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A Whole New Two-Way Arena

'MORE, BETTER, FASTER' ARE TODAY'S WATCHWORDS

By Lon S. Cohen



The transformative effect of a more transparent, mobile culture on banking is going to be hard to miss, unless you're the type of bank that wants to be standing by the side of the road while the traffic passes you by. Today's customers look for the same banking products they are familiar with, but expect newer, faster media to deliver their information – and they want to be able to talk back.

“Customers and business owners have a strong demand for new channels to speed up the delivery of account information, and ultimately save them time,” said Ed Malandro, executive vice president of consumer banking at Sun National Bank. “Basic customer needs have stayed relatively the same over the years, but the delivery expectation continues to evolve.” In the past, the delivery channel may have been telephone banking or the ATM,

but it has branched out into online and mobile banking. Add the phenomenon of social media to this mix, and banking is a whole new two-way arena.

BANKING WHEREVER

Your customer impatiently stands in line with a shopping cart full of groceries and a fidgety baby in the baby seat. She gets a sinking feeling when she realizes that she didn't put enough money into the checking account linked to your bank's debit card to cover all of her errands. In order not to overdraw the checking account or get declined at the register after bagging up almost \$200 worth of groceries, she needs to know the account balance and possibly transfer funds, all while standing on line in the grocery store.

If your bank offers mobile banking, the customer takes out her smart phone and taps on your bank's mobile app. A program opens with a list of her accounts showing that yes, her balance is low. She makes an immediate transfer of funds to cover the purchases, all before the cashier finishes ringing up the groceries.

A 2009 Pew Internet & American Life study on wireless use reveals that a third of all Americans have accessed the Internet through a mobile device and 46 percent of American cell phone users think mobile access is very important for getting online information on the go. This is because we carry our mobile phones with us.

“Mobile banking offers the convenience of anytime, anywhere access,” said Pam Livingston, vice president of business development at MShift, a provider of mobile banking solutions to the financial industry. “Cell phones are always with you; PCs are not.”

Not all of your customers have a powerful smart phone (yet) but chances are that most of them have the ability to send a text message. Luckily there's more than one way to offer your customers mobile banking. As a matter of fact, there are three:

SMS Text Messaging: The simplest and most ubiquitous. Your customer sends a simple text command like “BAL” that will send back the desired information. In this case it might send the customer his account balance.

Wireless Application Protocol: WAP for short. It sounds complicated, but it's not. It's the technology behind mobile Web browsers. Software on the Web site detects if a customer is using a mobile device and redirects them automatically to a slimmed down version of online banking.

Downloadable Smart Phone Applications: The most secure and user-friendly. A vendor can develop a custom application for your bank to provide direct access to your customer's banking information, via iPhones and BlackBerrys.

“The single most important factor that influenced the bank's decision to implement mobile banking is that we wanted to be able to deliver our services where and when our customers wanted them,” said Frank Sorrentino, III, CEO of North Jersey Community Bank.

Many banks say that offering customers the ability to conduct convenient transactions through a channel they already feel comfortable using is reason enough to adopt mobile banking. But it's also a great way to save money.

"According to multiple bank research studies, mobile banking is the lowest cost-per-transaction solution in today's market," said Malandro.

SOCIAL MEDIA IS CHANGING THE WAY PEOPLE THINK ABOUT BUSINESS RELATIONSHIPS

An independent contractor just received a big check. He's been waiting for it and wants to cash it right away. Because it's a very long drive, he calls your banking center to find out if his local branch's drive through window is open but he gets the wrong information and when he arrives at the branch, it's closed. The first thing he does is to send out an angry stream of Twitter messages (called tweets) telling the world exactly how he feels.

If this customer simmers long enough, a few tweets might turn into a damaging blog post or YouTube video that goes viral. Online perception can quickly become reality, so being prepared to respond is important.

"The key to success using social media is that if you're not timely and responsive the channel won't work," said Jeannie Foulon, vice president of Vision Creative Group, a marketing agency that advises banks on how to use social media.

If a bank is actively searching for mentions of the brand online, then someone can head off potential problems before they go viral. This may take a leap of faith since many banks are still uncomfortable with the idea of sharing on an unsecured and unregulated third party site. Nor do they really understand how to take advantage of it even if they can get over the idea. In fact, the biggest reason cited by a survey from the American Bankers' Association of bankers who have not adopted social media is that they just don't get it.

Foulon said it's important that banks change the way they think because they're not used to getting this type of feedback and acting upon it in public on social media. But they'd better get used to it. "They have to rethink internal infrastructure and how they are going to handle things via the Web," she said.

