CONDUCTING A PROFITABLE FOLLOWING

by Steve Brown

No doubt your bank has dabbled in social media and probably has a Facebook and Twitter presence largely composed of employees and select customers. This is a good start; however for 2012, we challenge you to take it to the next level. Building a social media presence is a little like conducting an orchestra. As a conductor, you have to keep things balanced and driving forward, but with a sense of style. Now it is time to build a following of current and potentially profitable customers that gives you a concrete marketing pipeline to grow your business. Here is how to do it:

Step 1 is to get the tools you need. Aside from personnel, a social media policy and compliance software, you need tools to help you build out your social media presence in harmony. That will let you efficiently run giveaways, promotions, cross marketing and special events. While we are not endorsing any of the following names, tools that we and other banks have used and liked include Buddy Media and North Social for example. Next, get a dashboard application that can chart your progress and usage. Popular applications include Radian6 and Visible Technologies (used by the largest banks) or Netvibes, Unilyzer, Hootsuite and Sprout (often used by community banks). Each of thse applications are either free or cost $500 per month, with an average monthly all-in cost of around $250 for both programs.

After you have to tools to handle and monitor activity, Step 2 is to find out what type of community you want to build. Most banks are choosing just to build general communities; however, we recommend that in addition to a general focus, you consider going after specific profitable customer types. Building a community of regional HOAs, doctor office managers, law firms, CPAs, etc. is worth many times more than a general one.

Step 3 is to figure out how you are going to deliver content that provides thought leadership. Let's say from our above example you want to expand your medical financing practice - to tap experts on staff to talk about medical financing, pull in some retired dentists or current office managers. You may also joint venture with a firm that is not leveraging social media or who may be more national. Being able to deliver a steady stream of quality finance related content is the single most important factor in social media. The idea is to start with a core group of content generators and then augment that stream with other cross-postings. Good content is critical in building a successful site.

Next comes the fun part and Step 4 is to find those well-connected prospects in your target customer segment. Most likely, members on your board already know some of these influencers, so getting them connected to your bank will allow your effort to quickly expand. One good re-Tweet or re-post will get your bank visible to other movers and shakers. The wonderful thing is that in this age of social media, it is now so much easier. Many of the application tools mentioned above have the ability to mathematically analyze and graphically depict the networks of your targets. Through this targeting, you can determine who is at the hub of certain networks and who the outliers are. Grab the hubs and your followers will take off.

Once you have the above set up, the final step is to let the infrastructure do its work. Building a network is a geometric exercise, so the right content with the right connections will bring your bank tremendous value with relatively little resource expenditure. Similar to how bankers act, our past focus group of doctors revealed that they will use products that are successfully used by other doctors. Convert just a small fraction into happy customers and they will do most of the heavy lifting for you.

Most bankers don't appreciate marketing because it is hard to document a real return. However, if your bank can develop a following of local doctors, lawyers, CPAs, HOAs or other very profitable customer types; it will likely be music to your ears.

BANK NEWS

SBLF Nearly Done

The Treasury reported that as of Sep 1, it had issued preliminary approvals to all eligible and qualified institutions that applied for the program. In total, 382 institutions were approved for a total of $4.3B in funding. Overall, 932 applications were received, but more than 40% failed to meet minimum statutory or program requirements and therefore could not be approved. All closings will occur by Sep 27, the statutory end of the program.

Muni Hit

President Obama's proposed $447B job-creation plan would reduce the tax break for municipal bond interest to 28% from 35% (for couples earning more than $250k per year), potentially reducing demand for state and local-government securities.

Restructuring

Bank of America will reduce annual expenses by $5B per year by 2013 through a major cost-cutting initiative according to CEO Brian Moynihan. The bank will cut 30,000 jobs, as it targets an efficiency ratio of 55% and eliminates $73B in annual expenses. The bank will cut consumer and small banking expenses, card costs, global technology and other areas as part of the first phase. Of note, Bank of America is now the employer with the largest US layoff announcement of 2011, surpassing pharmaceutical company Merck who announced 13,000 cuts by the end of 2015.

Yikes

A technical research analyst at Bank of America Merrill Lynch said increased risk aversion, a surging dollar, historical seasonal weakness and a climb in bonds could send the S&P 500 down as much as 21% from Friday's close and push the 2Y Treasury yield to zero.