. Literature Review

Investigations analyzing social media usage of financial institutions are rare. In a case study, Stempel (2014) analyzes success-factors of Facebook activities within the financial sector. The study shows that the financial industry is becoming more professional and strategic about social network activities. It draws the recommendation for financial service providers to not only share serious and neutral information but also make entertaining features part of their Facebook activities. This is based on the finding that Facebook users prefer to click the like-button on entertaining posts rather than on posts that contain mere product or service information. The predicament is that entertaining posts do not seem to suit serious financial service providers, resulting in the difficult task of successfully mixing of both, entertainment and information. In the past, this has led to successful, but also to failed attempts, and to date represents one of the biggest challenges financial organizations face in their social network appearances (Stempel 2014). Introduced by the consultancy Faktenkontor GmbH, the case study Social Media-Atlas 2014/2015 concludes that social media is still unexplored by the financial sector. They find that 82 percent of the German social media users have not seen any activities of banks or insurances within a period of 6 months, which demonstrates the great potential of social media for financial institutions. Nevertheless, Czotscher and Heck (2014) discover that most of the financial institutions are represented on social media platforms. Their main reasons are the opportunities of image building, recommendations, as well as trend observations and improvement of customer loyalty. Yet, they also recognize the risks that social media bears. One of those risks is described by Yang and Albers (2013)

as the snowball effect: negative user input turns into so called shit-storms, which in turn lead to vast reputation damages of an organization. As a consequence, the banking sector is still quite careful in using social media and social networks. Due to the difficulty of combining increasing customer demand for open interactions with strictly internal security regulations and enterprise culture, successful implementation of a social network representation remains challenging (Hilker and Raake 2010).

In conclusion, literature identifies a general need for the financial sector to adapt to the changing customer demand in the era of social media, in order to keep in contact with their customers and to stay competitive. Concrete recommendations include the combination of entertaining and informative aspects as well as continuous activity in the social network.

3. Internal Analysis: Strengths and Weaknesses

3.1. Strength Analysis

The Sparkassen-Finanzgruppe, which the Sparkasse is a part of, is Germany's largest banking group. Its particular strength lies in the local presence of their business units, combined with a policy of close cooperation between its roughly 600 member institutions. These institutions include savings banks, building and loan associations, public insurers, investment funds, and other financial service providers, which are each independently managed. A joint liability system has been established 40 years ago and guarantees the solvency and liquidity of all member institutions through protection of customer deposits with guarantee funds. Additionally, the stability and performance of the Sparkassen-Finanzgruppe is reassured by rating agencies such as Moody's, Fitch, and DBRS. When it comes to providing long-term support to businesses, three out of four enterprises in Germany place their trust in the Sparkassen-Finanzgruppe. In 2014, the Sparkassen-Finanzgruppe had a business volume of 2,086.8 Euros, which equals a market share of 30.7%. At the same time, the market share of its savings bank Sparkasse amounted to 16.6%, which demonstrates its huge size and resulting influence in the banking market (Deutscher Sparkassen- und Giroverband 2015).

The Sparkasse has been successful for more than 200 years and is characterized by closeness to their customers through more than 14,000 locally anchored branch offices and an orientation towards the common good (Deutscher Sparkassen- und Giroverband 2015). Their activities are essentially focused on the broad participation of the population with the aim of developing local welfare and increasing economic strength. The latest update of their business strategy in 2014 supports their traditional approach in underlining the importance of personal advisory services. It also broadens their practices to improved digital offerings and greater economic freedom through streamlined processes. The financial report 2014 further elaborates the aim of the Sparkasse to turn modern technology into positive utility for customers, which can be quantified in terms of mobility, comfort, and security. Their goal is to offer barrier-free-services and take advantage of the full potential of digitalization. Especially the usage of their apps is very popular and deepens the relationship to their customers. By means of new technologies, they can serve requests at any time and better respond to customer needs (Deutscher Sparkassen- und Giroverband 2015). In addition to the app, their Facebook account helps to further improve closeness to their customers and increases communication opportunities. Besides answering customers' questions, the channel is used to distribute offers and other relevant information. To support their online presence they established a special social media monitoring and escalation management, including a respective conflict team (Sparkassen-Finanzportal GmbH 2014). The introduction of their campaign "Giro sucht Hero" proves the successful usage of Facebook by the Sparkasse; however, this strength quickly turned into a weakness when the campaign was closed after several months, with an announcement on their account to join other sub-accounts of the Sparkasse. This caused frustration among users and again emphasizes the importance of ongoing and cautious social media activity.

