THE DEFENSE AND OFFENSE OF BANK SOCIAL MEDIA

by Steve Brown

It was late afternoon in early July of 2008, when investors started to post thoughts on IndyMac Bank online. Within hours, the tone turned negative, as word got out on investment blogs and social media sites that trouble was brewing. Soon, posts were popping in real-time as customers used their mobile phones while standing in line trying to get their money out of the bank. The ringside seat to a bank run was chilling. Even more troubling was that management was noticeably absent in the debate. Contrast that experience with Starbucks that had the same crowd-sourced phenomenon happen to them earlier this year. Rumors kicked up that the coffee giant was protesting the Iraq war by refusing to send coffee to our troops. Someone suggested that they should wage their own protest and boycott Starbucks as a result. Management quickly stepped in to dispel the rumor and provide links and information on their goodwill efforts. The rumors were put to rest. Closer to our industry, a negative press report on earnings was squelched by one CA bank within hours to what normally have taken days. More important, bank management was able to monitor the ongoing conversations between customers - an act previously unheard of.

When it comes to liquidity management, rapid organization and dissemination of information is critical. Washington Mutual, Indymac, Comcast, Kaiser Permanante, Amazon and others suffered risk precisely because they were not engaged in social media when negative news leaked out. These firms learned that not having a social media team was far more costly than having one. A bank's marketing team must develop policies and strategies for managing both the positive and the negative when it comes to social media. Even if you choose not to participate online, going forward all banks must include a mechanism whereby online communities are monitored even if it is as simple as setting Google Alerts. While monitoring news is good, it is far better to have a community already created so you can go from defense to offense instantly.

Speaking of going on offense, our best case for banks to get involved with social media is for the creation and synthesis of information. Wikis, blogs and social networks are driven by a shared passion to spread knowledge. One of the best cases we have seen occurred last Sunday in Portland, OR. A loud boom was heard and within hours the police assisted in connecting Twitter with Google maps to ascertain not only the type of explosion that was heard, but also the loudness of the sound. By the next morning, the police were able to use the map to triangulate and find the location. Here, the knowledge of hundreds of individuals was harnessed to solve a mystery that would have taken hundreds of hours of police work. Banks are using social media not just for marketing, but to efficiently gather knowledge. Referrals, new product ideas, marketing promotions, pricing and strategy can be easily garnered. One bank used social media to ask customers what "thank you" gift to give with the opening of a $50k premier-type depository account (the Kindle was the overwhelming choice), one bank developed a leasing strategy from online feedback and still another bank was able to gather potential customer thoughts on where the next branch should go.

If your bank is still pushing back on social media due to regulatory concerns, liability or resource allocation; we would like to suggest you take another look at the equation because the gains now outweigh the risks. We can't tell you exactly how to use social media, which is our closing point, but it is time to start experimenting in order to find what works. We will continue to gather information and can hopefully be a greater resource in the future. Until then, we look to be your next online "friend."

BANK NEWS

M&A

Investors Savings Bank ($8.36B, NJ) will purchase $575mm in deposits for an 11bp premium and 17 branches from Millennium BCP Bank ($815mm, NJ).

Unsatisfied Customers

An Aite Group survey found that 80% of small businesses unsatisfied with their primary bank, do business with the nation's regional and largest institutions. Meanwhile, over 30% say they "definitely or probably will" change banks in the next 2Ys.

CUs

NCUA is proposing Congress double CU limits on small biz lending from 12.25% to 25% and increase individual loan amounts from $50k to $250k. According to the NCUA, 25% of CUs are involved in small biz lending, but they only account for 1% of all loans in the US.

Correction

On Mon we ran a story about the extension of the 90% guarantee for 504 SBA loans. We, of course, meant the 7(a) Program.

Smart Info

Or rather Smartphone info. Nielsen predicts Smartphone usage will tip the 50% mark in the 3Q 2011, compared to only 21% in the 4Q 2009.