IRONING OUT SOCIAL MEDIA

by Steve Brown

We understand banks getting confused with social media because there is no road map. We feel the same way about ironing, as we missed that lesson in home economics. Our ironing education comes from watching our parents, but no one explained the details. For example, why do irons have 8 settings for heat? By our simplistic way of thinking, we always use "7" as we want the iron hot, but really don't want to go full throttle for fear of the unknown. We wonder who is using ironing setting #1, because maybe clothes that delicate shouldn't be worn - "Hey, Bob, nice tissue paper pants!" Social media for banks over the last 6 months has seen its wrinkles. The good news is that more banks than ever are trying it, as a recent ABA conference found almost 25% reported some ongoing effort, many with material success. The bad news is that recently, social media has become a little more complicated with the rise of Google+, Instagram and Pinterest. By way of a quick review, Google+ is similar to Facebook with some notable differences to be discussed briefly. Meanwhile, Instagram and Pinterest are online bulletin boards or "pinboards" that allow users to create and manage theme-based "knowledge collections" of photos, posts, facts and other online clippings. Different than sites in the past, both Instagram and Pinterest are succeeding because of their extreme simplicity (in being able to clip content, particularly photos) and their integration with other social media sites like Facebook and Twitter. Interestingly, both Instagram and Pinterest are being used overwhelmingly by females, an important demographic for banks. In addition, from a strategy standpoint, it should be noted that all these new sites have gained popularity with their easy to use mobile applications as almost 50% of the usage is through mobile devices - a fact with profound implications for banks. These 3 new sites are worthy of your radar, as all 3 are now in the top 10 of social media traffic and all 3 have amassed 10mm+ followers at a faster rate than Facebook, LinkedIn and Twitter. The issue that now arises for banks with a nascent social media effort is whether to stop what you are doing on Facebook and convert your followers. Do you maintain multiple sites and if so how do you keep up? Our recommendation is that you maintain multiple social media efforts. Before you groan, yes, social media has turned into a full time job for someone at your bank. Success stories abound for all types of banks, including metro, rural, business and retail-oriented which have gathered sizable followings and produced some innovative interactive content. If you haven't come to this conclusion yet, within the next couple of years, expect social media to become your primary source of marketing and advertising. It has an instant feedback loop, is cost effective, has customer intimacy, increases your ability to gather knowledge and supports the sheer mass of customers using it. While Instagram and Pinterest are just starting to be used by businesses and it is too new to determine if they have longevity (however, we will report back), Google+ is worth adding to your efforts for the sole reason that it is tied in with Google. Success with Google+ will have a direct result on your search engine standings, so if you add content and links about a checking account, your ranking in Google jumps dramatically (mostly in the top 5 on the first page). This alone moves Google+ out of the realm of "let's just try it" to "we want to try it for a specific reason." The other advantage is that like Twitter and LinkedIn, Google+ has made sharing more targeted and thus, more effective. If you post something about tips on tax preparation (a timely topic to educate your customers on), you have the ability to share it with only customers that are interested in learning about it. Social media continues to change and banks not only need to post content that is interesting, but find ways to engage their customers. Banks have to go where the customers are. In our opinion, banks should have a presence on LinkedIn, Facebook and now Google+, in that order. Consider experimenting with other forms of social media the same way you might experiment with the "4" setting on the iron - it might keep your synthetic shirt from being reduced to a carcinogenic ball of plastic.

BANK NEWS

M&A

The U.S. banking operation of Royal Bank of Scotland will sell 52 branches at Stop & Shop supermarkets in New York and all other branches in Long Island and New York City to People's United Financial ($28B, NY) for a 1% premium or about $3.25mm in cash.

M&A

Carlile Bancshares ($293mm, TX), which was launched 3Ys ago to roll up banks in the Southwest, will acquire Northstar Financial ($950mm, TX) for an undisclosed sum.

M&A

First California Financial ($1.8B, CA) will buy Premier Service Bank ($141mm, CA) for about $2mm in stock.

Industry

The FDIC released 4Q 2011 data and reported the industry posted a $119B profit for the year (up 40% from 2010 and the largest since 2006). Loan losses fell to their lowest level since 2008; annual revenue declined for the first time since 2008 (and only the 2nd time in 74Ys); loan balances grew by $130B or 1.8% in the 4Q compared to 3Q (biggest increase since the 4Q 2007) and C&I lending increased 4.9%.

Muni BK

The city of Stockton, CA could be nearing Chapter 9 bankruptcy, after city leaders voted to use a new state law to enter into mediation with creditors. Stockton has the 2nd highest foreclosure rate in the country and could become the country's largest city to file for bankruptcy.

Mobile

Research by Celent finds banks receive up to a 20% increase in client retention from mobile banking customers.

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