3.2. Weakness Analysis

While strengths are typically well-communicated by organizations, their weaknesses are much harder to assess. This chapter therefore focuses on statistics and content of the Sparkasse's Facebook appearance. A case study by Ketchum Pleon Germany (2015) compared the digital communication of U.S. financial institutions with German ones including activities on Facebook, Twitter, and Google+. Even though their statistics are debatable to some degree, the authors' give valuable hints on social network usage in the financial sector. An interesting finding of their work are differences in expectations and type of usage of social networks between the U.S. and Germany. Social networks are often used as a complaint channel in Germany, necessitating quick reactions on posts to create positive customer experiences. While social network content on the organization's competence is unpopular in both countries, price draws, followed intermittently by entertainment, generate the most interaction in Germany. Still, German financial institutions mostly post competence-related content rather than trying to entertain their fans. This is visualized in Figure 3, which shows the post type distribution of the four banks with most Facebook fans in the period from July 2013 and July 2015, and depicts a weakness of the Sparkasse Facebook account: their implementation of price raffles (unified under the category miscellaneous) and entertainment (accomplished by videos rather than links or photos), is negligible, even though most important to German users.

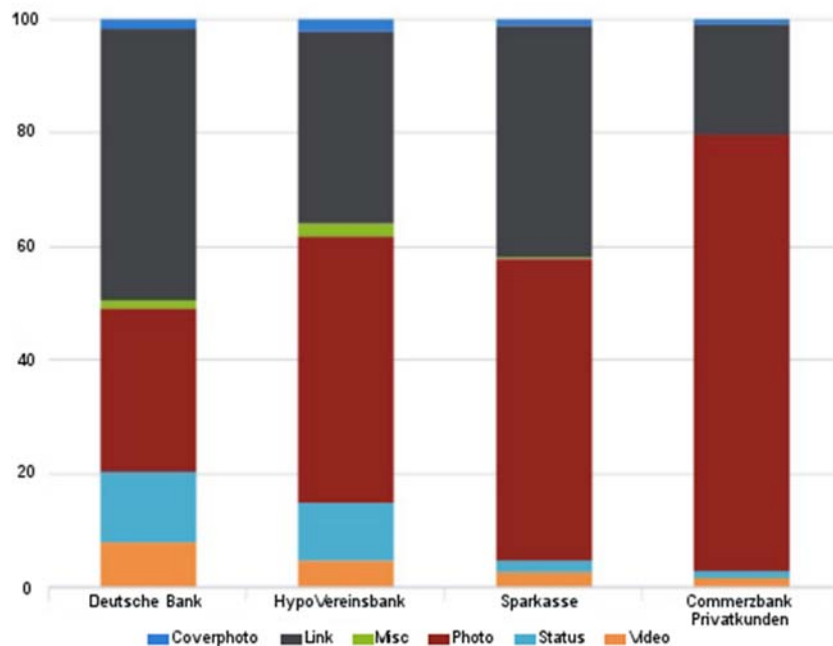


Figure 3. Post Type Distribution of chosen German Banks from July 2013 to July 2015 (Quintly 2015)

To measure the reactions of Facebook fans regarding the activities of Facebook accounts, the interaction rate could be consulted. Figure 4 shows these proportion of these banks in the interval from July 2013 to July 2015. The interaction rate refers to the percentage of users who react to a post by either clicking the like button, sharing, or commenting on the post (Facebook 2015d). It uncovers differences in interactions between German banks, again demonstrating room for improvement for the Sparkasse, which falls behind interactions of Deutsche Bank and Commerzbank.

