

Social media and banks...the plot thickens

Recent studies and developments offer insights and some cautions

It's very interesting that the relationship between financial institutions, social media, and customers continues to reinvent itself in sometimes surprising ways.

It's only April and already this year many analysts, commentators, pundits, and pollsters have weighed in on this issue. This column, in fact, has contributed a fairly heavy load on the subject, but there's no stopping. Just in the past few weeks, enough new insights have emerged to keep the subject fresh.

Recently, new research has emerged about: small business use of social media; the use of social media in relation to business operations; banks re-imagining their businesses through social media; individual banks gaining recognition for imaginative use of social media; and, maybe most interesting of all, evidence of unease among internal auditors who don't really understand social media despite its apparent onslaught on society.

Let's go through these one by one:

Small business goes social

Citibank surveyed 749 small-business owners across the United States and found that 65% of them use social media and the internet to connect with customers and grow their business. "Although small business owners have been slower to adopt online marketing channels, they are clearly warming up to using these tools to target customers," says Maria Veltre, managing director, Small Business Marketing and Customer Experience at Citi. "They are seeing that social media platforms can be an efficient and cost effective means to increase awareness of their business, engage with customers, and, ultimately, to drive growth."

Of particular interest, the Citi survey found that small-business owners under the age of 45 were most likely to use digital and social media to address marketing needs.

This can relate to banks in two ways: First, small businesses constitute a large part of many banks' customer base, and understanding what the customer does can only help the bank serve them better. Second, many banks technically qualify as small businesses as well, so understanding what social media is all about can only help them in their own operations.

FIs are tapping in—not always creatively

That's pretty much what Change Sciences found out in late February, after it had studied the social media efforts of 22 leading banks, investment firms, and credit unions.

"Gone are the days when big banking and investing companies didn't have to worry that someone would hear about a bad customer experience. Nowadays, a disgruntled customer's story can easily be broadcast across Facebook and Twitter," the research firm says. Adds Pamela Pavliscak, a Change Sciences partner, "We're moving into a new era of personal fiscal responsibility. Part of this trend is people banding together online to encourage things like saving, budgeting, and smart investing. Financial firms are beginning to think of ways to tap into this, and social media is the place where it's happening."

On the flip side, however, this report finds that "most banks and other financial services firms are woefully behind the social media curve. Customer questions and complaints in social media circles go unaddressed or are addressed in inauthentic ways."

1,000 "likes" per day

One bank that does get it is First Niagara Bank N.A., based in Buffalo, N.Y. It just won top honors at the Promotion Marketing Association's 2012 REGGIE Awards for its "We Love Upstate New York" social media/regional marketing campaign. It beat out other finalists Best Buy, MillerCoors, and Heineken USA in the region.

The bank launched the Facebook page in October with the goal of getting 1,000 "likes" in a month. They got that many in one day. Three months later they had 30,000 and now have, on average, a total reach of 1.1 million Facebook users per week.

"As an industry, banks aren't really thought of as innovators in the social media space," says Laurie Brammer, director of branding and advertising. "We aimed to change that perception by engaging in conversation with our communities about our shared passion. We're thrilled that our Facebook page has clearly resonated with individuals and families who live, work, play, and vacation in Upstate New York."

Use social inside the organization

Other research indicates that the use of social media not only reaches outside the institution, but within it as well. At least that's what the analysts at CompTIA find, and they represent the trade association for the information technology industry.

"Social media and social networking are widely recognized terms associated with large public sites like Facebook, Twitter, and LinkedIn," says Seth Robinson, director of technology analysis at CompTIA. "But these terms

do not fully convey the full range of social applications available to businesses.”

By incorporating the characteristics of social media into business processes, a number of social enterprise tools can be used to good effect, he says. These include: Better communication with customers; cost savings; brand positioning; real-time customer satisfaction; and potential lead generation.

Again, though, the association’s survey shows that while a majority of companies have Facebook, Twitter, and LinkedIn pages, only about one in five actually use the strategies inherent in these platforms within their own organizations.

“Confusion over terminology and hesitation to adopt a consumer-driven development inside the enterprise make the social landscape one that still requires definition and justification for many companies,” says Robinson. “Understanding the characteristics of social technologies is a critical starting point for understanding their business use.”

Nervous auditors

This brings up the very interesting survey by Protiviti which finds that internal auditors rank social media applications and cloud-based computing as their No. 1 and No. 2 business priorities, and also the areas where their skills are most in need of improvement.

“Unlike some other areas of technology, social media and cloud-based applications are often used across an entire organization and that creates new enterprise-wide risks,” says Brian Christensen, executive vice-president at Protiviti. “As usage continues to grow, the internal audit function, in partnership with executive management, is being challenged to identify, assess, monitor, and mitigate these new and emerging risks appropriately.”

So maybe it would help all involved if executive management could join their internal auditors in a room with their 45-year-old small business owners/customers, and figure out this social media thing.

Sources used in this article include:

New research looks at how 22 leading banks, investment firms and credit unions are changing the way they do business through social media

Citibank Survey Finds Small Businesses Driving Growth through Online and Social Media Channels

Expanding Social Presence Can Have Positive Impact on Business Operations, New CompTIA Study Finds

First Niagara Wins Top National Award for Regional Marketing Campaign

Social Media and Cloud Computing Top Internal Auditors' Technology Hot List, According to New Protiviti Research

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