

# **The Dutch financial sector and social media**



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## Executive Summary

This research has been conducted to find out which relationship exist between social media and the Dutch financial sector. This report focuses on the image of the financial sector and the application of social media as communication tool. To obtain data and information of customers a survey has been conducted for this research.

Social media, which are new, interactive types of media that focus on ‘connecting and sharing’ simplify the distribution of information. Statistics on the use of social media are increasing explosively and there are many advantages for using them; social media is quick, easy and can increase a company’s transparency. However, there are also disadvantages, for instance information overload, the time that it costs or difficulties with the segmentation of customers.

The Dutch financial sector is one of the highest concentrated banking sectors in the world and has five main players. The image of this sector before the financial crisis was better than the identity of the sector and therefore the chance of failure was high. The image of the sector changed negatively due to the financial crisis. Nevertheless, respondents of the survey show high customer loyalty. However, 91% of the respondents is more cautious concerning the financial institutions and the trust of 29% declined. The most important features that a bank should have are: trustworthiness, honesty, reliability and stability. Concerning the use of social media, banks state to use social media in their communication towards customers although most of the respondents are not aware of this; a clear discrepancy exists here.

The Dutch financial sector is subject to different trends to which it need to adapt. Examples are: the introduction of the Single European Payment Area (SEPA), use of intermediaries and new ways of communication: Internet banking, mobile banking and the use of social media. Most of the main players are applying social media within their communication activities, this partly due to the low reputational sector. There are many motivational needs for banks to use social media, among them are: strengthen the relationship with customers and the financial benefits. Customers can make or break a brand with using social media, therefore it is necessary for banks to use social media to communicate with their customers and to control their image. Before starting with social media, the persons responsible should possess the required know how.

Social media can be implemented by taking the following steps:

1. Set measurable goals and focus on long term objectives
2. Segment the customers and start listening to them
3. Integrate social media within the company
4. Use new ways of communication
5. Use new ways of marketing
6. Keep monitoring and react
7. Measure and evaluate

Social media guidelines need to be established to make sure one, aligned message will be sent out by employees. When implementing social media within the company, a team with representatives from every department should be created. When reacting on possible damaging statements, react on the same media and respond quick. The existing discrepancy concerning the possibility to communicate with the bank on social media needs to be solved by raising awareness about it.

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## **Preface**

The last couple of years, two of the main topics covered by the media were the financial crisis and social media. The negative media attention concerning the Dutch financial market made me cautious about this sector and raised my concerns. With the DSB bank as example of a stable bank turning into a bankrupt business my interest was quickly captured. Was it true that social media could make a bank collapse? Therefore, I decided to use this topic for my final thesis and chose to examine which role social media played regarding the Dutch financial sector and its image.

With the Netherlands slowly recovering from the financial crisis, my worries have mainly disappeared and my confidence in the financial sector is restored. The developments within social media are happening enormously fast and with a printed report the danger always exists that it will be outdated soon. Nevertheless, I hope that this research report will clarify the role of social media within the financial crisis, within the Dutch financial sector and I hope that possible existing worries from readers will dissolve after having read this report.

For all the support I received during the period of writing this report I would like to thank my family and friends. I would like to say special thanks to:

My supervisor Mrs. E.C.J Nieuweboer for her feedback and advice, and to Jelmar Evenhuis and Rob de Rijk for their feedback and support.

## Introduction

### Motivation for research:

When started with this research report, the economic consequences of the financial crisis were not visible yet. In the Netherlands, the DSB bank went bankrupt and the media did not stop reporting about new malpractices in the financial sector. Social media was a 'new' type of communication and seemed to play an important role in the fast spreading of news and rumours. Therefore, this research will concentrate on social media and which role it played during the financial crisis; a specific focus will be on the image of the financial institutions.

### Research questions

The Central Question of this research is: *"What influence has social media on the image of the Dutch banking sector?"*

Sub questions, structured per chapter, that will be answered are:

#### Chapter one: Social media

- What is social media?
- Who uses social media?
- What are the purposes of using social media?
- What are the advantages and disadvantages of social media?
- What is the influence of social media on marketing and communication?

#### Chapter two: The Dutch financial sector

- What is the image of the Dutch banking sector?
- What was the image before the financial crisis?
- What is the image in the first six months of 2010?
- What is the prospective situation of the Dutch financial sector?

#### Chapter three: Trends in the financial sector

- What are the current and prospective trends which influence the Dutch financial sector?

#### Chapter four: Social media and the Dutch financial sector

- Are there current trends in this sector with using social media?



- How did social media affect the Dutch banking sector?
- How can social media be implemented in a company's communication strategy?

## Methodology

Chapter one describes the changes in the technological world, with specific focus on social media. The provided information will familiarise the reader with the subject of this thesis. Different characteristics of social media will be described, as well as the characteristics and purposes of applying these types of social media. Furthermore, advantages and disadvantages of social media will be presented. In addition, new ways of marketing and communication created by social media will be shown.

Chapter two commences with the description of the Dutch financial sector. Characteristics of this market and the competition within this market will be explained. Secondly, the image of the Dutch financial sector will be examined in three stages: the image before the financial crisis, the image in the first six months of 2010 and the prospective situation.

For the image of the financial sector before the financial crisis desk research has been conducted; results from a research report executed by 'De Nederlandsche Bank' give insight in the situation before the crisis. These results combined with the theory of Birkigt, Stadler and Funk concerning image and identity demonstrate what the situation before the financial crisis was regarding the image of the Dutch financial sector. The influence of social media on marketing strategies and external communication, as well new approaches towards customers will be stressed.

To find out what the image of the sector was in the first six months of 2010, a survey has been conducted among Dutch citizens. The survey is part of the deductive research approach which has been chosen to '*explain causal relationships between variables*' as described by Saunders, Lewis and Thornhill. (Saunders, et al., 2007, p. 117) For the creation and launch of the survey the research 'guidelines' from Saunders, Lewis and Thornhill have been used. The survey has been send out on March 30, 2010 and could be completed until April 15, 2010. The respondents could complete the survey anonymous and the results were treated confidentially. The total amount of respondents was 45. To obtain more information the results of the survey are combined with other research reports, namely the Edelman Trust Barometer and the Reputation Institute.

For the prospective situation concerning the image of the Dutch financial sector the results of the survey are used combined with the Edelman Trust Barometer.

Chapter three will portray the current and prospective trends in the Dutch financial sector. The PEST-analysis, which stands for: political, economical, sociological and technological, will explain how the financial sector needs to adapt rapidly to trends and changes in this sector.

In Chapter four the application of social media by the Dutch banks will be portrayed. How to use social media in the most beneficial manner will be explained by different experts on this subject. A plan of action which illustrates every step that it takes to implement social media will be provided. These recommendations are obtained from attended meetings, interviews and desk research.

### **Objective**

The objective of this research report is to provide the Dutch financial sector with an approach on how to implement social media within their external communication strategy. Their presence on social media will be analysed and possible existing bottlenecks between the banks and their customers will become visible. Accordingly, this report will provide solutions for the banks on how to overcome these bottlenecks. The desired results of this research will be the proper application of social media by the Dutch financial sector and awareness concerning this topic among their customers.

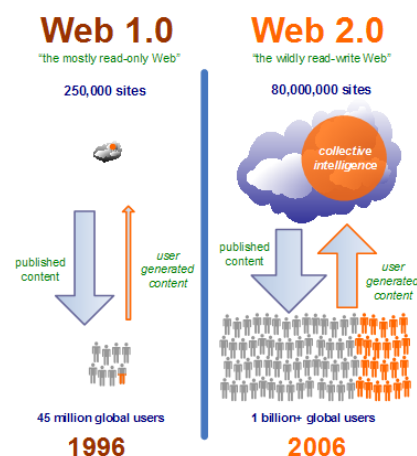
## Chapter 1 Social media

It is significant, before combining the aspects of the Dutch financial sector and social media, to provide more profound information about these social media. Therefore, this chapter will focus on this subject.

### 1.1 From Web 1.0 to Web 3.0

Nearly fifteen years ago the Internet started with Web 1.0. Web 1.0 can be best defined by the usage of content management systems (CMS). The information in CMS is posted online by one or several providers and there exists a one way communication flow. Internet users gather their information from informative websites and providers keep this information up to date. Users utilize Internet in a 'passive' way. The key feature of Web 1.0 is *information*. (Schuurmans, 2010, pp.144-145)

In the last four years (2006-2010), Web 1.0 has been replaced by Web 2.0. The most prominent feature of Web 2.0 is its interactivity. There exist a strong two way communication flow between providers and users, which can be seen in figure 1. A good example of a Web 2.0 website is Wikipedia. ("Wikipedia", 2000, "Wikipedia" section, para. 1-5) Each person can contribute to the content of this website by creating or updating content themselves. This is called 'user generated content'. The passive receiver of information from Web 1.0 changed into an active, powerful user in Web 2.0. In Web 2.0 information is perceived as a common good and the information is 'out in the open'. The main characteristic of Web 2.0 is *interactive communication*. (Schuurmans, 2010, pp.149-150)



**Figure 1: Differences Web 1.0 and Web 2.0**

("Resnumera" 2006, "Web 1.0 vs. Web 2.0", section, para. 1)

Web 3.0 will be the prospective successor of Web 2.0. Technology will play an evident role in this Web 3.0 that will learn how to value the online content and will create connections between query data from the user. Therefore it will be able to offer specific, personal information. This will make searching on the Web more efficient and more narrow than before. Web 3.0 is called the semantic web. The key feature of Web 3.0 will be *semantics*. (Schuurmans, 2010, p.151)

## 1.2 What is social media?

‘Social media’ is a name given to multiple types of online, interactive media. For social media to function, a high level of accessibility is required and the Internet is highly suitable due to its high level of accessibility. Social media can be classified in different types. There are: social networks, blogs, wikis, podcasts, forums, content communities and micro blogging.

All these types of social media share the following characteristics:

Characteristic:	
Participation	everyone can contribute to the news or topic provided by the social media
Openness	there is a high level of accessibility; most of the information is out in the open
Conversation	everyone can give his/her opinion on a topic and also feedback can be given
Community	online communities are created by people that share the same interests
Connectedness	most of the provided information is linked to additional information/websites

**Figure 2: Characteristics social media** (Mayfield, 2008, p.5)

Although these types of social media have common characteristics, their specific features make them attractive.

### *Social networks:*

Social networks are networks where people sign in and create a profile. On this profile personal information can be shared about e.g. daily activities with (digital) friends and the user creates its own network by connecting with other users on this social network. Examples of these networks are: MySpace, Facebook, Hi5 and Hyves. (Mayfield, 2008, pp.14-15)

### *Blogs:*

A blog, shorthand term for ‘Weblog’, is an online journal. New stories are ‘posted’ online and therefore are called ‘posts’. Its main characteristic is the reverse chronological order, which means

that the ‘newest posts’ are on top of the list. There are different types of blogs, for instance political, personal and organizational blogs. Blogs can be free to access or subscription is required. Examples of websites where people can create a blog are: Blogger and Wordpress. (Sauers, 2006, p.2) (Mayfield, 2008, pp.16-18)

#### *Wikis:*

Wikis are websites where people can contribute to the content published. The best known example of a wiki is Wikipedia; an open wiki. In business life, wikis are used as a collaborative way where documents are created online. This means that the team sometimes only exists online, because the team members work in different offices. In international operating companies different time zones can often obstruct work. With the use of wikis, the differences in time do not hinder the work any longer. The wikis used in business life are often private, because they are used for internal purposes. (Mayfield, 2008, p.19)

#### *Podcasts:*

Podcasts were introduced with the launch of the iPod device by Apple. Podcasts are audio files that need to be downloaded from the Apple iTunes store. A user can automatically receive the latest podcasts by subscription. Mayfield explains why podcasts are a type of social media: *“It is the subscription feature that makes a podcast so powerful as a form of social media. People have long been able to upload audio content to the web, but the subscription feature means that people can build regular audiences and communities around their shows”*(Mayfield, 2008, p.21) (“Podcast”, 2010, Podcast” section, para. 2)

#### *Forums:*

On forums people can interact and chat with each other. Normally, the forums exist around a certain topic, for instance music. On a music forum people give each other information about the band, songs and other forum members can react on these threads, which is another name for the online discussion. (Mayfield, 2008, p.23)

#### *Content communities:*

Content communities have a lot of similarities with social networks. The differing factor with these networks is that they are created on sharing a certain type of content. The best known website is YouTube where people can share their videos with others. Another popular website is Flickr, a photo-sharing community. (Mayfield, 2008, pp.24-25)

*Micro blogging:*

Micro blogging is a combination involving blogging, instant messaging and social networking. Instant messaging is online chatting only to specified known users; online 'friends'. The most popular and known form of micro blogging is Twitter. People post a short message online about what they are experiencing at the moment or how they feel. Their 'followers' can read the messages and can react on them. (Wikipedia, 2010, "Instant Messaging" section, para. 1) (Mayfield, 2008, p.27)

### 1.3 Statistics about social media

The use of social media is growing explosively. If the amount of Facebook users worldwide would represent a country it would be on the fourth place, after China, India and the USA. In the Netherlands 62% of the internet users is active on social network sites. 68% reads blogs, 46% shares pictures online and 30% shares videos. Hyves and Facebook are the most popular social media in the Netherlands. The main reasons to use social media are "to stay in touch with friends" and "to be up to date about events". (J. Govaart & J. Koehler, presentation, April 17, 2010) (Van Hooijdonk, 2009, "Gebruik sociale media groeit explosief" section, para. 6) (Van den Broek, 2010, "Social Media in cijfers NL: 'Hyves en Facebook complementair'" section, para. 2) (Smith, 2009, "European Social Media Trends" section, slides 10-13)

### 1.4 Advantages and disadvantages

Social media does not only come with advantages, there are also risks when applying this type of media. The 'pros' and 'cons' of social media will be applicable for individuals as well as organisations. Below the advantages and disadvantages in general will be provided.