Another not yet mentioned issue is the high number of Facebook sub-accounts of the Sparkasse, each varying in activity and post content. While on the one hand the local content can be emphasized, on the other hand a corporate identity gets harder to grasp and content strongly relies on motivation and experience of the local business.

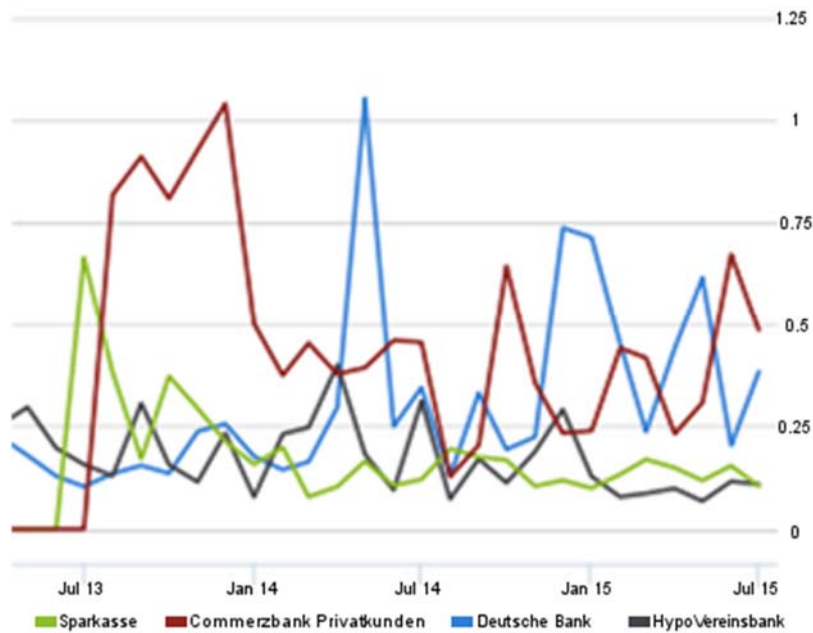


Figure 4. Interaction Rate of chosen German Banks from July 2013 to July 2015 (Quintly 2015)

4. External Analysis: Opportunities and Threats

4.1. Political, Regulatory, and Legal Analysis

Political regulations for the use of social media by persons or organizations do not exist. Regarding the operator site, pre-requirements have to be met and terms and conditions have to be accepted. A legal aspect is the imprint, which is obligatory for an organization account as stated in TMG §5. When using graphics, drawings, and photos created by others, the copyright in accordance with UrhG §2, §19a, and §72, has to be taken into consideration, meaning that none of the published media is used without the authors consent. UrhG §2, §73, §82, further limit posting and sharing of texts, music, and videos. This strongly influences posting or sharing entertaining media and needs to be considered. Other legal rules regarding, e.g., price draws, need to be reviewed before implementation on a case-by-case basis. Concerning their daily business, the German Federal Financial Supervisory Authority is responsible to control German banks with regards to the compliance with the requirements defined by the German Banking Act, as well as the Capital Requirements Regulation and the Single Supervisory Mechanism, both following regulations throughout the EU. The banks have to fulfill certain minimum levels of capital and meet strict supervisory demands. Further laws and rules are the Securities Trading Act and, additionally, other related nationwide laws. In conclusion, in the political context, there are no guidelines for banks to follow when using Facebook, but there are several legal restrictions, which have to be fulfilled.

