Friendly Activity Online

by Steve Brown

Show us your Facebook account and we will know who you are. As the need for security and authentication grows, this is increasingly common among online players. Airbnb, the popular website where travelers find lodging with local folks, has even created an ID verification process for customers and hosts that involves Facebook accounts. The aim: get reassurance that you are really who you say you are. Airbnb is not alone in this. Tinder Seduction, the hot dating app, asks as well for a link to your Facebook account and Amazon likes to go through your Facebook interests. Knowing your profile, Amazon will be able to make appropriate recommendations and sell more products.

This treasure trove of personal but very public information is naturally tempting not only for online retailers to capture but also for bankers. Imagine the quality of knowledge you might be able to collect via social media. The footprints that customers leave across the digital world say a lot about their preferences, habits, behavior, and their friends. All of these can give you a more targeted marketing opportunity at the very least as you seek to capture new customers and keep the ones you already have.

Better yet for tracking are those cookies that record the activities of the net surfer after they leave the bank's website. This helps you better understand the customer's state of mind. These cookies could alert the bank about important lifestyle events, such as a marriage or divorce, the arrival of a new child, a teenager going to college or a change in career. Having such insider information is gold to marketing people who can leverage it to send a timely message from the bank offering customized services. The options here are nearly limitless.

Social media offers new possibilities in listening in on customer conversations and behaviors, but at the same time, it can be problematic. The consumer may not appreciate the invasion of their private life. The banking industry is built around respecting and protecting the privacy of customers, so leveraging social media opportunities is a double-edged sword. After all, in many cases the customer may not realize that using the Internet leaves a trail of information behind that is virtually unprotected. In theory, the bank may use it, but does the client really want his trusted bank to be so inquisitive?

Researchers at the University of PA tried to answer this question and others by focusing on Americans' attitude toward privacy. The researchers found that 91% of the respondents believe it is not fair to collect information about them--if they don't know. Further, the promise of a discount will not change their mind as 84% want to have control of what marketers can learn.

So what should bankers do about this? Forget about it? Not necessarily. Banks may want to consider just asking for permission to visit profiles on Facebook or LinkedIn. The process could be part of the customer application for a loan or for something else perhaps. When the bank gets the green light, it opens a window into potentially useful information but here too you have to be careful to avoid running afoul of the laws.

Online lenders say their algorithms give a better measure of ability to repay than more common methods used by banks. We will obviously have to wait until the next crisis to know who is right. However, suffice it to say that digital information can be valuable and perhaps more timely than traditional methods in some cases.

Digital data analysis continues to expand, so our advice is to just follow the rules and embrace it. You might capture some new customers more easily as you engage with existing ones and strengthen relationships.

BANK NEWS

Inside Risk

The Wall Street Journal reports banks are beefing up cybersecurity defenses by taking actions that include: banning employees from using USB drives; not allowing employees to use work emails for personal use; and warning employees not to post out-of-office replies on email, to be careful what they post on social media and not to click on links in emails.

Ultra Rich

A survey by Wealth-X finds that over the period Jul 2014 to Jul 2015, about 45% of the ultra-wealthy in the US say they lost some of their fortune. Shockingly, about 11% said they lost more than 50% of their wealth due to having too much money tied in to one investment and too little held in liquid investments. Looks like the basics still apply--even to those who can afford hundreds of investment advisors.

Bye Bye

The Washington Times reports the IRS, under a new law enforcement provision signed into law this month, can now revoke passports of tax offenders who owe more than $50k to the government (even when traveling outside the country).

Financial Advice

Research by UBS finds millennials will go to the following sources most frequently when seeking financial advice: spouse/partner (62%); parents (41%); friends (26%); other family members (15%); a financial advisor (14%).

Customer Service

A Market Force Information survey finds 80% of consumers who have problems that arise addressed successfully say they are very likely to recommend their bank in the future.

Credit Cards

The CEO of Wells Fargo says increasing levels of payments people make through smartphones are reducing the use of plastic credit cards. He said this is probably "the last generation to use the term credit card and debit card."

Management Focus

If you are a manager, consider that if you reduce the time your staff wastes by just 5 minutes every hour, you will increase productivity of your unit by about 8.3%.

Rate Hikes

The CFO of US Bank projects the Fed will raise rates in Dec 2015 and then again 2 more times in 2016.

Warning Sign

Investment research firm TrimTabs reports insider stock selling has jumped to $7.6B in November--the 4th highest monthly level on record.