*Advantages of using social media in general:*

- It can be easily and quickly used; easy to communicate
- (Almost) everybody has access to this information
- It is interactive, there are possibilities for discussion
- Easy to establish a network; contacts and friends
- Easy to share certain documents/information
- Transparency of organisations increases

*Disadvantages of using social media in general:*

- Anonymous-factor: difficult to segment a target group
- Anonymous-factor: people will behave differently, can be more extreme/provoke e.g. hate

- It is time consuming, after 'real' life to keep up a social, digital life
- Information overload
- Dealing ineffectively with social media can have disastrous impacts; e.g. decrease in consumers trust, damage to corporate image
- Way of responding properly to stakeholders changed due to existence social media

(N. Ketsdever, 2008, "Advantages and disadvantages of social media and Web 2.0" section, para. 2)

### 1.5 Social media trends in marketing and communication

Due to the increasing popularity of social networks new types of communication and marketing approaches emerged, called Social Network Marketing (SNM) and Social Network Communication (SNC). These SNM and SNC can be subdivided in a passive and active approach towards customers. The passive way of approaching customers is via online banners, commercials, newsflashes or links. When the advertisement appeals to the customers they will be linked to the company's website after clicking on it. The active approach focuses on analyzing the 'buzz' on social networks or the manipulation of content within these social networks. Examples of the 'buzz' are the most popular topics presented in a 'cloud' or in a column. Knowing what is being said online, facilitates companies to adjust their communication and marketing strategies to it. (Schuurmans, 2010, pp.287-291)



**Figure 3: Example of a tweet cloud**

("Tweet cloud", 2010, "Tweet cloud - social media" section, para 1)

Before Social Network Marketing (SNM) and Social Network Communication (SNC) can be used successfully, several questions need to be answered:

- *What is our target group?*
- *What are their characteristics?*
- *On which types of social media can we find our target group?*
- *How do these networks communicate; what kind of language, videos, sounds?*
- *What are the expectations of the target group concerning the company? (information, products/services?)*
- *How, in which manner and where do we want to offer our social items?*

The answers to these questions can be found on social networks which provide a lot of information. Each social network has its own features and therefore each network appeals to a certain segment of the population. (Schuurmans, 2010, pp.287-296)

#### 1.6 Other trends of approaching the customer

In this paragraph different ways of targeting the customer will be described. With all the new developments companies can approach clients in many new beneficial ways.

##### *Online coaching:*

Personal coaching offers the customers an easy way of advice from the company and guarantees the customers anonymity. When customers are satisfied with the online coaching this often results in customer loyalty towards the company. Online coaching decreases costs for businesses since it is more cost efficient than face to face contact and can contribute to a positive image. (Schuurmans, 2010, p. 294)

##### *Mobile use on social media:*

The use of mobile phones concerning social networks increases rapidly. 34% of mobile phone users logged in on their social network with their mobile device in 2008. These numbers increase with 150% to 200% each year and therefore being present on these social networks will be highly significant for companies. (Schuurmans, 2010, pp. 294- 295)

An example of a popular mobile service is Twitter. With this social messaging medium people send their messages of approximately 140 characters into the world. Personal activities, occurrences and news are 'tweeted' and are more rapidly spread than news via traditional media. (Schuurmans, 2010, pp. 295-296)



## Chapter 2 The Dutch financial sector

In this chapter the characteristics of the Dutch financial sector will be described. The structure of the financial sector and its internal competition will be looked upon. Moreover, specific attention will be given to the image of this sector.

### 2.1 Characteristics

The Dutch financial sector is one of the world's most concentrated banking sectors. There are five main players in this sector: ABN AMRO, Rabobank, ING (including Postbank), Fortis and SNS Bank. The cumulative market share of these Dutch banks in various financial retail markets is approximately 75-80%. (Groeneveld & Boonstra, 2005, p1)

When looking at these numbers, the Dutch financial market could be described as an oligopoly. An oligopoly is described as a market where a few players, in this case five, control most of the market. Due to the minimal number of players, each player is aware of the actions of the others. (Wikipedia, 2010, "Oligopoly" section, para. 1)

However, in the Dutch financial sector there are many other small players present. Only, these banks have small amounts of market share and therefore need to keep up with the main players. Due to the fact that there is a free market and costs for consumers are very low, the term oligopoly might not be applicable in this case. The main players are not abusing their power; otherwise prices would be kept artificially high. Also very strict national and European legislation ordered by the European Commission concerning competition need to be obeyed by the financial sector. ("Review of competition in the Dutch retail banking sector", 2007, p. 3) (European Commission, 2010, "Competition in the financial services sector" section, para. 1-5)

Other characteristics of the Dutch financial sector are:

- low cost banking market for consumers in comparison with other (EU) countries
- high customers' satisfaction
- high level of accessibility; for almost every citizen there are more than five-six different banks available within five kilometres of their home
- increasing amount of intermediaries which help customers to 'shop around'
- low level of influence of 'competitive fringe'; new entrants can enter the financial sector and increase competitiveness
- high level of customer loyalty

(“Review of competition in the Dutch retail banking sector”, 2007, pp. 3- 6) (Boot & Schinkel, 2007, pp. 521-522)

## 2.2 Competition in the retail market

With the merger of ABN AMRO and Fortis, the European Commission assessed the concerns raised by this merger. When two of the five main players in a market merge, this can lead to unfair competition. Due to the competitive characteristics of the Dutch financial market, the merger between Fortis and ABN AMRO did not lead to unfair competition, since ABN AMRO and Fortis both address different segments of the market. ABN AMRO is considered to address to the ‘mass’ audience while Fortis appeals to more specific segments; insurances and the lower end of the market. (Brouwer, Parplies, Zaera-Cuadrado, Graeper & Jakab, 2008, pp. 27-29)

## 2.3 Image of the Dutch financial sector before financial crisis

### 2.3.1 Short introduction about financial crisis

A brief recapitulation of events will be provided, with this ‘beginning’ of the financial crisis on world scale, before looking at the image of the Dutch financial sector previous to this period of financial crisis.

In 2007 the financial sector in the United States was facing severe problems. The American housing market stagnated and consequently the financial market suffered severely. The big American bubble which was created on the financial market burst and resulted in the beginning of a worldwide financial crisis. At the end of 2008 the effects of this collapse in the American financial market became visible in the Netherlands. Statistics were showing decreasing numbers concerning the Euro zone and its economies. In November 2008 the Netherlands was officially in recession. (Wikipedia, 2010, “Kredietcrisis” section, para. 1) (Wikipedia, 2010, “Toenemende invloed van afvlakkende conjunctuur vanaf november 2008, overgaande in een diepe recessie” section, para. 5)

Although the Dutch financial market is considered as a very stable one, the financial crisis did affect the Netherlands. All the main players of the Dutch financial sector received financial aid from the Dutch government, except for Rabobank. In a healthy environment it can be stated that the Dutch financial sector, with its elevated concentration level, is a stable and secure sector. This financial stability is closely examined by the De Nederlandsche Bank. (NRC Handelsblad, 2009, “De val van Lehman Brothers- een tijdlijn” section, para. 8- 45) DNB, 2010, “Financiële Stabiliteit als rode draad” section, para. 2-5)

### 2.3.2 Trust and confidence

Prior to describing the image of the Dutch financial market before the financial crisis, one needs to elucidate the terms trust and confidence. How the relationship between consumers' trust and the stability of the financial sector are connected, will be clarified with the help of these terms.

With the term *trust* the reliability and honesty in the relationship between consumers and institutions, in this case the financial institutions, is meant. This cannot be confused with the term *confidence*, which focuses on faith in prospective developments. (Prast, Mosch & van Raaij, 2005, p. 5)

In the relationship between trust and stability of the financial market the Kondratieff cycles are often used. These cycles describe the conjuncture developments in periods of 46-60 years and can be divided in four phases: depression, recession, (stable) growth and expansion. (Goedee, Reijnders & van Thiel, 2008, p 25)

Prior to the financial crisis the Netherlands was situated in a stable and growing economical climate. (Goedee et al., 2008, pp. 11, 25) The level of consumers' trust was elevated; consequently the fear level was low. In such situations consumers are willing to take more risks and perceive their economical future as positive. When the economical situation changes negatively, consumers' trust will decrease and the fear factor will increase; in this way consumers will be more cautious about their actions. These two effects show how the relationship between consumers, their trust and the financial market functions. (Goedee et al., 2008, p. 11)

### 2.3.3 Statistics

In the years before the financial crisis, statistics have shown that Dutch consumers had in comparison with other EU Members States an elevated level of confidence in society. (Prast et al., 2005, p. 39) The research executed by Prast, Mosch en van Raaij, shows that the financial sector was perceived as trustworthy and reliable at that time. 42% of the consumers had the opinion that the staff of financial institutions was sincere and could be trusted. (Prast et al., 2005, p. 51) (for more information see Appendix 1 and 2)

The research also shows that an even more elevated percentage, more than 90% trusted the Dutch financial sector completely. Only 7 % was sometimes doubtful about the ability of their bank although only 17 % of this group, which is 1,4 % of the Dutch population, actively changed to another bank. Despite of the high level of trust in the financial sector, consumers indicated to

withdraw their money almost immediately when rumours would exist about the stability and reliability of their bank. Which could result in a run in removing bank accounts which can even bring healthy banks in liquidity problems. (Prast et al., 2005, pp. 27,50)

When looking at the image of the Dutch financial sector before the financial crisis this image consists of several factors among which the trust in the staff of the banks and the liquidity of banks. The research shows that consumers' trust closely relates with the level of trust in the Parliament, integrity of businesses, the ability and reliability of financial institutions and interpersonal trust. (Prast et al., 2005, p. 7)

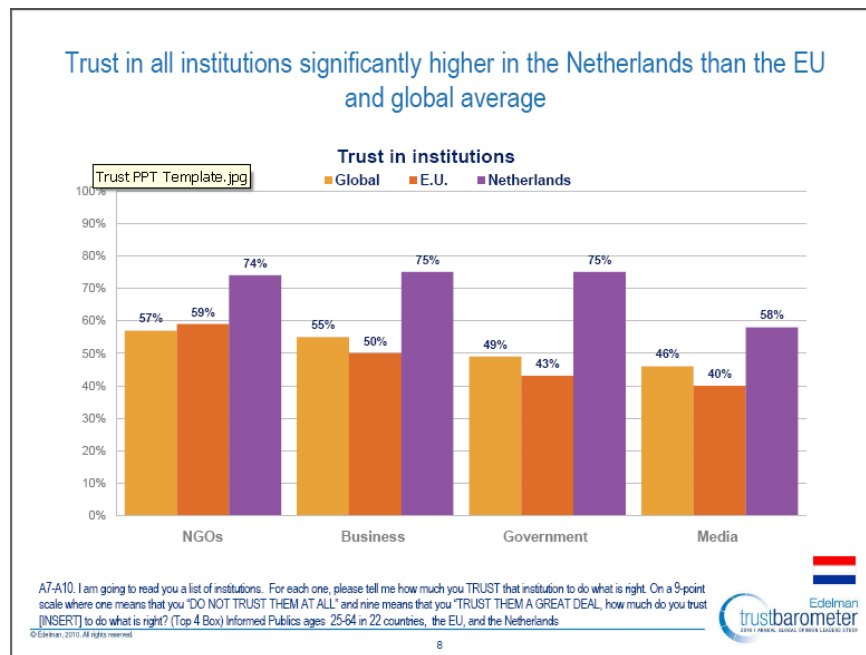
The image of the Dutch financial sector before the financial crisis was better than the identity of the sector. The high level of trust that existed in this sector increased the chance of failure. When there exist discrepancies between image and identity of financial institutions, these institutions are overpromising to their customers and need to change their identity or adapt their messages to the customers. (Herlé & Rustema, 2005, p. 105) (Vos & Schoemaker, 2005, p. 51)

#### 2.4 The image of the Dutch financial sector in the first six months of 2010

The research conducted for this report took place during the first half year in 2010. At that moment the effects of the financial crisis slowly became clear and conclusions could be drawn. Results from a survey, which was particularly conducted for this research among Dutch citizens, combined with other reports, will give an insight into the image of the Dutch financial sector during the begin of 2010. The outline of the survey can be found in Appendix 3.

