



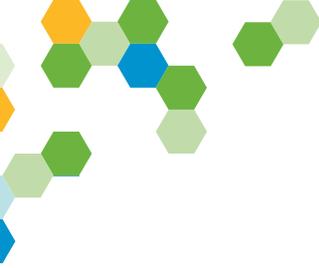
SPECIAL REPORT

Brazil: Dialogue as an exit to what could be the biggest reputation crisis of banks

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I INTRODUCTION

Nothing is ever so bad that it cannot get worse. The well-known proverb accurately describes the current reputation of banks. Financial institutions are experiencing one of the biggest credibility crisis of their history.

After the absence of banks amongst the hundred companies with the best reputation in the world, according to “2015 Global RepTrak 100”, of the Reputation Institute, survey which evaluates factors such as innovation, governability and citizenship; the scandal of the ‘SwissLeaks’ was uncovered on the 9th February of this year (set of data obtained in 2008 from a private banking agency of HSBC, in Genève, Switzerland, indicating that the bank had been indulgent with capital flight, tax fraud and money laundering).

Along the same lines, all the “too-big-to-fail” banks were mentioned in an article of Forbes magazine about the biggest financial scandals of the last three years, resulting in damage and fines of more than 30,000 million dollars.

At the end of May, the United States Department of Justice fined five of the biggest banks in the world (Barclays, Citigroup, JP Morgan, RBS and UBS) with a total amount of 5,700 million dollars for the manipulation of the foreign exchange market. The banks declared themselves guilty.

In addition to the conspiracy of manipulation of exchange rates, recent headlines in the press imbued the banks with terms such as interest rate frauds, money laundering of dealers and terrorists, tax evasion, tax embezzlement, criminal offences, use of privileged information (insider trading) and crimes of all kinds.

Each negative news item makes us increasingly wary of the real purposes of banks. And scratches on the reputation of banks are not a phenomenon of the present.

**“Successful companies
are those ones which
are capable of engaging
in a dialogue with their
stakeholders”**

2. ACHILLES HEEL

Banks fall into disrepute as a result of harsh comments in the social networks. However, historically, reputation has always been the Achilles heel of banks. Bertold Brecht already said in his play more than a century ago: “What is robbing a bank compared to founding one?”

But if at the time of the renowned German playwright communication as a science still did not exist, today the way to clean that damaged image resides in the dialogue with society. Communication in this second decade of the 21st century offers companies modern tools and forms of relationship with their stakeholders, off-line and online.

These tools provide banks the means to speak directly with those who publicly express their criticism and serious doubts regarding the nature of the financial institutions. Reality imposes the need for a face to face dialogue with the focal points of the criticism to banks. According to what the journalist Jânio de Freitas observed, experts in Internet attribute the emergence of offensive aggressiveness against people and institutions to the common ignorant language in social networks.

But, are banks ready to assume this challenge?

Banks need at least three attributes to improve their

reputation with their stakeholders:

- Transparency.
- To be tangible.
- Competence.

To be transparent means saying the truth, especially when admitting a problem. The silence of a company faced with a reputation crisis will be inevitably transformed into the eloquence of its critics.

To be tangible means changing those wishful messages for clarity in the supply of products. Successful companies are those ones which are capable of engaging in a dialogue with their stakeholders.

To be competent means knowing how to explain clearly “The path of stones” (according to the book “Propaganda: O caminho das pedras”, of the Brazilian veteran publicist Humberto Mendes) to indecisive consumers.

3. TERMINAL ILLNESS?

To apologize for the mistakes made is not enough. Certainly, British ignored the act of contrition of the biggest European bank, made in a full-page advertisement in the Sunday editions of the main newspapers of the country after the scandal of ‘SwissLeaks’, this year in February.

On the same occasion, the world president of HSBC group,

“Reputation more than ever is the most valuable, inestimable intangible asset”

Douglas Flint said before British members of parliament that the bank was "suffering a hard blow in its reputation" and promised to work to clean up the bank's image and improve its global governance.

The reaction of the leaders of the banks, convicted on the 20th May by the United States Department of Justice for misconduct was a feeling of shame for the crimes committed.

Ross McEwan, CEO of RBS, said: "The serious offences which are at the centre of today's advertisement have no place in the bank I'm building. To plead guilty of such offences is a recognition of how this bank was lost and of how important it is for us to regain trust".

