LEVERAGING SOCIAL MEDIA

by Steve Brown

A recent study in the UK found social media may be damaging to a person's psyche. About 50% of people surveyed said using social networks like Facebook and Twitter makes their lives worse in terms of self- esteem, sleep and level of anxiety. Yet social media continues to proliferate, with Facebook touting more than 1B monthly active users, Twitter boasting around 340mm Tweets per day and more than 200mm active users and LinkedIn claiming more than 200mm members. For banks, social media is an opportunity to engage with customers and the public, but it can also add risk. Mitigating that risk is critical, because banks have unique issues around employees that use social media platforms, consumer compliance, customer expectations, technology risks, cyber crime and a myriad of strict industry regulations. Since so many community banks are still trying to figure things out in this new area, we offer the following tips: Be careful what you say. Like any advertising campaign, banks need to be mindful of what they say in a social media setting. It's especially important to review information carefully before launching. If you don't, things can go horribly wrong and it can happen quickly. Just ask McDonald's, which early last year attempted to promote its brand via Twitter and ended up retreating when users of the social network decided to post their horror stories about the fast food giant. React quickly when problems arise. All social media activity requires a bank to have a contingency plan. The ability to switch gears can mean the difference between dealing with a small windstorm vs. a monsoon. At many companies, it can take hours to get media messages out to the public, but when it comes to social media, you won't have hours to quell damage. Case in pointÃ¢Â€"an anti-Obama Tweet by a KitchenAid employee during one of the 2012 debates. The appliance maker pulled the offensive tweet and quickly apologized, but not before damage was done and scores of Twitter users pledged to boycott them. Separate business from pleasure. Like KitchenAid, Chrysler also found itself embroiled in a public relations mess, after the social media agency it employed to Tweet accidentally posted something obscene on the official account. Accidents happen, but as Ben Franklin once said, "An ounce of prevention is worth a pound of cure." Banks should have a review process for any Tweets from the company. In our fast-moving world, seconds matter, but not as much as your reputation. Alternatively, it's not a bad idea to enforce a rule banning employees from using personal accounts from their work computer. Monitor what's said about you. There are various software products and vendors available to help you monitor social media chatter. Negative sentiments can have a profound impact on your reputation and it can happen quickly. It's important to figure out what's being said and respond quickly and appropriately. How you deal with a crisis can make a difference. Consider the damage done to Nestle's brand in 2010 after it tried to censor a Greenpeace video criticizing its palm oil purchasing practices. Nestle tried to avoid the issue, while Greenpeace launched a full- blown attack on Facebook. Some community banks may still be tempted to sit on the social media sidelines for fear of injury or concern about regulations. If these are drivers for you, also consider the many positive ways your bank can use social media to build relationships with shareholders and customers, as well as current and prospective employees. Press on and Face this issue, Tweet and Link In; as you leverage social media sites to market your products, resolve complaints and communicate with your customers.

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BANK NEWS

M&A

Heritage Bank ($965mm, KY) will buy Sumner Bank & Trust ($184mm, TN) for 14.3mm in cash or about 0.84x equity.

Credit Errors

The FTC reviewed 1,000 credit reports from the three major credit rating agencies of TransUnion, Experian and Equifax. It found 25% had errors in them and 80% of those who disputed scores received some type of modification (5% saw enough change to lower their risk tier).

Mortgage Improvement

TransUnion reports the percentage of mortgage holders nationwide that are 2 months or more delinquent fell to 5.19% from 6.01% in the prior year. This is the lowest rate in 4Ys and is well below the 7% peak hit in 2009, but remains well above the 1% to 2% average historical rate.

Skimming Crooks

Forbes reports the NY Attorney General indicates a ring of thieves stole information on 6,000 bank accounts suing small video cameras on ATMs and skimming devices. The thieves reportedly stole more than $3mm.

TARP

The Treasury is unwinding its TARP holdings and its latest auction (Jan. 25) resulted in a 35% discount. Analysts say the range has been running 8% to 20% each month.

Job Cuts

Barclays said it will fire 3,700 employees as it seeks to cut $2.7B in annual costs.

Jobs

In a recent speech, FOMC Vice Chair Janet Yellen said it could still take years for the jobs market to heal itself.

Real Estate

FDIC insured institutions hold $4T in loans secured by real estate and another $1.75T in MBS.