##### 2.4.1 Statistics on image of sector

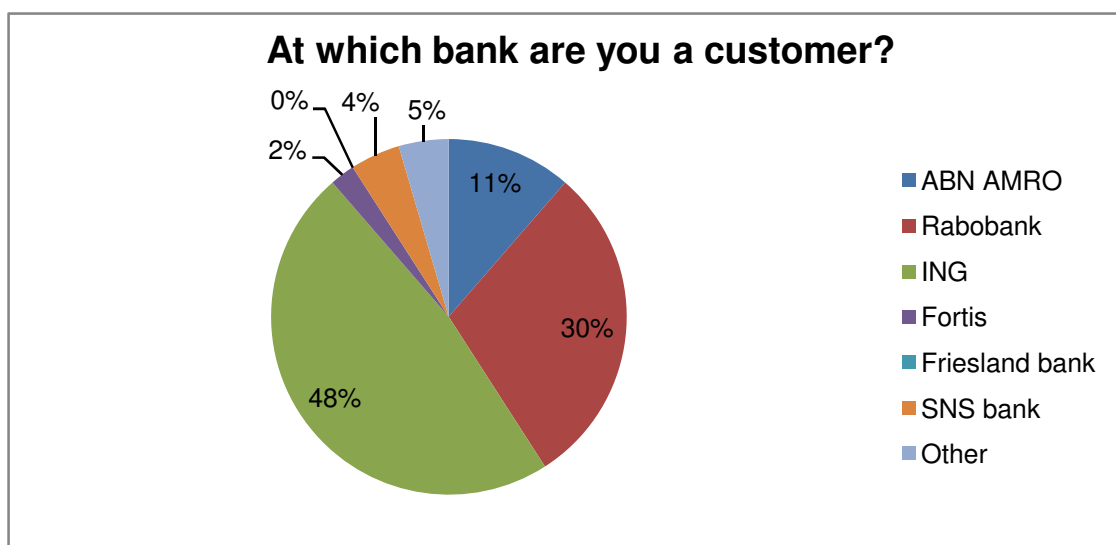
According to the Edelman Trust Barometer, the level of trust of consumers in businesses in general, increased from 60% in 2009 to 75% in 2010. The graph on the next page shows that the Netherlands is the country with the most elevated level of trust. Not only the trust in businesses is elevated, also other segments like nongovernmental organisations (NGO's), the government and media score high compared to other countries. The Dutch also rate different industries, among which retail, technology and energy often much higher than other EU countries. Moreover, the level of trust in banks is higher in the Netherlands compared to the average of other EU countries. This information of the Edelman Trust Barometer can be found in Appendix 4. (Edelman Trust Barometer, 2010, pp.7-14)



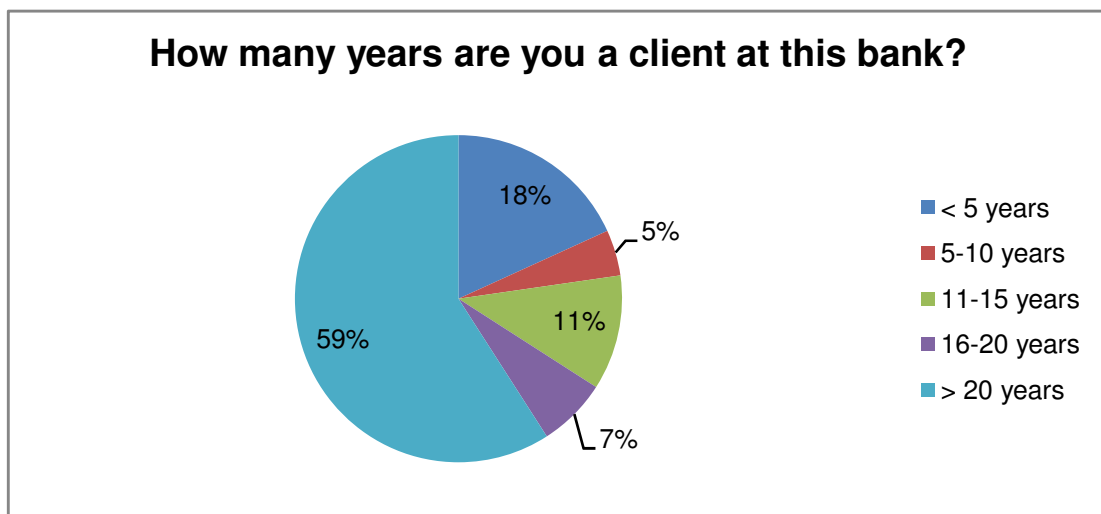
**Figure 4: Trust in institutions**  
(Edelman Trust Barometer, 2010, p.8)

The Edelman Trust Barometer also shows that in 2007, the level of trust in the Dutch banking sector was 72% and in 2010 this dropped to 47%. With this 25 % decrease the Netherlands was, after Poland, the country with the largest decline in trust. (Edelman Trust Barometer, 2010, p.16)

Results of the survey, which can be found in Appendix 5, show that most of the respondents are clients at one of the main players of the Dutch financial sector over 20 years. (59.9%)

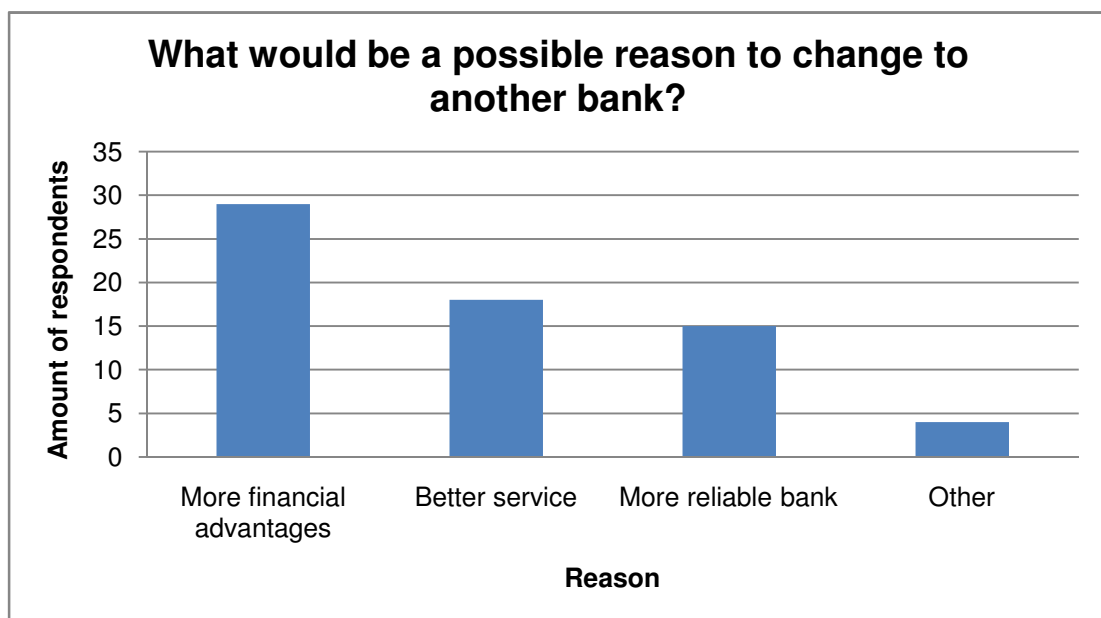


**Figure 5: Customer at which bank**



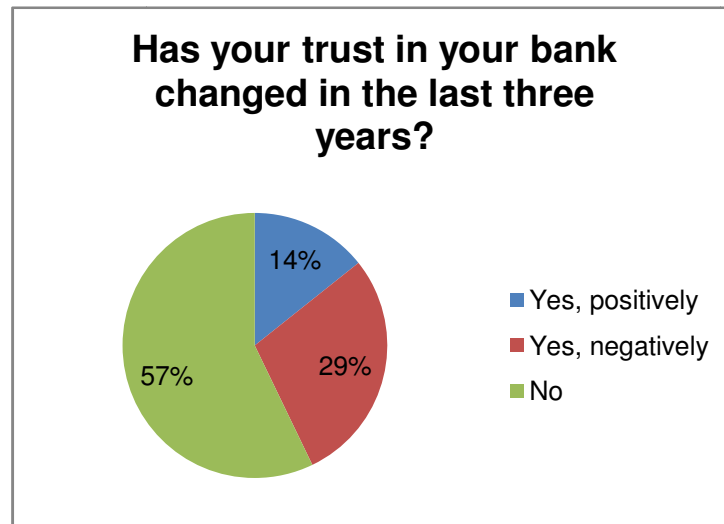
**Figure 6: Customer loyalty**

Not only these long-term clients did not consider changing to another bank during the crisis, the majority of the respondents, over 90%, did not. If the consumers needed to change to another bank, better financial advantages would be the main reason. 90% of the respondents stated to be satisfied about the services of their bank.

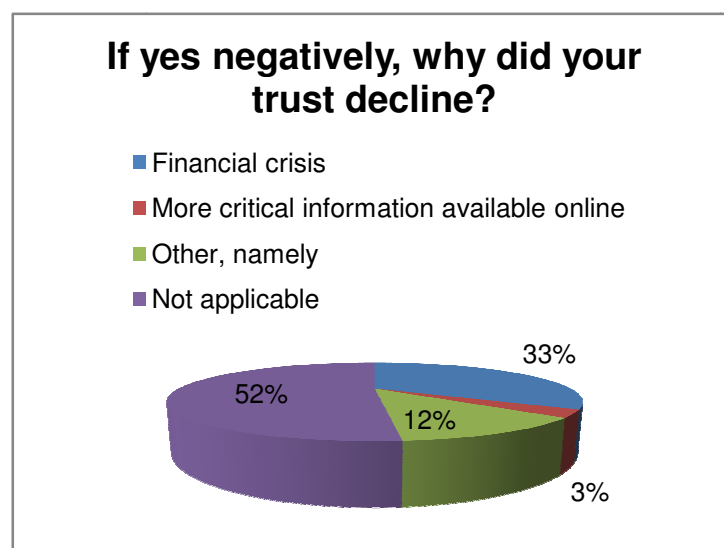


**Figure 7: Reasons for change**

29% of the respondents stated that their trust in their bank declined. The financial crisis was the most common reason with 33%, other reasons were bad investments and increased awareness about banks.



**Figure 8: Change in trust**



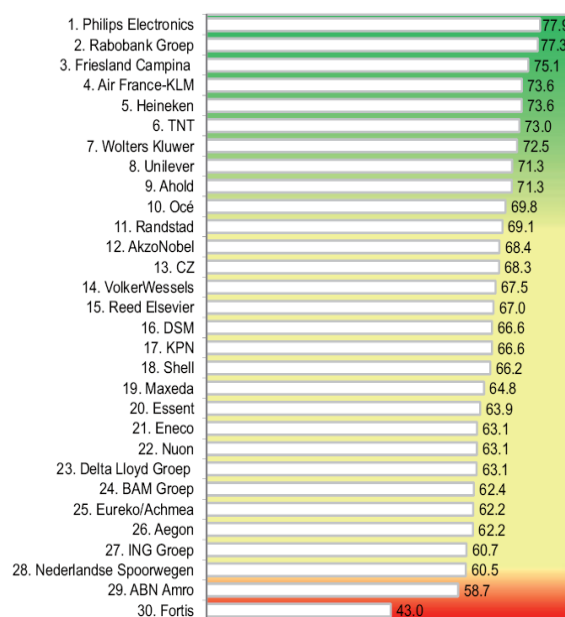
**Figure 9: Reasons for decline in trust**

Online information did not play an evident role in this decline of trust. 91% of the respondents stated that the financial crisis made them more cautious about the banking sector. Although most of the respondents stated that the relationship between them and their bank was not affected by the financial crisis. These same respondents consider their bank to be trustworthy, honest, stable, reliable, dynamic and responsible. The Edelman Trust Barometer also shows that the key

characteristics transparency, honesty and trust are the most valued features to establish a good reputation in the Netherlands. (Edelman Trust Barometer, 2010, pp.22-23).

The fragile situation of the image of the Dutch financial sector before the financial crisis, resulted in a decline in trust during this crisis. The financial crisis commenced a period of economical failure, which was to be expected due to the discrepancies between image and identity. The collapses of banks combined with malpractices within the financial sector influenced the perception of the Dutch in a negative way.

With the help of the RepTrak Method, a research method used by the Reputation Institute, the decrease in trust of Dutch banks can be shown. With this method the reputation is measured according to seven different pillars. Reputation scores above 70 are hard to achieve. (Reputation Institute, 2009, pp. 6-11) More information about the Reptrak Method can be found in Appendix 6.