4.2. Economic Analysis

A solid banking system is one of the crucial factors for the development of a country. With functions such as handling of monetary transactions, management of savings deposits, and allocation of credits, banks are required for a functioning economy. At the same time, banks are part of that economy and need to master their competition. Economic advantages of using social media were evaluated by the management consultancy McKinsey in an investigation with 3,249 companies, with the objective of identifying existing benefits of an intense social media usage compared to non-participation in social media. Mentioned benefits range from direct and immediate access to information, lower communication costs, and more effective marketing. Resulting competitive advantages, as reported by organizations, include more satisfied customers, increased revenues, and higher market shares. Regarding successful application, findings indicate that social media has to be integrated in the daily business and

has to be used on a daily basis to take full advantage of it (Bughin and Chui 2011). Another case study conducted by Deloitte analyzes the global economic impact of Facebook. The study estimates a \$227 billion impact on the economy and 4.5 million new jobs globally in 2014 through the three main Facebook channels which are: serving as a tool for marketers, a platform for app development, and a catalyst for connectivity. About \$148 billion can be apportioned to marketing effects, \$29 billion to platform effects, and about \$50 billion to connectivity effects. This indicates the economic impact of Facebook for organizations using it as a marketing platform to connect with consumers and build brand value. The developer platform facilitates the creation and embedding of apps, allows for plugins, such as like-buttons on the organizations' websites and also includes an events feature to organize and invite to events via Facebook. Aside from the like-button, these options are not widely used in the financial sector, even though holding much potential. Connectivity effects create Facebook-motivated internet use and purchase of new, more powerful devices, which allow customers to stay Facebook-connected via their portable devices. The increasing number of online customers with high-tech equipment represents just another argument for further engaging in social media (Deloitte 2015).

4.3. *Social and Cultural Analysis*

Through their approach of being locally present to allow for direct contact, the Sparkasse attracts especially older people, who represent an increasing percentage of the German population and who are characterized by a high demand for financial services and a comparatively good welfare. Their availability depicts a competitive advantage regarding the older half of their potential customer pool. Younger generations increasingly carry out financial transactions online and often value quick electronic responses rather than personal consultation. This group is typically equipped with latest technology smartphones granting constant internet access. In today's digitalized world, it is therefore not sufficient to be locally available, but requires for banks to amend to the changing demand in order to particularly attract young people. Social networks such as Facebook are a possibility to strengthen the contact to existing customers and to acquire new customers through interesting posts and information, which get distributed by Facebook users who like, share or comment the respective content. Despite risks such as shit-storms and negative publicity, the social behavior of Facebook users implies great potential and competitive advantages for banks as well as other financial institutions.

4.4. *Technological and Physical Analysis*

Technologically, the main target population is equipped with required devices to participate in social media and social networks. Almost every household has a personal computer, an internet connection, and a web-browser. Thereof, nearly 30 million dispose a broadband connection with fast download and upload rates (Bundesnetzagentur 2015). In addition, the number of mobile internet users in Germany equals about 56% of the entire German population, while 89% of these are using mobile internet through smartphones or tablets (Verband Internet Reisevertrieb 2015). The number of current smartphone users in Germany amounts to 45.6 million (Schmidt 2015). With the prospect of annually ascending numbers, the potential of social networks continuously rises. With regards to social networks, in Germany there are no restriction in using Facebook. In May 2014, approximately 28 million users were active on Facebook in Germany (Thomashutter.com 2014). The high potential of mobile Facebook usage is demonstrated by 88.2% of the total active users, who had access via mobile devices (eMarketer 2015), and by 34.8 % of all active users, who solely used Facebook in a mobile form (OECD 2015). Based on these numbers, the benefits of an active participation of organizations in this increasing market segment are on hand. Especially within the financial sector, where social media and especially social network activity is comparatively low and the battle for customers is high, resulting competitive advantages in form of first-mover advantages are evident and should be considered by financial institutions (Lieberman and Montgomery 1988).

5. Resulting Key Issues

In this chapter, the resulting key issues gained within the internal and external analysis are briefly named for overview reasons and to allow for strategy derivation.

