

Banks & social media: shred your marketing beliefs (June 04, 2009)

As community banks explore social media like Twitter, Facebook, and LinkedIn, fresh thinking helps. Social media marketing is DIFFERENT

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By Steve Cocheo, executive editor, scocheo@sbsub.com

We've never actually physically met Jesse Torres. Indeed, we've only ever talked to him on the phone once, for about an hour, for the article you're about to read. We've e-mailed a great deal with him, and we've also Twittered, and we've seen and read a fair deal about him on the internet.

The likelihood of ever having so much as a cup of coffee with Torres is small. But today, that's increasingly not all that unusual. While many of us have had relationships that were only "phone connections," even that is being left behind. Now we have acquaintances that are strictly e-mail or web-based.

We reached out to Torres because late last year, we'd received an e-mail from him promoting an e-book he'd written, and wanted to make available to fellow community bankers for free: *Community Banker's Guide to Social Network Marketing*. (Get it at <http://www.tinyurl.com/cbgsnm>).

Something in Torres's book struck us, which became a focus of the interview that follows:

"The most important lesson community bankers should learn about social networks is how to be part of the conversation. [Emphasis added.] Given that community bank success is based on understanding the needs of the local market better than larger regional banks, community banks are well positioned to adapt. And community banks that learn this lesson will find that consumers are more than happy to be part of a community bank's social network and as such, part of the marketing campaign. For the last century, marketing messages have been pushed out to consumers. But now community banks have the ability to create and maintain ongoing conversations with consumers."

Torres is something of a financial jack of all trades. He has been a national bank examiner, consultant with a major accounting firm, banker at larger banks in Los Angeles, community bank turnaround consultant, and more. He is currently a managing director at Carillon Capital Partners, www.CarillonCapital.com.

Here is an edited summary of the interview with Torres.

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ABA BJ: When you and I e-mailed earlier this week and I mentioned that this magazine is Twittering, you said, "Give me a few hours and let me see what I can do for you." My Twitter following has been exploding since. What did you do?

Torres: The whole basis of the Web 2.0 technology platform is that it's driven by peer-to-peer networking. I reached out to one of my networks, one comprised of bankers. I said, "Hey, guys, ABA Banking Journal is now on Twitter. Those of you who want to be on the cutting edge, follow the Journal's tweets."

Twitter is about sharing information, really, more than plugging products or services. And so suddenly you saw an explosion in folks following you on Twitter.

ABA BJ: Quite literally. [We've got hundreds of followers now. Are you among them? Follow us at www.twitter.com/ABABankingJourn]

Torres: And that is the beauty of this whole social media platform. People recommend to other folks things that they think are valuable. What comes recommended by someone, they're more likely to buy in on it than if it were a form of advertising or a form of direct marketing. You still get the marketing effect, but it comes through someone that folks have trust in.

ABA BJ: What inspired your book?

Torres: I've always had a fascination with technology, and I've been a banker or involved in banking my entire career. What I found in community banking is that reputation and loyalty go a long way in getting a business.

Then this whole peer-to-peer technology started coming about. It seemed to begin with Amazon.com, when they put their customer rating systems up there for books.

I'm an avid reader, so I was fascinated by that. I spent hundreds on books recommended so highly by others. So when that same technology started becoming available for banking, "I thought, "What a great differentiator."

And what a great way for community banks to compete with the larger institutions as well. But there really wasn't much going on among banks, except for experimenting. So I researched and wrote the book, as a primer to help community banks understand the technology so that they can decide if it is something for them.

ABA BJ: I know bankers who have seen the book are reaching out to you. What are you seeing, in terms of age, position in the bank, etc.?

Torres: It's a mix.

It's marketing folks, typically, in the regional and larger organizations. It tends to be higher-ranking types from smaller community banks. But it's generally someone who has been given the task of improving the bank's brand identity. Because one of the advantages of social media is creation of that brand identity.

Whether you are a \$50 million shop or \$5 billion shop, there really isn't much difference in terms of how you implement a social media project. It's going to be perhaps just as expensive, but it really isn't going to be too expensive. So the large shop doesn't really have an economic advantage.

You have the BofAs of the world that have done a fairly good job of incorporating ratings and review systems onto their websites. BofA has a small-business social network, where folks, who are not necessarily customers, can go and provide and obtain advice from other small businesses.

You're starting to hear about smaller community banks beginning to at least look into implementing these types of projects.

ABA BJ: Are you seeing any common mistakes among banks?

Torres: The biggest misstep is treating social media as a direct marketing channel.

Folks involved in social media, and social networks in particular, are looking for transparency and honesty. They're not visiting these rating sites, or a bank's website, to be marketed to. They want to see honesty. So, to the extent that an organization is overtly using a social platform for sales and marketing, it's not going to be attractive.

On the flip side, let's say you go to a bank's site. You find there both the good with the bad. You see people there complaining, "Gee, this product stinks because when I went to an ATM this happened." But there are positives too. Now, if those negative comments are posted along with positive comments, and the negative comments are being addressed in an honest manner by bank personnel or even other users on that platform, that institution will be recognized as being upfront and honest. But if I put up a complaint today and the next day no one has responded to it—in fact, if it's been deleted—well, then I immediately know that this company is really not using the technology the way it's intended to be used. I'm probably going to think twice about getting another product or service with them, or even maintaining my relationship with them altogether.

Don't view any of these tools as a strict marketing channel. They are tools for creating a community for information sharing.

ABA BJ: Is social media just word of mouth expressed in a different medium?