**Figure 10: Reputation companies** (Reputation Institute, 2009, p.11)

The graph above shows that Fortis bank, ABN AMRO bank and ING bank are the companies that lost the most trust and are on the bottom of the list. Remarkable is the situation of the Rabobank. In the category of financial providers, Rabobank scores highest and has a high level of trust. The Rabobank is rated as the second most successful company concerning reputation. This bank scores a number one position on five of the RepTrak pillars. A reason of non declination in trust can be



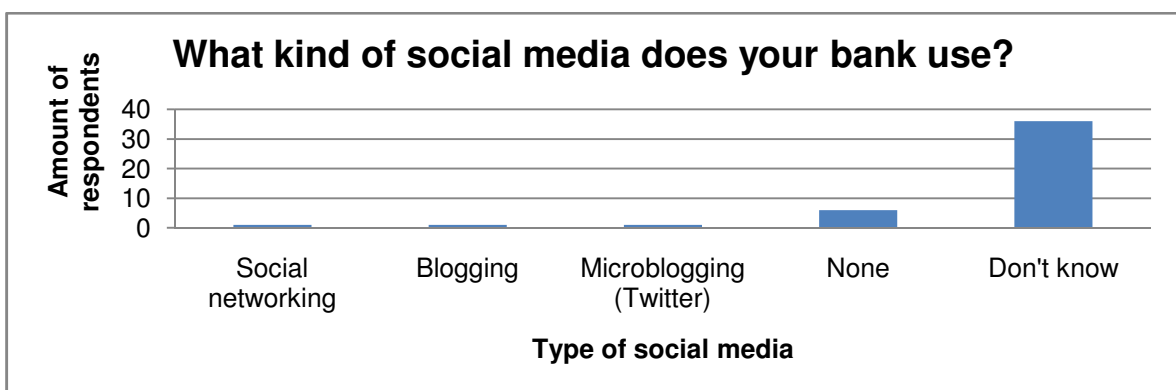
that Rabobank did not receive a governmental financial ‘injection’. (Reputation Institute, 2009, pp. 11-16)

*“Image can be affected by the negative or positive nature of the context in which a company operates.”* (C.B.M van Riel, 2009, ‘Reputation Institute’ p.4) The Dutch financial banks were operating in a negative ‘nature’ and consequently the image of most Dutch banks was affected by the financial crisis. Only the Rabobank responded properly to this crisis and consequently is the most trusted bank in this sector. (Reputation Institute, 2009, p.4)

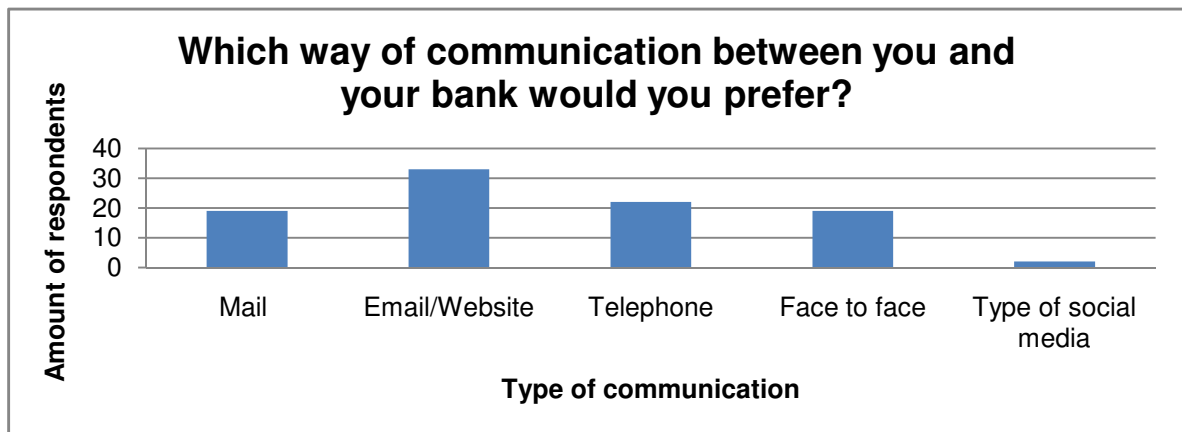
#### 2.4.2 Trustworthiness of media

When looking at the credibility of different types of communication, the Edelman Trust Barometer shows that globally traditional reports of experts are preferred. The Dutch rate the use of digital information, among which the use of social media, below average. Traditional news sources also lost their credibility in the last two years; especially newspapers lost the trust of the consumer. The trust in CEO’s in general in the Netherlands, compared to other countries, is decreasing. There is no recovery in trust in the Netherlands, while in other countries this is increasing slowly. (Edelman Trust Barometer, 2010, pp. 26-29)

The respondents from the survey state that the bank’s website is the most used medium at the moment in communication. Even though regular mail and face to face communication are also often used. Almost 84% of the respondents do not know if their bank uses social media as a communication tool. Vice versa, when communicating with their bank, clients are not using social media either. (97.6%) Also the respondents state that they do not use any type of social media to communicate with *others* about their bank. The traditional way of communication consisting of regular mail, face to face contact and telephone is preferred above social media in the communication with banks.



**Figure 11: Use of social media**



**Figure 12: Preference communication channel**

According to the respondents of the survey, social media is considered to be a medium with average reliability. The source of information is certainly important concerning the reliability of a medium. Although the respondents of the conducted survey do not use social media themselves, they think that this type of media played a role in the collapse of different banks during the financial crisis.

## 2.5 Future

The Edelman Trust Barometer illustrates that Dutch consumers believe that the government will have an influential role in the future on banks and other financial institutions. To restore the trust in financial institutions, the Dutch like to see that non-performing management teams need to be fired and the governmental financial support need to be paid back to the government. Dutch consumers do not expect that businesses have learnt something from the financial crisis and therefore 86% of the respondents expect that businesses will return to their old habits. With the percentage of 86% the Netherlands is the most 'pessimistic' country worldwide.

## Chapter 3 Trends in the financial sector

In this chapter will be looked upon the current and prospective trends in the Dutch financial sector.

### 3.1 Current and prospective trends

The Dutch financial market is subject to different areas of influence. These areas of influence, which can be analysed by the PEST analysis, will be used to describe and divide the current and prospective trends on European macro level. The PEST analysis stands for: political, economical, sociological and technological and will provide an insight on the macro environmental factors that influence the Dutch financial sector. (Goedee et al., 2008, p. 63)

#### 3.1.1 Political

As a European Member State, the Netherlands need to obey to European legislation. To create a strong and healthy economical climate the European Union is trying to found a Single European Payments Area (SEPA). This will simplify the transactions abroad, increase transparency and try to create one European financial sector with a strong position of the euro. By ‘opening’ the market, the SEPA is aiming for European competition on the banking market. Nevertheless, it also creates the opportunity for new non-financial entrants to enter the European market easily and overpower the current small players. Non financial entrants can for instance be mobile operators, internet banks or Google and will benefit a lot from the creation of SEPA. (Goedee et al., 2008, pp.57,81)

#### 3.1.2 Economical

To keep expenses low in the financial sector outsourcing is becoming more popular. By outsourcing is meant that different tasks of the Dutch bank are executed abroad in a country with a lower salary standard. This means that the work is executed in the same way but the expenses decrease. For instance, it could be that when contacting the customer service of the ING bank; the consumer will talk with someone in Bulgaria without being aware of it. With the implementation of SEPA, outsourcing will become less unsafe and barriers concerning legislation will disappear. (Goedee et al., 2008, pp.72-74)

Next to outsourcing, Dutch banks are looking to increase their influence on an international scale. By entering foreign markets these banks are trying to offer something new; they are particular focusing on niche markets. When they successfully entered this niche market they will try to expand their influence on other segments as well. (Goedee et al., 2008, pp.76-77) (EFMA, 2010, “Trends” section, para.1-5)

### 3.1.3 Sociological

One of the changes in the sociological area is the upcoming amount of intermediaries. These agents help consumers, especially with more complex financial services, to shop around and by doing this, figure out which bank appeals to most of their wishes. In the 1980's 30% of the mortgages were sold via intermediaries and in 2002 this percentage increased to 60%. The reason to use this way of purchasing is that intermediaries make the financial market more transparent for consumers and therefore they rely on this medium. Banks are obliged to be more transparent, otherwise they will lose their clients and accordingly their market share. With the opportunity to shop around many consumers are in business with several banks. Therefore the traditional view of being a consumer at one bank is fading away. (Groeneveld & Boonstra, 2005, p. 20)

With the financial market becoming more transparent, consumers obtain more profound information about their bank. In the last years this resulted in scandals about high bonuses and consequently in resignations in the banking sector. Consumers require honest and ethical behaviour and therefore certain legislation will be adapted and implemented starting in 2012. (Bank for international settlements, 2010, "International regulatory framework for banks (Basel III)" section, para. 1-7) (KPMG, 2010, "Winstgevendheid banken flink onder druk door strengere regelgeving" section, para. 1-7) (ANP, 2010, "Basel III akkoord gesloten" section, para. 7)

The way of caring about the consumer became very important. Therefore Corporate Social Responsibility (CSR) became a new way of acquiring new consumers. For instance the SNS Bank created its daughter company called ASN Bank which focuses particularly on sustainability and has given CSR high priority. Consequently, this bank profited from the trend regarding honest and ethical behaviour in the financial sector. (de Jager, 2010, "Maatregelen financiële sector korte termijn" section, para. 1-15) (EFMA, 2010, "Trends" section, para. 2)

### 3.1.4 Technological

Groeneveld and Boonstra state that the highly accessible Internet increases the level of transparency and provides consumers with a lot of information regarding the Dutch financial sector. The Internet obliges banks to be transparent about their company. The increasing use of Internet Banking resulted in a decrease of almost 95% in visits to the branch offices. However, the contact moments between consumers and their banks doubled between 1985 and 2002. What can be seen is that the Internet facilitates the contact between consumers and their banks, and makes branch offices expensive and almost replaceable. Consequently, branch offices were reduced. Nevertheless, consumers stated that they want to have an office situated nearby. When a consumer

visits an office nowadays they often have a question about a complex situation which cannot be solved via the Internet. As a result the contact between consumer and bank in face to face communication changes. Branch offices nowadays are more focused on helping consumers with more complex situations and becoming more a financial advice centre. (Groeneveld & Boonstra, 2005, p.15)

Another technological development with an increasing popularity is Mobile Banking. At this moment most of the Dutch citizens are not used yet to this type of banking, but when observing other countries, there is clear evidence that this trend will also become habitual in the Dutch lifestyle. (Goedee et al., 2008, pp. 94-95)

A prospective trend which will affect the Dutch financial sector is the upcoming amount of non-traditional suppliers of financial services which were already mentioned before. With these new entrants the current type of competition will change. The new entrants can create a 'competitive fringe' with increasing influence which on its turn can change the established situation on the market. At this moment many non-traditional suppliers are 'stretching their brand' with their entrance on the financial market. Examples are the 'Bij-card' of Vendex, financial products of HEMA and probably the most influential in the future will be Google. Google is stretching its brand from search engine to a financial services provider. A brand as Google can easily access data from consumers via its search engine and can adjust its marketing strategy to it. Therefore, Google positioned itself in a good and tactical manner. Even more, Google obtained its consumers' trust and therefore has the possibility to become a powerful player in the financial market. (Goedee et al., 2008, pp.57,76,117) (Groeneveld & Boonstra, 2005, pp. 15-16)

## Chapter 4 Social Media and the Dutch financial sector

This chapter will research the influence of social media on the Dutch financial sector. Described will be how the main players in the financial sector use social media in their communication strategy and how this can be improved.

### 4.1 Application of social media by the Dutch banks

The use of social media within ABN AMRO and Fortis are examined individually. Although these two companies merged, they apply different communication strategies.

#### 4.1.1 ABN AMRO

##### *Social networks*

In 2008 ABN AMRO started an online social network called Flametree. This network provided the opportunity for entrepreneurs to network. In January 2010 ABN AMRO needed to give up this online network in due to withdrawing sponsors which suffered from the financial crisis. Nevertheless, ABN AMRO stresses the importance of social networks and is hoping to attract new investors. On LinkedIn, a social network focused on business, colleagues can connect with each other. (“Flametree”, 2010, “Flametree stopt” section, para. 1-5) An ‘external’ social network where ABN AMRO is present is Hyves; via an application members can add ABN AMRO to their brands. (Hyves, 2005, “ABN AMRO” section, para. 1) (LinkedIn, 2010, ABN AMRO bank’ section, para. 1)

##### *Twitter*

The micro-blogging tool Twitter is actively used by ABN AMRO; the latest updates concerning the bank can be found and consumers’ questions are answered.

(Twitter, 2010, “ABN AMRO TV” section, para. 1)

##### *Blackboard*

With its own website on Blackboard, ABN AMRO launched an online forum where consumers can give their opinions about services, possible improvements and statements of ABN AMRO. In this way ABN AMRO obtains feedback about their communication activities and services. (ABN AMRO, 2008, “Overzicht” section, para. 1)

*Second life*

In the online game ‘Second Life’ ABN AMRO was the first bank present in this digital world. (Derksen, 2006, “ABN AMRO persconferentie Second Life” section, para. 1)

*ABN AMRO TV*

Not only in games as well as on television ABN AMRO is active. The bank has its own online television channel where consumers can be informed about varied themes like banking or sports. (ABN AMRO, 2010, “ABN AMRO TV” section, para 1)

*Messenger/SMS*

Furthermore, the functions ‘Messenger Saldo’ and ‘Sms Saldo’ provide customers to check easily their balance of their account online or via their mobile phone. (ABN AMRO, 2010, “Toegankelijkheid” section, para. 1)

#### 4.1.2 Fortis

*Social networks*

Fortis has several groups on the work related social network LinkedIn, where colleagues can connect with each other.