It relies on an open line of communication between those running many different divisions of a bank and the social media manager. It also requires shorter pass-through on decisions because of the immediacy of the medium.

Scott Mills, president of the William Mills Agency, said it's quicker to implement a social media campaign at a smaller bank because the decision-making process would take weeks instead of months and any hurdles might be easier to overcome. Another big advantage is the ownership of the social media program by higher-level employees who may be more technically savvy and have a tighter customer service focus when developing the plan. "At a smaller bank it may be the director of marketing doing the actual tweeting," explained Mills.

That's an important point, because a new report from Celent, a research and advisory firm for financial institutions, shows many banks have placed social media in a silo and assigned a junior employee to deal with it. They stress that a social media plan needs to span multiple bank activities and have the buy-in of the executive team with a senior marketing executive leading the charge.



The benefits of a coordinated social media plan can be immense, positioning the bank as a leader in the community by providing guidance and information customers need, where they're looking for it. Banks now have an opportunity to use technology to become a real part of the conversation. A bank can show it is more than just a place for people to put money. Banking is, after all, a service-oriented industry, and social media helps institutions become more transparent, bringing the bank to the people.

"It won't happen all at once," said Chris Casserly, internet strategist at Vision Creative Group. "Banks will take baby steps to get into social media."

He said that banks can help focus the conversation online in two ways. One is by growing its network on the social Web to encompass some of the popular sites like Facebook, YouTube, Twitter and LinkedIn. Second, a bank needs to develop a platform perspective that goes beyond its own Web site. That means contributing value-added content that opens a dialogue with customers through blog posts, podcasts, and videos. "Content elicits input and engages dialogue," Casserly said.

There's a lot of buzz out there and banks are doing research and investigating ways to get into social media. Casserly points out challenges in the early stages of adopting a social media plan. "A bank was trying to create a Facebook page, but then realized it had shut off Facebook for the company employees, so they couldn't access their own marketing," he said. "Selling social media to the bank's management team can be difficult." He said the process is a gradual acceptance of social media with different points along the way.

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Two-Way Arena

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BITE SIZED BANKING

A college student is on Facebook, chatting with his friends and looking up photos from a party he went to the night before. It's late in the morning and he hasn't left his dorm room yet. One of his classmates reminds him that for a class they're in together, he needs to do a big chunk of required reading for the next day – from a textbook he hasn't purchased yet. "Uh oh," he says to himself. He wants to run down to the book store to buy the textbook, but he doesn't know if he has enough money in his bank account.

He just checks the banking widget that he installed on his profile page and sees that he's low on funds. He sends an IM to his mother asking for the extra cash. Immediately – even though she's out to brunch with Dad – she does an automatic transfer from her savings account to the joint account through her mobile banking widget. He sees the transfer within a few minutes and heads off to the bookstore.

"A widget is essentially a mini-application for highly-focused interactions typically made available via online, desktop, mobile and social Web 2.0 environments," said Yonni Harif, marketing and business development manager at WorkLight, a company that develops Web 2.0 applications for businesses.

A widget allows banks to engage customers via any popular Web 2.0 service or virtually wherever they spend time online in order to manage finances, transfer funds, track accounts, pay bills and other banking activities. Harif says that banks have launched widgets ranging from purely informational to fully transactional banking tools.

In 2009, Generation X and Y make up about 43 percent of the Internet population, according to the same Pew/Internet study. A majority of them use social networks like Facebook or MySpace. Include teens, and the

number of people using social networks on the Web is a staggering percentage of total online users.

As with any new technology, widgets come with some downside. The widget communicates with the same back-end systems that power the online portal relevant to the data it needs to serve up. It has to be able to integrate with the bank's security mechanisms, because scammers have tried phishing and forgery among other techniques to trick the consumer into allowing access to sensitive account information.

WorkLight's statistics show that 95 percent of a bank's widget users are very

active, resulting in a tremendous load on back-end systems, so the bank needs to ensure that it's able to handle high-frequency interactions via widgets, which is significantly higher than the typical load on the online portal. On the up side, the average number of times a customer interacts with the bank increases from two to four sessions per month on the online portal to anywhere between 15 to 30 times via a widget.

The greatest benefit is that by sitting side-by-side with a user's normal social networking activity, the widget acts like an always-on marketing and banking tool all wrapped into one piece of software. The mini apps seem to represent an end point in technology trends as different channels are merged into a single feed that is immediately available to consumers whenever they need it.

"Widgets enable genuine meaningful interactions between the bank and the customer," said Harif, "while bringing the bank directly to where customers spend their time online." ■

Lon Cohen is a freelance writer based in New York.

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