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ItsOpen Report:

Financial Communications and Social Media

Being so heavily regulated, financial services companies are leery of jumping on the social media bandwagon. In reality they too can benefit from using websites like Twitter, Flickr and Facebook, says ItsOpen's Robert McLuhan.

While brands in retail, technology and other sectors are creating mass online followings, government regulation and a conservative culture means financial companies are holding back. At a recent Finance Forum run by Forrester in New York, some speakers worried openly about the legal ramifications of spontaneous and unregulated communications.

Yet there are a growing number of exceptions, as banks, lenders and insurance providers start to experiment with more open forms of communication. That suggests that the dangers may often be more perceived than real.

HSBC runs a business network as a forum for entrepreneurs and executives to exchange information and get advice through videos, blogs and forums. Similarly, Capital One runs a social network for small businesses that helps them promote their services to each other.

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When Chase +1 wanted to deliver a new customer-focused lending product it went to Facebook to find out about what consumers are looking for. In Canada, Aviva has posted video snapshots about individual customers' insurance needs. Meanwhile several large organizations are getting a headstart in reaching fresh new talent through Facebook and other social networking sites.

"There is nothing in the RegFD, SOX, or any other regulations that say you can't communicate," insists blogger David Meerman Scott. The hangback by financial services, he believes, is down to "fear of the unknown and fear of being first".

Sceptics complain that the sales bonanza expected from social media failed to materialise, but that is by no means always the case. Tax advice provider H&R Block reported a significant upswing of activity from its campaigns via blogs, virtual worlds and Facebook. The firm has also engaged in online dialog in Twitter by monitoring keywords and then directly responding to members.

In fact the critics miss the point: social media is not just about instant sales, it's also about engaging with consumers, in order to create

positive perceptions and gain their trust. For instance mutual fund Putnam Investments runs a blog called The Retirement Savings Challenge, not to promote its products directly but to run conversation about America's workplace savings plan as an alternative retirement option.

In the mid 1990s Putnam pioneered the use of the Internet as a means for financial advisors to carry out transactions. Now it is grasping social media with both hands. CEO Bob Reynolds is the first in the mutual fund industry to have a following on Twitter.

Mark McKenna, managing director of communications at Putnam, says: "It's another media that we all have to learn. Some people were slow to the Internet and I see similar patterns with social media adoption, where the power is underestimated."

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Whether financial services firms like it or not, conversations are going on about them all the time online. And if they want to have some say in that, sooner or later they will have to join in.

Traditionally, when a bank wants to make an important announcement it sends out a big press release and places content on its website. It assumes that journalists and editors – perhaps pliant from years of assiduous wining and dining - will pick it up and run with it.

But those days are gone: often a quick Google search will provide a richer source of ideas for stories about a company from blogs and social networking sites. The same goes for consumers and investors, who will no longer be swayed only by the latest article in a pensions magazine or the Financial Times, but will go online to see what else they can find out. The company may have had no input into this content, and may not even know it exists.

Potentially this can be lethal. A dissatisfied customer can undo a brand's carefully nurtured reputation in the time it takes to post an angry tirade on a blog - as has happened to Dell and many others. That negative content may come up on searches for months and years to come.

However the converse is also true: a company that becomes active in blogging and social networking can learn how to get its message across to targeted audiences. With continuous monitoring and quick responses it can also counteract any negative publicity.

That's particularly important for brands whose products are in the firing line for one reason or another. MacDonalds has worked successfully to counteract negative perceptions about junk food by running blogs on green issues and corporate social responsibility.

There's plenty of scope for financial services companies too to create online conversations with consumers, investors and media professionals. They can build networks online with key stakeholders, for instance to support new product launches. Key announcements can be released on Twitter or blogs in order to maximise distribution and to generate discussions. Videos might be used for discussing issues with shareholders, who can be invited to submit questions. These could be then answered via a video reply.

It doesn't stop there. Directors overseas trips and new office openings could be shared via Flickr groups. Directors can blog about progress on mergers; about market developments and new business

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developments; innovations and ad campaigns. They might also live blog from AGMS and twitter their results in order to develop networks with their key stakeholders.

Alert senior employees might also post on a blog's comment thread to quietly correct misperceptions or put the company's side in a controversial subject. Other bloggers should also be involved in company announcements and invited to meet and have briefings with key executives. That sort of inclusivity can generate a lot of goodwill.

Clearly there are regulatory issues for financial services companies that other organisations may not face. But the winners are likely to be those who can establish where the boundaries lie, and what can and cannot be disseminated freely.

Where Twitter is concerned, Putnam has a compliance person to see a tweet before it is posted. In the meantime CEO Bob Reynolds has mastered the art of communicating through posts of only 140 characters, and knows what he can say from the regulatory point of view.

"At Putnam, we no longer think that our dot.com site is the centre of the universe. We need to break down the walls and provide content in lots of different places," McKenna says.

"If we get lucky it makes it onto the CNN Money, Forbes.com or the WSJ.com, and more," he says. "That's much better than advertising. These days, relevant frequent, high quality content is what will get eyeballs."

Sources

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