*Twitter*

Fortis is also using Twitter to inform their consumers about their activities. Nevertheless, other social media activities by this bank cannot be found. (Twitter, 2010, “BNPP Fortis” section, para 1)

#### 4.1.3 ING

*Social networks*

ING is present on several social network sites among which Hyves, Facebook and LinkedIn. ING also uses Netlog as medium to inform its consumers. This website mostly addresses youngsters. (Hyves, 2006, “ING” section, para. 1) (Facebook, 2010, “ING Direct Info” section, para. 1) (LinkedIn, 2010, “ING” section, para 1)(Netlog, 2010, “ING de bank van Netlog” section, para. 1)

*Twitter*

On Twitter, ING provides information about the bank and questions from consumers are answered by the ING Webcare Team. This team does not only operate on Twitter but also on fourteen other

websites, among which Adformatie, Financieel Dagblad and VARA Kassa. (ING, 2010, “ING Webcare Team” section, para. 1-4)

#### *WEB TV*

ING has its own WEB TV where information is provided about a varied amount of topics; information is provided about financial products like investments and banking, and non-financial information like sports. (“ING”, 2009, “Over ING” section, para. 1)

#### *Podcasts*

ING offers their consumers the opportunities to obtain information about the latest developments and trends in the banking sector. Via ING Podcasts information can be downloaded and be listened to on MP3-players and iPods. (ING, 2010, “Beleggen Podcast” section, para. 1-2)

#### *SMS*

ING offers online the opportunity for mobile banking via ‘Saldo SMS’ to obtain information about the status of an account. Furthermore, transactions via online banking need to be verified with the use of a code sent by SMS. (ING, 2010, “Saldo SMS” section, para. 1)

Louise McGregor, Web Expert at ING states the following about the implementation of social media.

*‘ING is at the beginning with the implementation of social media. We do not have an overall strategy; each country can decide which approach suits the most. ING Direct US launched a successful blog while in the Netherlands the Webcare Team and Twitter are powerful activities.’* (L. McGregor, personal email, May 25, 2010)

*‘Internally ING also implements social media. They have different tools which are launched globally as pilots; among them are wikis, blogs and a video platform. These tools will probably become more standard and used in the next years. ING notes that when even implementing a simple tool in a large organisation it can be a challenge. With more than 100.000 employees and 40 countries different legacy systems make technical implementation difficult.’* (L. McGregor, personal email, May 25, 2010)



#### 4.1.4 Rabobank

The director of New Media from the Rabobank, Marco Mur, explained in an interview for the website 'Dutchcowboys' how the Rabobank implements and develops the use of social media.

Since the Internet is the most used medium for transactions at Rabobank they are increasing the use of social media. The Rabobank was the first bank to introduce Internet banking in the Netherlands. (Everts, 2008, 1:03 min.)

##### *Social networks*

The Rabobank is involved on social networks. They have profiles on Hyves, Facebook and LinkedIn. On the social network site Hyves, which is popular among Dutch youngsters, the Rabobank created several applications. Users can show in their profile that they are customer at Rabobank. (Everts, 2008, 5:40 min.) (Hyves, 2005, “Rabobank” section, para. 1) (Facebook, 2020, “Rabosport” section, para. 1)(LinkedIn, 2010, “Rabobank” section, para 1)

##### *Twitter*

This micro-blogging tool is actively used by the Rabobank. There are different accounts where customers can post their questions and give feedback. The Rabobank tries to make sure that all questions are being answered. (Twitter, 2010, “Rabobank” section, para. 1)

##### *YouTube*

On YouTube the Rabobank has its own channel where mostly sports events are broadcasted. (Everts, 2008, 5:40 min.)

##### *Weblog*

Rabobank stands out by having its own weblog. On this site local information and opinions are given about activities, events and developments. Several areas in the Netherlands have their own Weblog, for instance Weblog Utrecht. (Rabobank, 2010, “Home” para. 1)

##### *Rabobank TV*

Rabobank offers relevant information at its own online television channel. This information is very varied. As an important sponsor in different sport events, sports play an important role on this online television channel besides financial products. The programs are produced by a team which is especially created for the Rabobank. (Everts, 2008, 3:34 min.)

*Rabo mobile*

With Rabo-mobile, the mobile phone from the Rabobank the consumer can easily make transactions, pay their groceries at the supermarket and can call against a low rate. (Everts, 2008, 1:30 min.)

*Videophone*

At the offices of the Rabobank consumers can use videophone calls for solutions to their problems. Although the Rabobank considers face to face contact the best way of service, this videophone conference can be used when all the employees are occupied at that moment. Rabobank employees from another office will help the customer via video. (Everts, 2008, 2:51 min.)

*Skype*

To contact the Rabobank customer service, Skype, an application to call via the Internet, can be used. (Everts, 2008, 3:06 min.)

#### 4.1.5 SNS bank

*Social networks*

The SNS Bank is active on the social network site LinkedIn. Colleagues can connect with each other and share experiences/views on topics on this site. (LinkedIn, 2010, “SNS Bank” section, para. 1)

*Twitter*

SNS Bank uses Twitter to inform their consumers about the developments within their company. During the financial crisis the SNS Bank used this medium to react on rumours about the stability of the bank. (Twitter, 2008, “SNS Bank” section, para. 1)(H. Van de Linde, 2009, “SNS Bank boos over Twitterhoax” section, para. 1-3)

*Website*

The website of the SNS Bank is changing over time. The SNS Bank tries to implement the use of social media without forgetting their values. Different employees are working on this implementation. (“Portfolio”, n.d., “Een effectieve retailbank met virtuele warmte” section, para. 2-12) (Govaart, 2010, “5 Q’s over PR met Nathalie Soeteman” section, para. 2-3)

On March 26, 2010 the SNS Bank received the third place Usability Award. With this Award the Dutch audience rated the website of this bank as most user-friendly in the category Financial Services. (SNS Bank, 2010, “SNS Bank 3e bij Thuiswinkel Awards” section, para. 1)

#### 4.2 Comparison between main players

The main players in the Dutch financial sector are all active with the implementation and use of social media in their communication strategy. Only the Fortis bank does not very actively use social media in their communication activities. The table shown below illustrates the application of interactive communication tools of the five main players in the financial sector in 2010.

	ABN AMRO	FORTIS	ING	RABO BANK	SNS BANK
Social networks	Flametree Hyves LinkedIn	LinkedIn	Hyves Facebook Netlog LinkedIn	Hyves Facebook LinkedIn	LinkedIn
Micro blogging	Twitter	Twitter	Twitter	Twitter	Twitter
Online forum	Blackboard				
TV/Games	ABN AMRO TV/ Second Life		WEB TV	Rabobank TV	
Mobile phone	Messenger/ SMS		SMS service	Rabo mobile	
Podcasts			Podcasts		
Blogs				Weblog	
Content communities				YouTube	

**Figure 13: Application social media by main players sector**

#### 4.3 Purposes of using social media by Dutch financial sector

The purpose of using social media differs from each user. For instance, someone who is connected to a content group has a different motive than a multinational company writing a blog. Since the

functional relationship between bank and customer will be examined the focus will be on this part of the external communication. (Vos & Schoemaker, 2005, p. 46)

According to the report 'Social media and the Banking Community' of Social Media Today and according to ING there are several reasons to actively use social media in the Dutch banking sector. Among them are strengthen the relationship between customers and the bank, give the company a 'face', create new ways to offer innovative financial services to the customers and use a proactive approach to react on possible damaging statements about the company. Also financial benefits are obtained when using social media. For instance, when looking at the customer support, web self service options are almost 87% cheaper than live interaction. The cost per interaction with live interaction is \$12, while it costs \$0.25 via the self service options. In this way the benefits for the banks will increase considerably. ("Social Media and the Banking Industry", n.d., "Banking on Community", para.1) (ING, 2010, "ING proactive in world of social media" section, para. 4)

ING states that social media simplify the communication about brand messages to the consumer and the message will become clearer for consumers. Social media also can be used to inform clients about a save and proper way of saving. With the use of social media an interactive relationship can be established between the company and consumer, which, on its turn, can result in satisfied and loyal customers. (ING, 2010, "ING proactive in world of social media" section, para. 4) (Smith, 2009, "European Social Media Trends" section, slides 37-41) ("We are social", 2010, "European social media: nuances in usage as seen through Forrester's technographics data" section, slides 2-12)

#### 4.4 Which influence can social media have?

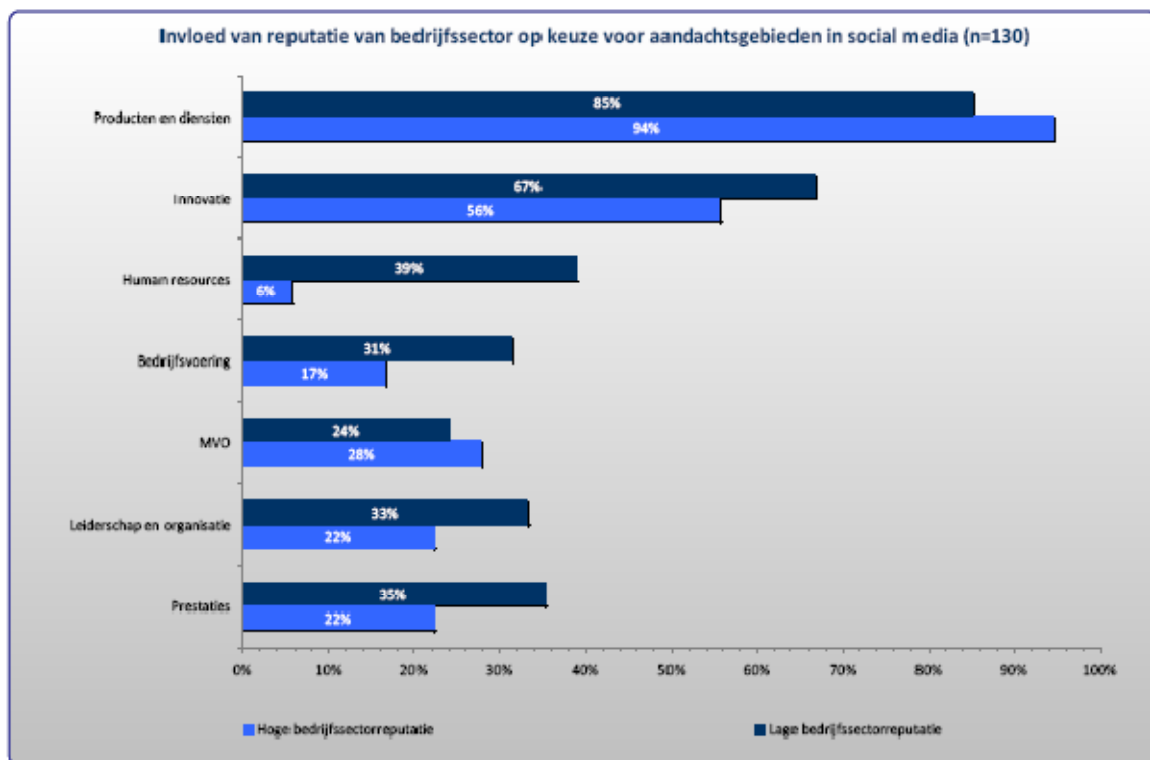
Social media do influence behavioural aspects of its users, among which the way of communicating, socializing and entertainment. With the introduction of social media the power shifted from the company using the media towards the consumer. This means that regular users of a social media can influence other users through their network or other types of social media. In other words, the consumer nowadays can 'make or break' a product, company or brand. (Torres, 2008, p.16)

##### 4.4.1 Influence of social media on the Dutch financial sector

The Social Media Update shows that only 46% of Dutch companies started using social media in 2009 and 17% still needs to start with using it. Many companies implemented social media rapidly but still have no idea of how to use it in a proper way. Within a year these companies are active

with several types of social media but they often do not apply them properly. The Social Media Update can be found as Appendix 7. (Koster & van Gaalen, 2010, pp. 4-6) (Jansen & Rinkes, 2009, pp. 3-5)

Noteworthy to see is that the reputation of the sector in which companies are operating plays a role. In a low reputational sector the amount of companies applying social media is higher compared to high reputational sectors. This explains why the Dutch financial sector in general is applying and implementing social media actively. The low reputation of this sector, due to the financial crisis, forces banks to implement social media. In this way they can monitor and communicate with their consumers and use social media to control their reputation. Nevertheless, the time reserved for applying and monitoring social media within Dutch banks is minimal. An average of one or two employees is working in this specialized field. Only in some Dutch financial institutions social media is not underestimated and Webcare teams are created, which can be seen at ING. (Koster & van Gaalen, 2010, pp. 7-11)



**Figure 14: Influence level of reputation sector in use of social media**

(Koster & van Gaalen, 2010, pp. 10-11)

The Social Media Monitor 2009 illustrates that in the top 10 list of companies that use social media successfully, two Dutch banks can be found; on the second place Rabobank and on the ninth place the AMN AMRO bank. (Jansen & Rinkes, 2009, p. 6)

Top 10 merken:

Positie	Merk	Totaal score	Aantal netwerken
1	Bol.com	38,2	5
2	Rabobank	36,8	4
3	ANWB	31,3	4
4	Radio 538	30,7	3
5	Telfort	20,8	2
6	UPC	19,4	2
7	Vodafone	18,3	2
8	Ziggo	17,8	2
9	ABN AMRO	17,5	2
10	BCC	16,9	2

**Figure 15: Successful application of social media by companies** (Jansen & Rinkes, 2009, p. 6)

#### 4.4.2 Influence of social media on image

Social media can influence a company's image, since the consumer has the power concerning sending out messages. The consumers' influence on the company depends on how the company itself is using social media; the message they are sending and their level of transparency. Social media provide users with a platform of opinions, the so called reviews. These reviews are nowadays considered more trusted than traditional advertising. Naturally, positive reviews will lead towards increased sales but negative reviews still have a greater negative impact than positive ones. (Torres, 2008, p. 24)

Additionally, social media can contribute to the establishment of an image in an interactive manner. Nowadays, most of the traditional media cannot compete with the influence of social media. Where social media is cheap and fast, traditional media is expensive and 'slow'. (S. Kotwal, 2009. "Social media vs. Traditional media" section, slides 1-28) When social media is applied and implemented properly in the communication strategy of a bank, most certainly this will be an effective manner to establish the desired image. An example of a company which successfully use social media amongst their communication tools and consequently did not suffer from damage to their image is the Rabobank. Even in a financial crisis this company knows how to respond to consumers and therefore their image and reputation is still 'standing strong'. (Reputation Institute, 2009, p.16) Noted need to be that social media need to be combined with other communication tools to obtain the best results.

