BANK EVOLUTION OF SOCIAL MEDIA

by Steve Brown

It was 237 years ago almost to the day when Paul Revere prepared for his famous ride. Like any good risk manager, he laid out a preplan, a backup plan and a contingency plan. Lucky for us, as he was captured and had to evoke one of those plans. However, if Paul Revere were around today, he would tweet. Originally chosen both for his beliefs in the American freedom cause and for his network of townspeople, Paul Revere would have belonged to the "Sons of Liberty Group" on Linkedin and would have tweeted @johnhancock "Brits coming by C. #Boston #regulars #toarms". If that sounds like a joke it is, but that is also reality, as #Egypt was the most used hashtag last year - an analogous revolutionary situation. More banks than ever (an estimated 70%) have recognized the revolutionary power of social media and are active at some level. While banks are engaged, we point out today the changing nature of bank social media and how we have evolved during the course of this social media revolution. While many banks use social media, only about 30%, by our estimation, are really convinced that it is worthwhile. Many banks stumbled on this initially as "not able to measure social media effectiveness" was the number one reason why banks did not embrace the channel back in 2007. Since then, banks have found different metrics to track and have come to grips that a direct ROI measurement may not be possible for some time. To update you on what banks are measuring, we looked at the responses from a couple hundred community banks and found that the following metrics that banks use to track effectiveness: "Likes"/Followers (60%), number of retweets/re-posts of bank content (39%), qualified leads from social media (35%), visits back to website (30%), direct product sales (20%) on social media and ongoing survey results (18%). While 65% of banks report more resources going to social media, none have found a concrete way of measuring their return on investment. Years ago, banks struggled with the same question as they tried to track what customers and sales, came from the social media channel. This was an imperfect effort and now banks have realized that social media may be more about collecting knowledge and communicating with your customers, than pure promotion. We point out that banks also struggled trying to find an acceptable measurement or ROI for email back in the 90's. Now, we have banks listening to social media, creating specific savings and checking accounts, creating hashtags, buying keywords on Google AdWords and creating a micro-website just so they can track and promote the product. What started out as a marketing effort, has evolved into a distinct channel by itself. Where banks spend their marketing dollars have also evolved. While a clear ROI is tough to figure out in social media, banks have come to learn that social media, with its ability to track likes, traffic and specific activity, is vastly superior than tracking traditional media effectiveness which is difficult with TV, radio and print. It is because of this reason that banks have evolved their marketing budget and reduced their spend on traditional media. Now, banks are spending money on website upgrades (more than 50% of the banks in the survey), social media monitoring/creative tools, content creation (videos, white papers, etc.), search engine optimization and online advertising instead of buying ads. One best practice in social media is to articulate in writing objectives for your social media effort that are updated annually. Where promoting events was number one objective in 2009, 2010 was all about building a brand. By 2011 it was about listening to your customer. Now, in 2012, it is about engagement and finding ways to become more intimate with the customer through electronic channels. In looking at the stated goals at banks that are active in social media strategies, we found the following in order of popularity: customer communication, promoting events, generating sales leads, product or service sales, product design/input, brand promotion, customer research (polls, etc.), recruiting, contingency planning (for external AND internal communication), training/education, networking customers and vendor communication/ management. Social media for banks is still evolving. When it comes to measuring effectiveness, banks are now looking at factoring in the quality of client engagement as well as cost reductions at the branches /call centers, not to mention the shorter time-to-problem resolution and improving customer satisfaction. Next year, social media will emerge as a way to help banks determine potential profitability and will help collect information that will aid in credit evaluation. One thing is clear that the evolution of social media will continue to be a revolution when it comes to customer management.

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BANK NEWS

Closed (YTD 15)

Regulators closed: 1) Covenant Bank & Trust ($96mm, GA) and sold it to Stearns Bank ($1.2B, MN). Stearns captures 2 branches, all deposits and $71.4mm in assets under loss share; and 2) Premier Bank ($269mm, mm, IL) and sold it to International Bank of Chicago ($289mm, IL). International gets 2 branches, all deposits and essentially all of the assets (no loss share).

Shakeup

Facing higher funding costs and increased regulatory pressure to boost capital, global banks are expected to shrink their balance sheets by $1T (about 7%) over the next 2Ys, according to research from Oliver Wyman. Banks are also expected to cut as much as $12B in costs by reducing pay, laying off staff and selling off noncore investments.