

WHAT YOU ARE MISSING WITH SOCIAL MEDIA

by [Steve Brown](#)

While you have heard our argument why social media is a huge step forward for bank marketing (because of its low cost and ability to quantify a ROI), we bring to light new evidence in network theory that it may even increase bank sales and product penetration.

Based on research stemming from the spread of the H1N1 swine flu virus back in 2009, it appears that pathogens, like ideas, spread in a defined way across human networks. In fact, there is a mathematical model that can tell scientists how fast and efficiently a disease can spread, based on the nodes and structure of the network. The basis of the theory holds that those people with more social contact spread the epidemic faster than the anti-social person with little human interaction (graphically above). This is driven by the fact that the closer you are to the center of any network, the more likely you are to spread a virus. Mathematically, this gets reduced to a function of your positioning within any given network, the number of nodes you are connected with, the size of the network and the speed of transference.

A couple postulations emerge from this science that can possibly be applied to social networking. One is that on average, if you monitor the center of a network, there is about a 16-day advantage to early detection. Put another way, by monitoring the center, you know first and can better predict a growing network epidemic. The other relates to the theory of "herd immunization" (developed in agriculture). This holds that in order to immunize a group, you need to vaccinate 96% of the population. However, if you understand the structure of the network and just immunize key individuals (be it people or cattle), you may only need to immunize about 35% of the population to have the same material effect as if you immunized 100% of the cohort.

This human network theory is beginning to be put to work in bank marketing. By building and understanding a network of your customers, you can now dramatically reduce the time it takes for product penetration, reduce marketing resources, and improve profitability since you can now visualize the customer network. Sales resources can then be targeted at those business or community leaders in the center of the network. Once those "nodes" are convinced, the bank then only has to facilitate the spread of the product or brand by harvesting referrals and/or providing the medium of interaction (whether it be a social network or physical event). The result is a geometric progression that can be a powerful force in bank marketing and sales.

While the internet has enabled electronic interaction, the evolution of social networks has allowed companies to understand the network and organize around a product, brand or idea. Just as the flu spreads quickly in schools, so can a brand feeling spread about a bank. Look no further than the conflagration of the Egyptian revolution that started through social media and spread from there. It was no coincidence the movement reached a critical mass in about 16 days. While a deposit or loan product may not spread as fast as the concept of freedom or the common cold, the theory holds.

PNC Bank's Virtual Wallet cash management application was one of the most successful product launches in bank history because, in part, the idea was promulgated through social media. Community banks cannot ignore social media, or they will find themselves pushed to the outside of their network.

If you want to learn more about this and other interesting ways to boost your business or improve your bank, be sure to come to our EMC Conference in May. We will not only discuss more about how to increase sales mapping and leverage social media to positively impact your bottom line, but will give you practical ways to do so immediately upon your return from the event.

BANK NEWS

Stress Testing

The Fed has reportedly ordered the 19 largest US banks to stress test their capital levels against a scenario of renewed recession with unemployment rising to more than 11% by the 1Q of 2012 before easing back to 9.5% by the end of 2013, according to Bloomberg. The test also included a 1.5% decline in GDP from 4Q 2010 through 2011. The banks submitted their plans last month and the Fed is expected to complete its review in Mar.

Lawsuit Frenzy

A decision by the CA Supreme Court to bar retailers from requesting customer zip codes has sparked a blast of class action lawsuits against major retailers. The court ruled that requesting consumer zip codes during a credit card transaction is prohibited by law, because it is part of a customer's "personal identification information."

Copyright 2021 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.