Therefore it is useful for companies to implement social media in the best possible way in their communication strategy. The next paragraph will elaborate on how a company needs to integrate social media within its communication strategy.

#### 4.5 How to apply social media within a company?

Statistics and motivational needs from financial institutions have shown that it will be necessary for Dutch financial institutions to start using social media or expanding their social media activities. This paragraph will clarify what the best approach will be on implementing social media within the communication strategy according to different social media experts.

##### 4.5.1 Step one: Long term versus short term objectives

According to Matthijs Roumen, social strategy director of Tribewise, a company specialized in social media, companies are using social media thoughtless as communication tools. Companies expect that when being present on different social media 'the job is done'. As believed by Matthijs Roumen this is an incorrect application of social media. He states that *"When using social media as a communication tool, this should be implemented in the communication strategy of the company."* *"Most of the companies are focusing on short term effects while long term effects are more essential."* (M. Roumen, personal email, April 23, 2010)

##### 4.5.2 Step two: Segment customers and start listening

According to Jos Govaart and Jody Koehler, PR 2.0 consultants, it is important that companies are actively implementing and using social media, although only when they possess the know-how. When there exists a lack of experience concerning the use of social media, this needs to be solved before implementing social media in the company. A crucial aspect when using social media is to understand the target group and their information flows. (J. Govaart & J. Koehler, presentation, April 17, 2010)

When monitoring social media for information flows concerning the company, different internet based programs can be used by companies. These programs will show where and when the company is mentioned online. Examples of monitoring programs are: Google alerts, Google trends, Socialmention, Addict-o-matic and Boardtracker. (J. Govaart & J. Koehler, presentation, May 6, 2010)

The in chapter one mentioned Tweet-cloud can also be used for monitoring the communication flows of customers. This cloud shows what the most popular topics are, and consequently the bank knows how and where to respond. (“Tweet cloud”, 2010, “Tweet cloud - social media” section, para 1)

#### 4.5.3 Step three: Integrate social media within the company

Mr. Govaart and Mr. Koehler stress the importance of opinion leaders. Companies need to find out which persons are their opinion leaders internally and know how to use them properly. When giving these opinion leaders information, the company can be sure of a proper circulation towards the followers. These opinion leaders can be ‘Superpromoters’ at the same time. ‘Superpromoters’ are persons who are enthusiastic about the company and are spreading their enthusiasm. (J. Govaart & J. Koehler, presentation, April 17, 2010)

When a company wants to respond on a message, it is essential that the right department of the company is involved. Social media cannot be handled by one department; it needs to be integrated in the whole company. Therefore a team need to be set up with representatives from each department that make sure each message is handled by the right department. (J. Govaart & J. Koehler, presentation, April 17, 2010)

When employees are active on social media, it is necessary to send out one aligned message towards the consumer. To secure that all employees behave conform the same, aligned rules is by setting up social media guidelines. These guidelines stress how to react and how to use social media towards consumers, in this case malpractices by employees can be avoided. The set up of social media guidelines for companies are becoming more popular nowadays. IBM was one of the first companies who set up guidelines (in 2005) and also Dutch companies are starting setting up social media guidelines.(L. Reijmers, 2010, “Bedrijven stellen richtlijnen: nooit over klant twitteren” section, para. 1-5) (IBM, 2010, “IBM Social Computing Guidelines” section, para. 1-9) (Kroes, 2011, “De valse schijn van ‘Op persoonlijke titel’” section, para. 1-8)

#### 4.5.4 Step four: New ways of communication

With the rise of social media there are different opinions on how to communicate with the customer. First of all the major change in communication between company and customer needs to be taken into account; the shift in power from bank towards consumer.



According to Goedee et al, the needs of the consumers play a central role in the communication between bank and consumer. The approach towards the consumer needs to be fine-tuned. A one-way communication flow is not sufficient anymore for the consumer. When the bank wants to offer the best services to its consumer, it needs to communicate on an individual level with various communication channels; only in this manner the consumer will be satisfied. The communication shifted from mono-channel via multichannel towards cross-channel communication. Hence, banks need to implement cross-channel management in their strategy. With cross-channel communication is meant that all communication channels convey the same message. (Goedee et al., 2008, pp.113-115)

Social media provide the Dutch financial sector with a simple technique of setting up a part of this cross-channel communication. Within these new ways of communication between bank and customer, user friendliness and serving the consumer will have the highest priority. 'Banking' specified on each individual will be the trend; the digital identity of the consumer will become significant for banks to recognize the wishes of their client. Social media will help the financial sector with the provision of client data, which can be found on social networks, blogs and micro-blogging. This data will provide banks with more insight in their client's lives and consequently it will be possible to approach the client in an individual adjusted manner. (Schuurmans, 2010, pp. 287- 296)

On the other hand, social media will provide clients with many options of expressing their feelings and experiences about their bank. Besides communicating with friends online customers can also communicate online with their bank. When social media will become more used in mainstream communication and therefore more accepted in business life, it will be an effortless manner of communication between bank and customer. (Schuurmans, 2010, pp. 287- 296)

Steven van Belleghem, expert in social media and author, states that listening to customers is the most important step to take. In his vision the 'conversation company' is the most ideal structure of a company. In this type of company, customers contact plays a central role. Not only social media can be used with this contact, also in-depth phone interviews play a role. In this way social media will be used combined with other communication tools to obtain the best result possible. (Broekhoff, 2010, p. 29)

#### 4.5.5 Step five: New ways of marketing

Torres states that, if companies want to apply social media, it needs to be applied in their overall communication strategy. One part of this strategy will be focused on marketing. Therefore, traditional marketing strategies may need to be adjusted. Torres recommends a new type of marketing: conversational marketing. This type of marketing requires observation and interaction at the individual level. In this way the company knows which approach and strategy will be the most appropriate. While being in conversation with the consumer, a relationship will be established, which is also the main goal of conversational marketing. (Torres, 2008, p.23)

Also Schuurmans stresses the importance of social marketing and an individual approach. When using social marketing it is recommended to use it in a selective manner; approach the customer in an individual appealing way. A narrow approach often results in more benefits than a broad approach. Two aspects that play an important role in sending a company's message are to know how to reach your target group and how to communicate with your target group. (Schuurmans, 2010, pp. 291- 292)

Important for the company is to create conversations with their customers on a regular basis and with a clear two way flow; by letting the customers know that the company is truly listening and that there is real interaction between both parties, the level of trust and even loyalty will increase. (Torres, 2008, p.23) Conversational marketing will reach its goals when consumers are actively involved with social media. One cannot forget that before applying and implementing this type of marketing, social marketing only addresses to a particular segment of the consumer. A target group where conversational marketing would not reach its goal is for instance the elderly. Most of them do not have sufficient knowledge about the Internet and cannot be reached in this way. Therefore, companies need to distinguish the differences in their clientele and adjust their approach to it, as stated in step two. Only focusing on social media may not result in the expected benefits for a company. *“The goal is to do a good job in social media and in traditional media. Success in both arenas creates a force-multiplier effect. The trick is understanding that you need to craft custom approaches to these varying audiences.”* (T. Defren, 2009, “Different approaches for social & traditional media success” section, para.7)

#### 4.5.6 Step six: Keep monitoring and react

When a Dutch financial institution wants to react on a message posted on a social media, the best way to do this will be via the same media. In this manner the audience that possibly received the

message/complaint will also receive the answer. By reacting fast and adequate rumours about the company can be averted. Nevertheless reacting on the same media cannot guarantee that the damage to image can be avoided. (J. Govaart, 2010, INW10, slides 43-49)

#### 4.5.6.1 Case study: poor application of social media – Dominos pizza

A international known case in which social media has been used in the wrong way is the Domino's pizza case. Two employees posted a video online about their malpractices at work. Domino's decided to react on the same media, namely with posting a video on YouTube, with the intention to react on the same media, which is a recommended approach. However, the reaction itself, which came from the president of Domino's, was incredibly poor and therefore aggravated the case. (J. Govaart, 2010, INW10, slides 34-36)

#### 4.5.6.2 Case study: proper application of social media – SNS Bank

A case in which social media has been used to avoid rumours can be found in the Dutch financial sector. When there existed many rumours about the stability of the DSB bank on Twitter, people also started to tweet negatively about the SNS bank. The SNS bank decided to react on the same media, following the recommended approach with tweeting that the SNS Bank was a stable bank and posted a link to its financial reports. With this short but effective reaction potential damage was averted. (W. van Dijk, 2009, 'SNS bank niet blij met Twittergrap' section, para. 1-9)

#### 4.5.7 Step seven: Measure and evaluate

When applying social media for a considerable amount of time, find out if the earlier established goals are accomplished. If the goals are not accomplished the strategy needs to be refined and adjusted. Make sure that the use of all the communication tools are evaluated and set up a new, adjusted communication strategy. (Eilander, 2010, "Social media: strategie!" section, para. 4)

## Chapter 5 – Conclusions

Social media is considered by many companies as the magic word concerning communication and success. This type of accessible, online media simplifies the interconnectedness among its users. Social media is becoming increasingly popular in the use within external communication for companies since there are many advantages for applying these types of media. Examples of advantages are: increasing efficiency, transparency and cost reduction. Strengthening the relationship with customers and giving the company 'a face' are also purposes for financial institutions to use social media in their communication towards consumers. Nevertheless, social media can only lead to successful communication between banks and its customers when implemented and combined properly with other communication tools. Conversely, when social media is implemented poorly it can result in failure and damage to the company. Examples are: damage to the corporate image, its credibility or a loss of consumer loyalty.

This research focused on the relationship between social media and the Dutch financial sector and its image. The conducted research shows that the image of the Dutch financial sector before the financial crisis was better than the identity of the sector. The level of trust in different sectors was high and the image of the Dutch financial sector was reliable and positive. There was an extremely high level of trust in this sector which increased the chance of failure: the financial institutions were overpromising to their customers and therefore the risk of failure was high.

The fragile situation of the image of the Dutch financial sector before the financial crisis, resulted in a decline in trust during this crisis. The financial crisis commenced a period of economical failure. The collapses of banks combined with malpractices within the financial sector influenced the perception of the Dutch in a negative way. The image of the Dutch banks was negatively affected, except for the Rabobank, which did not suffer from damage to its image.

Besides, messages on social media with its rapid spreading, played a role in affecting the image of the financial sector. For instance, the rumour of the DSB bank being in liquidity problems resulted in a 'bank run' and consequently in a bankrupt DSB. The influence of existing rumours on social media had a strong effect on consumers. Nevertheless, when looking at the reliability of different types of media, the Dutch consider traditional media more reliable than social media. They do not believe that the prospective situation of the Dutch financial sector will vary from the past. The

Dutch are the most pessimistic nationality concerning changing practices within the financial sector.

Most of the main players in the Dutch financial sector started with applying social media at the end of 2009. The financial sector is ahead of many other sectors with the implementation of social media, due to their low reputational sector. With the use of social media, banks hope to gain more insight in the communication flows about their company and how to respond correctly to it. Another reason to use social media is cost reduction. Dutch banks need to be competitive in the European market, which will open to new non-financial entrants when the Single European Payments Area (SEPA) will become effective.

Implementing social media in a company is a very complex matter for companies. To be able to use social media externally, also internally many adjustments are required. For instance with setting up Webcare teams, with representatives from different departments, that will monitor social media messages among clients. Even though, banks state that they use social media to communicate with their clients, customers are not aware of the use of social media by banks. A clear discrepancy exists between these two statements.

There are many persons that state to be experts on the topic of social media. In this research ideas of different people with different backgrounds have been illustrated. Most of the portrayed ideas have the same content and lead to the same directions. Nevertheless, it is always necessary to keep the background of an expert in mind. For instance J. Govaart and J. Koehler are both working in Public Relations and therefore may have a completely different objectives than someone with a communication background. Also the term *expert* can be questioned, since social media is a considerably 'new' subject within communication; how did they become experts on this topic and what distinguish them from others? Therefore, it is important that a financial institution can never assume that there is only one approach possible concerning the implementation of social media. The most important advise will be to stay with the companies principles and values, use common sense and adjust the activities and strategy when the desired results are not achieved.

Nevertheless, when a financial institution wants to start with the implementation of social media, know-how of social media is essential. Subsequently, the following steps can be taken:

1. Set measurable goals and focus on long term objectives
2. Segment the customers and start listening to them

3. Integrate social media within the company
4. Use new ways of communication
5. Use new ways of marketing
6. Keep monitoring and react
7. Measure and evaluate

To secure that one aligned message will be send out by all employees, social media guidelines need to be established. These guidelines will inform employees what the rules are when communicating in a professional context with customers via social media.