Internal analysis:

Strengths:

- Part of Germany's largest banking group with guaranteed solvency and liquidity
- Local presence with close contact to the customers
- Conservative and sustainable policies
- Existing social media monitoring, including a respective conflict team for escalation management
- Big customer pool with existing distribution and sales network
- Important and successful tradition for more than 200 years
- Mission statement emphasizing on social responsibility and trust

Weaknesses:

- No corporate Sparkasse profile leading to quality differences between accounts
- Difficulties in publishing entertaining Facebook posts
- Relatively low interaction rate on Facebook
- Improvement options regarding continuous usage

External Analysis:

Opportunities:

- Reach increasing number of Facebook users
- Exploit first-mover advantage
- Use influencing marketing advantages, as banking customers trust recommendation in the social web
- Positive GDP growth rate forecast
- Positive customer attitudes towards social media
- Existing and continuously improving technology
- Increasing mobile and stationary technology usage

Threats:

- Loss of control
- Shit-storms
- Requirement for fast responses at all time, as slow response times compromise customers' opinions and expectations
- Reputational damage
- Lack of expertise easily leading to loss of trust

6. Strategies and Recommendations

Based on elaborated strengths, weaknesses, opportunities, and threats of the Sparkasse with a focus on their Facebook usage, strategies are derived by correlating all aspects with each other. Figure 5 shows these strategies. Corresponding practical recommendations are referred to in brackets and are summarized in the lower part of the table. Both, strategies and recommendations, are intended to show the business case for Facebook usage on the basis of meaningful examples. Hence, further elaboration and detailed cost-benefit and risk analyses are recommended before real-life implementation.

	Strengths	Weaknesses
Opportunities	<p><u>Strength-opportunity strategy:</u></p> <p>Use the Sparkasse's local presence and large customer network in order to reach out for new Facebook fans. As banking customers trust online recommendations and ratings, Facebook recommendations on financial products are valuable marketing for the Sparkasse (1). Reverse strategy: reach out for the high number of existing Facebook fans; aim to illustrate the local presence and high quality of personal consultation, leading to increased online recommendations, which generate trust in the Sparkasse (2). Combine the high number of Facebook fans with the Sparkasse's strengths of tradition and size; increase knowledge about the Sparkasse and their products of the fans, who in turn may recommend the Sparkasse to their (online) friends (3). Supported all strategies by the existing social media monitoring system.</p>	<p><u>Weakness-opportunity strategy:</u></p> <p>Turn one of the Sparkasse's big weaknesses into a strength by aligning Facebook activities. Group all local Sparkasse Facebook profiles under the corporate one and assign clear responsibilities so that fans receive complementary general and local information, increasing the perceived value of being a fan. Make the profile more attractive: provide serious information in an entertaining way or offer prize draws to increase number of fans, likes, shares, comments, and corresponding interaction rates (3, 4). Pick up on actual topics of concern. Posts on how to locally or monetary help refugees or on ways of early conflict resolutions. In addition to boosting interaction, these posts also reflect the social aspects the Sparkasse addresses in their mission statements and emphasize responsibility and trust.</p>
Threats	<p><u>Strength-threat strategy:</u></p> <p>Strategically address the threat of shit-storms by existing social media monitoring policies and by training and regular meetings for employees involved in social media. Provide clear guidelines on Facebook usage to ensure required knowledge to avoid social or legal risks, and help to standardize the many different Sparkasse sub-accounts. Support standardization by analysis of existing successful accounts to benefit from spillover effects. Implement social media support team to further support local subsidiaries with limited competency in the area of social media. As a result, improved competencies and knowledge help to prevent the risks of reputational damage, and make the usage of social media more effective.</p>	<p><u>Weakness-threat strategy:</u></p> <p>To avoid the threats of reputational damage, the Sparkasse very cautiously uses their Facebook profile. Increase profile attractiveness to gain additional fans: encompass entertaining posts on serious topics, price draws, while keeping clear Facebook usage policies. Diminish threats by achieving and maintaining open and trustful communication with the press, as well as transparent business policies and early information of the customers about change. Delegate the task of representing the company in the social network to assigned responsibilities; only those publish specific information and need to receive correct and relevant information from management. The existing social media monitoring is a tool to support these approaches.</p>
<p><u>Practical recommendations:</u></p> <ol style="list-style-type: none"> (1) Initiate prize draw flyer campaign through local Sparkasse-subsidaries: flyers point to Facebook page, amongst all new fans a bank account with 50€ seed money is drawn per month; ongoing online campaign. (2) Initiate prize draw on Facebook: amongst all fans who print out a flyer and join a personal consultation a bank account with 50€ seed money is drawn; initiative limited to timeframe to motivate quick reactions. (3) Initiate price draw on Facebook: review Sparkasse homepage to answer questions about Sparkasse and their products; as the inhibition threshold is expected to be lower than above, offer smaller prizes, e.g., a limited number of 5€ Amazon vouchers; initiative limited to timeframe to motivate quick reactions. (4) Start weekly video series on serious bank-related (not Sparkasse-specific) topics explained in an understandable and entertaining way in 30 seconds; embed in larger marketing initiative to use local presence via posters picking up the motto and referring to the videos. 		