Torres: Absolutely. That is the power of it. When I sent that Twitter about ABABankingJourn on Twitter, I asked, "Can you please re-tweet this to folks in your own network who would find this interesting." And that's what occurred. In fact, if it works properly, over the course of time you get this tremendous snowball effect. And that is the beauty of it. Because it is electronic. Because forwarding these messages really doesn't add any real incremental cost. All the folks that are forwarding need to know is that it will provide some form of value to someone.

Or they may forward it because everyone in the group might benefit from it: "Hey guys! Here is a \$75 coupon to the local bank if you go and open a particular type of account." So long as that's there you'll get tremendous response.

ABA BJ: Now let's look at the reverse: bad, even poisonous, word of mouth.

Torres: First, word of mouth marketing acts to keep institutions honest in a sense. There are cases out there where institutions have made decisions that perhaps were not in the best interest of consumers, and given this peer-to-peer consumer base, were forced in a sense to change their policies. And while these policies might have been motivated for good business reasons, they were not consistent with what the consumers were seeking. So absolutely, there can be some tremendous adverse effects.

But the technology is out there. You can't go back. You can't, as an institution, declare: "We're just not going to participate in this." Whether you choose to do it or not, it may still happen outside of your choice and control. It may happen on a Facebook page, a MySpace page, on Twitter. So it becomes very, very important to monitor your reputation.

ABA BJ: So now we've got "social media reputation risk management"?

Torres: Absolutely. And this becomes, actually, a very critical piece of the reputation risk piece of risk management. Because while you may not host the capability for people that provide feedback, others might be using similar platforms to bad mouth your institution and the basis of that bad mouthing may be based on something that was factual.

ABA BJ: For example?

Torres: Horrible customer service. Take mortgage defaults. Say you've got folks calling in perhaps wanting to modify those mortgages. And let's say that the institution is not set up for those calls, and staffers either do not respond properly or they don't respond at all. There's going to be bad reputation out there. And if you're able to monitor that reputation, if you're able to listen in on what others are saying, you're able to then put in fixes to remedy it as quickly as possible. And by doing so you're going to lessen the blow.

However, if you ignore it, then this will again snowball. The reputation of the organization will be smeared. Eventually that will have an effect on the bottom line.

The easiest way to monitor this risk is to encourage people to comment in your space. If you build it, have them come. Listen, and make necessary changes.

But if you don't have the tech capability, at a minimum somebody should be listening to the conversations on other platforms to find out what is being said, bring that back home, and then make any appropriate changes.

ABA BJ: Let's say I'm a bank CEO and I'm sensitive to the fact that this new risk is out there. I'm curious what people are saying about my bank. Most everyone knows how to keep tabs on themselves using Google. But how do you monitor what's going on as an "outsider," so to speak, on Twitter, Facebook, and some of the others?

Torres: Google picks up now most of what's being said on blogs around the world. So if there's a blog comment out there, you're going to grab those. With regard to, let's say, a Twitter comment, there are Twitter tools that allow you to find conversations featuring a particular key word. [Among them are www.tweetscan.com and www.twitterment.com. More Twitter tools debut daily.] Now, you know, the unfortunate aspect is that these key words need to be specifically tagged. But to the extent that these are being tagged, you can at least go out there and find these tagged conversations within Twitter, and identify what is going on.

ABA BJ: But with Twitter, Facebook, and many others, you've got to be a member to see anything.

Torres: That's one of the challenges in regard to those closed communities. I see that changing to some degree, particularly with Twitter. Perhaps a little differently with Facebook, where you can get locked out a lot more easily, and you can actually put a lot more information out there versus Twitter, where you're limiting your conversation to these 140 character tweets. But I think you're going to see more tools, perhaps from the platform providers themselves, to allow companies to monitor their reputation.

But at the end of the day, it becomes a balancing act. As a provider, how much privacy do I give up before I upset my customers and lose them?

One helpful point: If someone's talking about you on Twitter or on Facebook, the reality is that it's going to leak out onto the blogosphere. Sometimes, it works the other way around.

So if you're at least using Google to monitor your reputation, you're probably 80%–85% there.

ABA BJ: Do you have any fear as a banker who's very tied into all this that we could ever see a bank run generated entirely by social media?

Torres: It's possible. I think Indy Mac went a long way in bringing the issue to the forefront. That sparked consumer education and FDIC upping the coverage. So I think consumers are less fearful than they were just a year and a half ago. Having said that, if there's enough momentum and if it goes unchecked; if the institution does not respond, and respond with transparency, then perhaps you might see something occur.

Again, we can't take this technology and put it back in the box.

So bankers have to do what we can, from a crisis management perspective. You have to be careful what you say, but there is a lot that can be said, at a minimum, to alleviate fears.

ABA BJ: Let's not dwell too much on the negative. If bankers want to toe-dip in social media, where should they start?

Torres: Take a look at what other organizations are doing. That typically means the big guys, who have by now implemented some form of social network. Then do more research.

I wouldn't jump in blindly; but there are a lot of great opportunities to enhance the reputation of the organization. Bank products and services are commodities and this is a good way to set yourself apart. Eventually, everyone is going to have it. But at least for now this gives an opportunity to get in ahead of the curve.

It's very possible for some that "do nothing" is the answer, depending on who their customers are.

But they should probably go through the exercise to see if this is something that would enhance their brand and franchise.

ABA BJ: What's the next big thing?

Torres: Everyone is trying to figure that out right now. I think it will be an extension of the peer-to-peer model. And I believe it will be a tool that allows the end user or the consumer to take even more control. With respect to banking products and services, maybe it will be consumers creating their own product and service. In my opinion it's going to involve continued interaction with the end user, putting the consumer in charge of the process. BJ

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