With all these insights the central question of this research can be answered: *What influence has social media on the image of the Dutch banking sector?*

Social media did not change the image of this sector significantly. Reasons for this, is that social media is used by only a part of the clientele and that the Dutch consider social media as a media with average reliability. Nevertheless, social media provides the consumer with power, as they can send out quick messages with possible damaging statements. The part where social media influences the Dutch financial sector to a great extent is the application of social media in external communication. In this manner information can be obtained regarding financial issues by customers. Transparency is the most important characteristic for a bank nowadays and social media simplifies the way of being transparent. Social media can help in an effective manner to re-establish an image when a financial institution experienced any damage to it.

It can be stated that the use of social media in the Dutch financial sector is becoming more essential, due to the fact that this sector has a low reputation. Social media can rapidly spread news, which can lead towards disastrous outcomes for banks, when this message is negative. When banks respond in a proper manner to this news, preferably with the same type of media, eventual damage can be averted. The image of the Dutch financial sector suffered from the financial crisis however this decline in trust cannot fully be ascribed to the use of social media.

## Chapter 6 - Recommendations

There are many ideas on how to approach customers and how to implement and use social media. After reading all these ideas and making a selection of them, I created my own Plan of Action on how to implement social media within a Dutch financial institution. For the implementation phase of social media within the communication strategy of a Dutch financial institution I therefore recommend the next steps.

Before implementing social media, the bank needs to be aware that social media are communication tools and not a strategy on its own, therefore the use of social media should be implemented in the communication strategy. The employees responsible for social media need to possess the **know-how** on how to use it.

The steps which need to be taken accordingly are:

1. Set measurable goals and focus on **long term objectives**
2. **Segment** the customers and start listening to them
3. **Integrate** social media within the company
4. Use **new** ways of **communication**
5. Use **new** ways of **marketing**
6. Keep **monitoring** and react
7. **Measure** and **evaluate**

### *Internal communication*

Social media needs to be implemented internally in the company. The most ideal situation would be a team which works with social media. In this team a representative from each department within the company is present. In this way it will be easier to delegate questions from consumers to the right department. Every department is in this way involved with the implementation of social media. The employees responsible for social media need to be informed and aware about the latest developments around this topic. Therefore, follow-up courses need to be taken and seminars need to be attended. Social media guidelines need to be established to make sure every employee knows how to act on social media from a corporate point of view.

*External communication*

The main players in the Dutch financial sector, are all operating internationally. When applying social media, a national way of application is recommended. Due to the fact that there are big differences among countries and its users, a general international application of social media would strongly be discouraged. The conversation prism, which can be found as Appendix 8, illustrates how many types of social media exist. As can be seen, it would be impossible to use them all, therefore create a national application.

1. Set measurable goals and focus on **long term objectives**
2. **Segment** the customers and start listening to them
3. **Integrate** social media within the company
4. Use **new** ways of **communication**
5. Use **new** ways of **marketing**
6. Keep **monitoring** and react
7. **Measure** and **evaluate**

When using social media as a communication tool, overcome the fear that all the information of the company is 'out in the open'. Transparency and honesty are the most valued characteristics and this openness can lead to an increased level of consumer loyalty. Important is that the company needs to send an aligned, clear message to their stakeholders. Different messages can lead to confusion which on its turn can decrease trust; social media guidelines can play an important role in creating this aligned message .

Respond appropriately when rumours exist on social media that can possibly damage the company's image. React in a quick and uniform way and preferably use the same type of social media where the rumour is spread. In this way the same users have an easy access to the company's reaction and the possible damage can be prevented.

Keep monitoring on different types of social media. There are many monitoring programs available which can make it easy to respond in a quick and efficient manner to possible complaints or questions. When responding rapidly, consumers will stay satisfied. Nevertheless when ignoring messages of consumers, they can become irritated and social media can do a lot of damage to the company when negative messages are online. Therefore, it is very important to keep monitoring.



Evaluate with the social media team and with the management if earlier set objectives are accomplished. If not, make sure that activities will be redefined and goals will be achieved before the next evaluation. Keep in mind that social media is only a part of an overall communication strategy and not every customer is approached by social media. Make sure social media and other communication tools are in synergy with each other.

Results from the conducted survey have shown that there is a clear discrepancy between the use of social media by banks and the awareness among customers about it. This will be one of the main aspects where banks need to invest in. They need to raise awareness among consumers about the ability to communicate with the bank via social media.

**Long term objectives (5 years)**

- Raise awareness about the use of social media in a Business 2 Consumer relationship with 80%.
- Social media used as main communication tool.
- Use social media in external and internal communication.
- Decrease costs by 15% by using social media.

**Short term goals (1 year):**

- Raise awareness about use of social media as communication tool to customers by 50%
- Set up social media guidelines for employees
- Implement social media within communication strategy
- Increase activities on social media

**Concrete actions:**

- Set up social media team
- Appoint social media ambassadors (internally)
- Show added value of social media as communication tool to customers (quick, safe, easy)
- Launch awareness campaign about social media, existing of:
  - TV/ radio commercial
  - Presentations in branch offices on how to use social media as communication tool
  - Promotion on internet
- Engage customers by setting up social media events and competitions
  - Events: Twitter event with topic such as saving, investments etc

- Competitions: let customers upload their videos/photos concerning the company, e.g. ING and reward them. For instance ask them the question where they see the brand: 2 orange lions: customers can send in free interpretations on this topic and the best one will be rewarded.

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**Appendix 6: Reprtrak Method by the Reputation Institute**

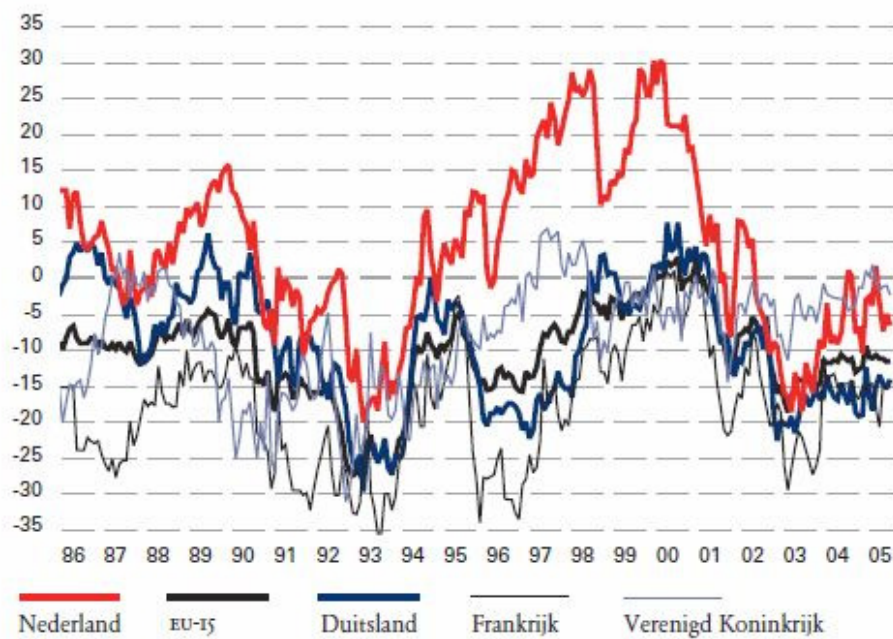
**Appendix 7: Social Media Update**

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## Appendix 1: Consumers trust

*Vertrouwen, Cement van de Samenleving en Aanjager van de Economie*

**Figuur 4.2** Consumentenvertrouwen in Duitsland, Frankrijk, Nederland, het Verenigd Koninkrijk en de EU-15, 1986 - 2005

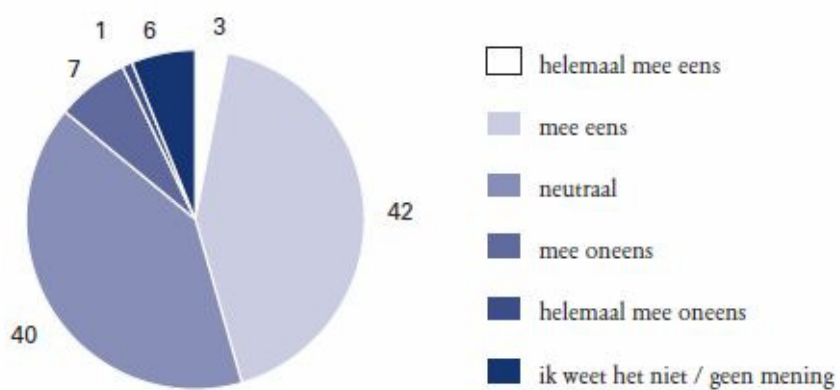


## Appendix 2: Trust in staff of financial institutions

*Vertrouwen, Cement van de Samenleving en Aanjager van de Economie*

**Figuur 5.4 Vertrouwen in de bestuurders van financiële instellingen**

De bestuurders van financiële instellingen zijn in het algemeen deskundig en integer. Procenten.



### **Appendix 3: Survey**

**Appendix 4: Edelman Trust Barometer**

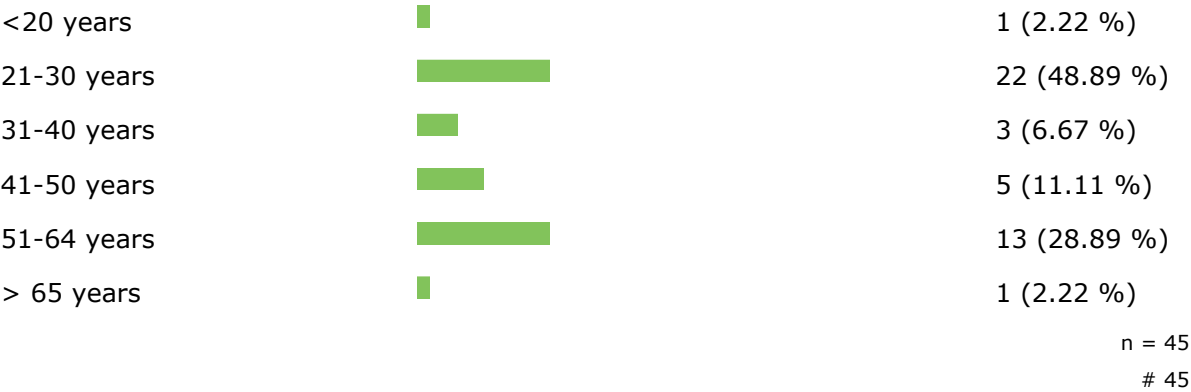
Appendix 5: Results of survey

Enquête Resultaten

Are you:



Your age is:



Which nationality do you have:

(cases with a double nationality...










Do you have a Dutch bank account:





**At which bank are you a customer:**

(taking your most important ba...

ABN AMRO		5 (11.36 %)
Rabobank		13 (29.55 %)
ING		21 (47.73 %)
Fortis		1 (2.27 %)
Friesland Bank		0 (0 %)
SNS Bank		2 (4.55 %)
Other, namely		2 (4.55 %)

n = 44

# 44

**How many years are you a client at this bank:**

<5 years		8 (18.18 %)
5-10 years		2 (4.55 %)
11-15 years		5 (11.36 %)
16-20 years		3 (6.82 %)
>20 years		26 (59.09 %)

n = 44

# 44

**Have you thought of changing to another bank in the last year:**

Yes, because		4 (9.3 %)
No		39 (90.7 %)

n = 43

# 43

**What would be a possible reason to change to another bank:**

(mult...

More financial advantages		29 (69.05 %)
---------------------------	---	--------------



Better service		18 (42.86 %)
More reliable bank		15 (35.71 %)
Other, namely		4 (9.52 %)

n = 42

# 66

### How does your bank communicate with you?

(multiple responses pos...)






Mail		26 (59.09 %)
Email/website		31 (70.45 %)
Telephone		7 (15.91 %)
Face to face		10 (22.73 %)
Other, namely		4 (9.09 %)

n = 44

# 78

### What kind of social media does your bank use?

(multiple response...)