Figure 5. Derived SWOT Strategies and Recommendations

7. Discussion and Limitations

In the course of this paper we conducted a SWOT analysis focusing on Facebook usage of the Sparkasse. As part of the SWOT, we described opportunities and threats that need to be taken into account when implementing social networks as a financial institution, and thereby answered our first research question. Strategies and recommendations derived from correlating strengths, weaknesses, opportunities, and threats with each other were elaborated and answered our second research question. As a general result of the SWOT, we clearly recommend for financial institutions to increase and improve their online appearance and interactions when following clear and strict guidelines and policies. At the same time, we explicitly caution against careless posts or negative emotional reactions to critics, as these can easily result in bad publicity.

Certain limitations need to be mentioned when reviewing the work and its recommendations. In a SWOT analysis, internal strengths are often overemphasized while external threats are underestimated. Our application example clearly shows more strengths than weaknesses, partly based on the fact that the analysis was conducted from outside of the organization, using company-published material focusing on strengths. We consider this matter by recommending cautious Facebook posts and presenting serious content in an entertaining way rather than focusing on mere entertainment. These recommendations do not replace a review of each potential post with common sense and all due diligence. This certainly represents a challenge as it differs from how people usually post on Facebook and shall be mitigated by the suggested trainings and guidelines. Another limitation refers to the nature of the SWOT analysis, which usually represents a snapshot of a situation and changes over time (Pearce and Robinson 2011). Recommendations may consequently have to be amended on a regular basis. Moreover, the SWOT is limited to the Sparkasse; it is transferable to other German banks and financial institution to some degree and clearly needs extensive amendment for application in other countries.

8. Conclusions and Outlook

The increasing digitalization and the enormous amount of internet and social media usage come up with new business and marketing opportunities for organizations, but at the same time hold detrimental traps. This leads especially financial institutions to carefully approach social media and social networks and leaves a lot of potential unexplored.

In this paper we investigated internal and external conditions of a financial organization and derived recommendations for the financial sector using the Facebook-fan-equipped Sparkasse as an application example. We discussed opportunities of customer attraction, satisfaction, and retention originating from Facebook. In addition, we explained how appropriate usage of the Facebook account can depict a business case and lead to competitive advantage. However, we indicated the peril of social media to backfire, leading to bad publicity and potential reputation damages.

In conclusion, Facebook as well as other social networks, hold tremendous potential. This applies specifically to the financial sector, which has not yet discovered its full potential. An inclusive approach of Facebook usage therefore may lead to powerful first-mover advantages, including an increasing number of Facebook fans, enhanced interactions, but also a good impression amongst users. As a consequence, Facebook based marketing initiatives can easily reach customers and potential customer without major financial impact. Admittedly, the successful management of associated risks is crucial in this context and needs sound assessment before taking action.

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