Regaining your reputation after the recession: Part 2

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Many retail banks have alienated their clients be reacting inappropriately to the recession. In part 1 of this article we looked at some of the long term damage to their brands and in part 2 we suggest some ways that social media can help banks claw back some of their brand equity.

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The 'Modern Internet' and the era of 'Social Media' are promoting wider, faster scrutiny of banks and rendering traditional public-relations tools less effective in addressing reputational challenges.

It will be transparent, decisive action that builds strong reputations in the future. Doing so effectively means stepping up both the sophistication and the internal coordination of reputation efforts. Some companies, for example, not only use cutting-edge attitudinal-segmentation techniques to understand the concerns of customers better but also mobilise cross-functional teams to gather intelligence and respond quickly to far-flung reputational threats.

One key is to cut through organisational barriers that impede such efforts through committed senior leadership who have an opportunity to differentiate their companies by demonstrating real statesmanship. An energised, enlightened and empowered public will expect nothing else.

Social reputation risks

The proliferation of Web-based platforms has given individuals and organisations new tools they use to subject banks to greater and faster scrutiny. This communication revolution also means that certain issues (such as poor customer service) can be picked up by “citizen journalists” or bloggers and generate outrage on a much larger scale.

As a result, what formerly were operational risks resulting from failed or inadequate processes, people, or systems now often manifest themselves as reputational risks whose costs far exceed those of the original missteps.

In this dispersed and multifaceted environment, banks must collect information about reputational threats across the organisation, analyse that information in sophisticated ways, and address problems by taking action to mitigate them. This requires significant collaboration, coordination, commitment and an ability to act quickly.

Monitoring and addressing threats

Many retail banks are structured around centralised corporate-affairs departments that can't monitor or examine diverse reputational threats with sufficient sophistication. Moreover, traditional PR can't deal with many concerns, which must often be addressed by changing business operations and conducting two-way conversations. Managers of business units such as home loans or credit cards, have a better position for spotting potential challenges but often fail to recognise their reputational significance. This is often an unintentional consequence of remuneration systems designed by financial managers, not being aligned to marketing strategies. Internal communication about reputational risks may be inhibited by the absence of consistent methodologies for tracking and quantifying those risks. Accountability for managing problems is often blurred.

As a result, responses to reputational issues can be short term, ad hoc, and defensive, and therein lies a problem that companies must solve quickly: even as reputational challenges boost the importance of good PR, companies will struggle if they rely on PR alone, with little insight into the thinking and operational root causes of their reputational problems.

Essential early-warning systems

A logical starting point for companies seeking to raise their game is to put in place an effective early-warning system to make executives aware of reputational problems quickly. Most companies are quite good at tracking press mentions, and many are beginning to monitor the multitude of Web-based voices whose power is beginning to rival the mainstream media's. However, doing these things effectively, while an important prerequisite for stepping up engagement with stakeholders, isn't the toughest task facing organisations.

To prepare for and respond to reputational threats, we suggest that retail banks should emphasise these priorities:

- First, they need to assemble enough facts to gain a rich understanding of their customer base as it manifests itself across the entire organisation, not only their product preferences but also the psychographic profiles of segments of customers including propensity for risk, social media adoption and behaviours etc.
- Secondly, they must conduct a two way dialogue with their customer (segments).

Power of the public

Banks are still the heart of the South African economy. They pump the funds on which productive human enterprise depends. Banks must perform this role well, with all the diligence we would expect of any expert or custodian of an essential task, but they need to recognise that clients are at the heart of their sustainable success and clients are more powerful now that they have ever been in the past.

Focus on the fundamentals

Banks must refocus on those fundamentals that are unchanged by the financial crisis — their core purpose, customer needs, and capabilities — while recognising that profound market changes have occurred and will affect how these capabilities need to be delivered. Those leaders whose banks can respond to the times and enhance their capabilities will be tomorrow's winners.