Social networking (Facebook/Hyves)		1 (2.33 %)
Blogging		1 (2.33 %)
Microblogging (Twitter)		1 (2.33 %)
None		6 (13.95 %)
Don't know		36 (83.72 %)

n = 43

# 45

**Do you use one of these types of media to communicate with your bank?<B...< b>**

Social networks (e.g. Facebook/Hyves)		0 (0 %)
Blogs		0 (0 %)
Microblogging (e.g. Twitter)		0 (0 %)
Other, namely		1 (2.38 %)
No		41 (97.62 %)

n = 42

# 42

**Which way of communication between you and your bank would you prefer?<...**

Mail		19 (44.19 %)
Email/website		33 (76.74 %)
Telephone		22 (51.16 %)
Face to face		19 (44.19 %)
Type of social media, namely		2 (4.65 %)

n = 43

# 95

**Are you satisfied about the services of you bank?**

Yes		40 (93.02 %)
No		3 (6.98 %)

n = 43

# 43

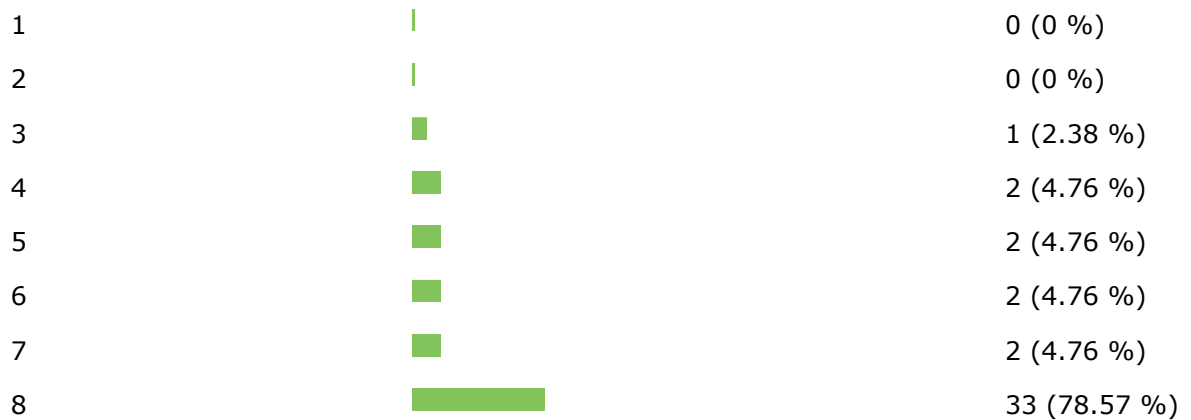
**What can be improved in your opinion?**

Communication		7 (16.67 %)
Service		7 (16.67 %)
Other, namely		4 (9.52 %)
Nothing		24 (57.14 %)

n = 42

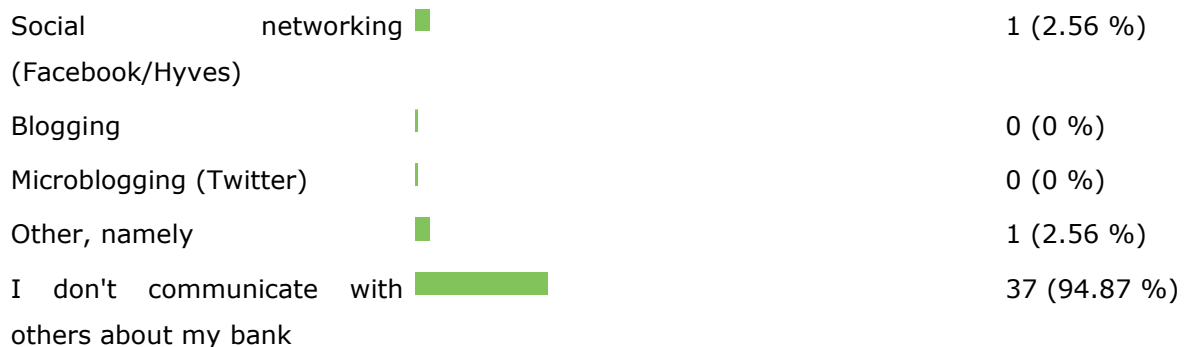
# 42

**Do you use social media to communicate about your bank to others?(please ti...**  
**All the time - Not at all**



n = 42  
 # 42

**If positive, which types of social media do you use to communicate about yo...**



n = 39  
 # 39

**How would you rate your bank on these different characteristics?**  
**Trustworthy - Untrustworthy**



n = 42  
 # 42

**How would you rate your bank on these different characteristics?**

**Honest - Dishonest**



n = 41

# 41

**How would you rate your bank on these different characteristics?**

**Stable - Unstable**



n = 42

# 42

**How would you rate your bank on these different characteristics?**

**Dynamic - Passive**



n = 41

# 41

**How would you rate your bank on these different characteristics?**

**Responsible - Irresponsible**



4		2 (4.76 %)
5		0 (0 %)
		n = 42
		# 42

#### Has your trust in your bank changed in the last three years?

Yes, positively		6 (14.29 %)
Yes, negatively		12 (28.57 %)
No		24 (57.14 %)
		n = 42
		# 42

#### If yes negatively, why did your trust declined?



(multiple respon...

Financial crisis		11 (36.67 %)
More critical information available online		1 (3.33 %)
Other, namely		4 (13.33 %)
Not applicable		17 (56.67 %)
		n = 30
		# 33

#### Did the financial crisis make you more critical about your bank or the Dutch government?

Yes		34 (80.95 %)
No		8 (19.05 %)
		n = 42
		# 42

#### Are you familiar with the DNB (De Nederlandsche Bank)?

Yes		35 (87.5 %)
No		5 (12.5 %)
		n = 40
		# 40

**What do you think about the quality ratings of the DNB?( e.g. AAA-status)**

Positively		9 (21.43 %)
Negatively		7 (16.67 %)
No opinion		26 (61.9 %)

n = 42

# 42

**Is the relationship with your bank affected due to the financial crisis? (e...**








Yes		6 (14.63 %)
No		35 (85.37 %)

n = 41

# 41

**How do you consider information provided by social media?**

**Very reliable - Very unreliable**

1		2 (5 %)
2		2 (5 %)
3		2 (5 %)
4		10 (25 %)
5		8 (20 %)
6		11 (27.5 %)
7		3 (7.5 %)
8		2 (5 %)

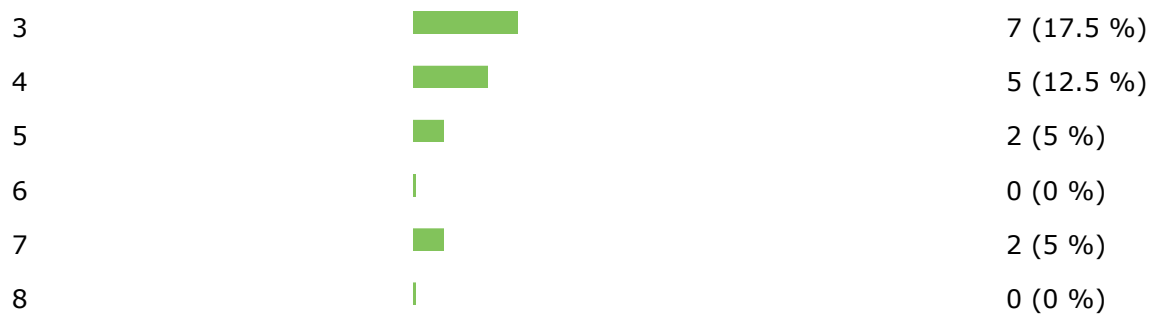
n = 40

# 40

**Does the provider of information plays a role in the reliability?**

**Certainly - Not at all**

1		13 (32.5 %)
2		11 (27.5 %)

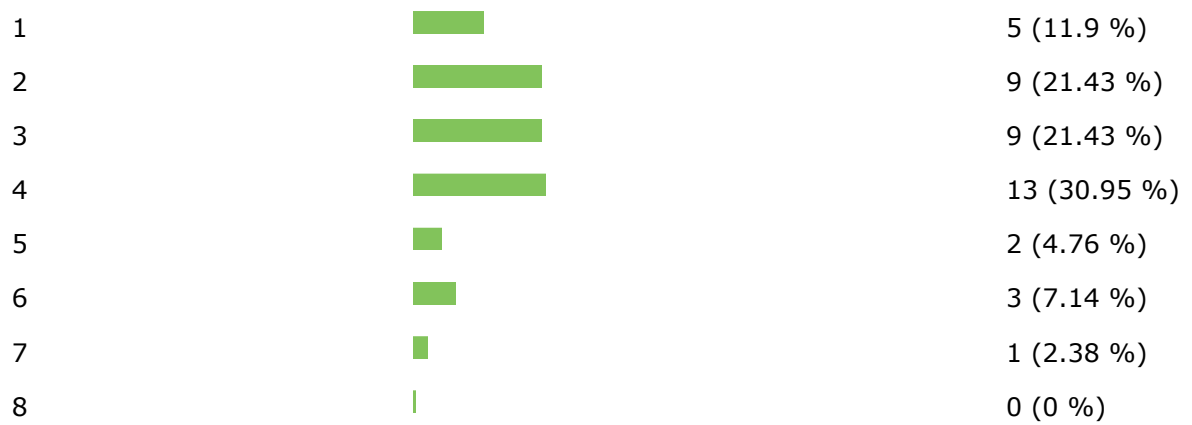


n = 40

# 40

**Do you think that social media played a role in the collapse of different b...**

**Absolutely - Not at all**



n = 42

# 42



# THE REPTRAK™ METHOD

The Reputation Institute created the RepTrak™ method, to provide companies with a standardized framework for enabling the identification of factors that drive reputations and to benchmark their corporate reputations internationally.

RepTrak™ is the world's first standardized and integrated tool for tracking corporate reputations internationally across stakeholder groups. Companies can choose the data they want to see in their RepTrak™ and can juxtapose both perceptual surveys with analysis of media content. For instance, tracking polls conducted daily around the world provide companies with direct access to the perceptions of consumers, investors and employees. Real-time monitoring of selected groups makes it possible for companies to see if corporate branding activities are inducing the kinds of supportive behaviors they were intended for, if PR strategies are influencing public opinion, and if media coverage is hurting or helping the company's reputation. All this, benchmarked against your key rivals.

The RepTrak™ Model is a tool that tracks 23 key performance indicators grouped around 7 reputation dimensions that research has proven to be effective in getting stakeholders to support the company in their supportive behavior regarding aspects like purchasing and investment decisions:

1. Products / Services
2. Innovation
3. Workplace
4. Governance
5. Citizenship
6. Leadership
7. Performance

The diagram illustrates the RepTrak Model as a circular framework. At the center is a red circle with a white pulse meter needle pointing upwards, labeled "Pulse". Surrounding this center are four quadrants labeled "ESTEEM", "ADMIRATION", "TRUST", and "RESPECT". The next layer consists of seven segments, each representing a reputation dimension and its associated KPIs:

- Performance**: Credible, Innovative, Dependable, Long-term prospects
- Products/Services**: Most useful, Value for money, Quality product, Available everywhere
- Innovation**: Creative, Adaptable, Cutting-edge, Influential
- Workplace**: Safe and secure, Fairly paid, Good working conditions, Offer equal opportunities
- Governance**: Clean and transparent, Respects privacy, Earns the way's trust
- Citizenship**: Committed to social responsibility, Respectful towards community, Environmentally responsible
- Leadership**: Good values for the future, Teamwork and cooperation, Inspiring people, Well-organized

At the bottom left, there is a small logo for "Reputation Institute" and a page number "10".

The beating heart of the RepTrak™ Model is the Pulse, which takes the public pulse of a country by measuring how consumers evaluate companies on four attributes that the Reputation Institute has determined to comprise the overall reputation of a company: *overall regard, good feeling, trust and admiration*.

The strength of the RepTrak™ is that the dimensions used in this method are statistically independent of each other. This reduces the problems associated with multicollinearity in data analysis and strengthens conclusions about the relative impact that specific attributes and dimensions have on the company's overall reputation.

#### Internationally standardized and comparable reputation scores

Market research shows that people are inclined to rate companies more or less favorably in different countries, or when they are asked questions directly or online. When asked in a personal interview, for example, it's known that people tend to give a company higher ratings than when they are asked by phone, or when they are asked to answer questions about the company online. This is a well-established source of 'systematic bias'. Another source of systematic bias comes from national culture – in some countries, people are universally more positive in their responses than in other countries.

In statistical terms, it means that the entire distribution of scores in a 'positive' country is artificially 'shifted' because of this propensity for people in that country to give higher ratings to all companies, good or bad. The distribution of scores in that country may also be more 'spread out' than in another because people have more information and are able to make more subtle differences between companies.

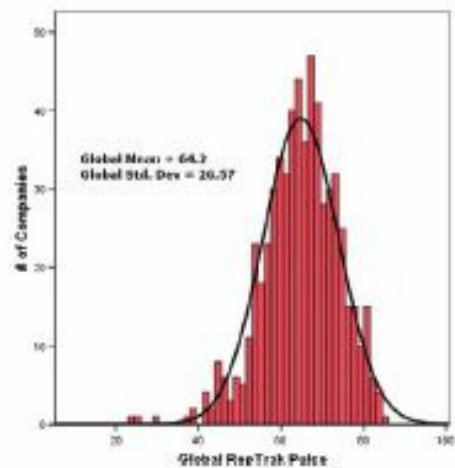
To overcome these sources of systematic bias, Reputation Institute's policy is to adjust all RepTrak™ scores by standardizing them against the aggregate distribution of all scores obtained from the RI's Annual Global RepTrak™ Pulse. Standardization has the effect of lowering scores in countries that tend to over-rate companies, and has the effect of raising scores for companies in countries that tend to rate companies more negatively. Due to this procedure, all RepTrak™ reputation scores are comparable across industries, countries, and over time.

Through further statistical analysis, Reputation Institute connects RepTrak™ Dimension scores with RepTrak™ Pulse scores, as well as with various supportive behaviors, in order to identify the drivers and implications of corporate reputation. The findings enable companies to understand and take advantage of the dynamics of reputation among the general public.

### The Global Distribution of Reputations

The global mean is 64.2 and the largest concentration of companies have a RepTrak™ Pulse between 60.0 and 70.0. Based on the global distribution of scores, Reputation Institute proposes the following benchmarks for benchmarking standardized corporate reputation results internationally:

- Maintain (>70)
- Improve (60-70)
- Immediate action (<60)



## **Appendix 7: Social Media Update 2010**

## Appendix 8: Conversation Prism by Brian Solis