Antony Jenkins, CEO of Barclays, said on the same occasion: "The bad governance of this research is totally incompatible with the mission and the values of Barclays and we are deeply sorry for what happened. I share the frustration of our shareholders and colleagues for the fact that some individuals have led our company and the financial industry to disrepute".

But, does the bad reputation of banks have a cure or is it a terminal illness?

Reputation more than ever is the most valuable, inestimable intangible asset for companies. The damage to the image goes much further than in any other times.

In the world of business it is known that the good or bad reputation has its origin in traditional advertising from word of mouth.

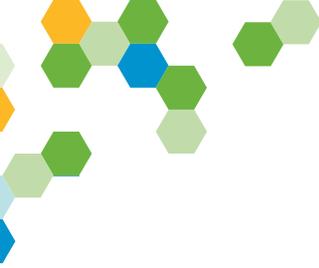
It is worth remembering that old, but still highly mentioned survey by journalists, according to which a positive evaluation or experience leads a person to speak well of a brand to up to three people when they ask about it; but a negative experience leads a person to spontaneously speak badly of that brand to more than ten people.

Today, in the era of instant communication, social networks are a megaphone which multiplies by one thousand the negative comments about a product, a service or a brand.

The speed and format of the propagation of information on the Internet are seen as delicate issues for the leaders of the financial sector. It is almost impossible to control the scope of the criticism in the digital environment.

4. TALK, LISTEN AND TALK AGAIN

The communication of today is a matter of listening, understanding and talking to society. That to which banks should turn to. Investments in the image of banks should pay more attention to direct communication with stakeholders instead of simply allocating substantial resources to advertising.



**“Improving the
reputation of
banks goes through
listening, talking and
listening again”**

To only speak well of oneself is not enough, what is important is the set of opinions of influential groups on the reputation of banks, especially the experience of consumers, investors and other target audiences.

Here the strategy must be a combination of classic off-line tools of relationships with stakeholders with modern online communication, which uses monitoring techniques of mentions to reputation that can put the bank immediately face to face with its different audiences. And today, they are varied and have different interests (and not necessarily homogeneous). And the answers cannot be the same for everyone.

A wide and comprehensive communication is a necessity nowadays where each citizen can become a communication media.

Thus, alongside classic press consulting, where the goal was to reach the consumer through the information provided to the journalists, we can find the most direct dialogue activity which is the direct contact with the originator of the criticism. And no one now doubts that this is the way towards the future regarding the relationship between institutions and stakeholders.

They are new challenges which need to be treated with a specific narrative.

The long way to follow the road towards improving the

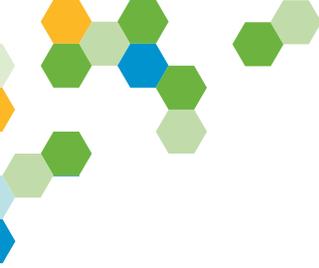
reputation of banks goes through listening, talking and listening again. And monitoring is not enough, it is necessary to solve the relationships with the same speed at which they arrive and spread themselves through the social networks.

The president of Itaú, Roberto Setúbal, stated in a recent seminar carried out by the magazine Exame that “you cannot control what is said on the Internet”. For Setúbal, “Internet is uncontrollable. The important thing is to be up-to-date: if we err, we err and we apologize publicly”.

The online publication of the news about the invitation to the president of Bradesco, Luiz Carlos Trabuco Cappi by the president of Brazil, Dilma Rousseff, to assume the Ministry of Finance, showed the serious problem of the image of banks on social networks.

Among millions of negative comments after the publication, two drew attention: “He is the president of the bank who led hundreds of businessmen to bankruptcy”, said one; and the other was: “The president of Bradesco must really have some kind of competency as the bank does not stop growing with those high rates that they charge us to keep the account in that institution...”

What they say about the institutions on social networks



**“Today the ‘DirCom’
should have a seat on
the board of companies”**

is just as important as the advertising. They cannot be two opposite realities.

The contemporaneous phenomenon of the proliferation of audiences for companies makes the post of director of Communication the centre of corporative governance of both public and private institutions. Today the “DirCom” should have a seat on the board of companies,

as his job is the path towards the creation and the defence of the reputation of brands.

For banks, the challenge is huge as we live in a scenario with numerous platforms which, according to what specialists say at the “Communication Business” forum, require more transparency, dialogue, channel integration, speed and agility in corporative communication.

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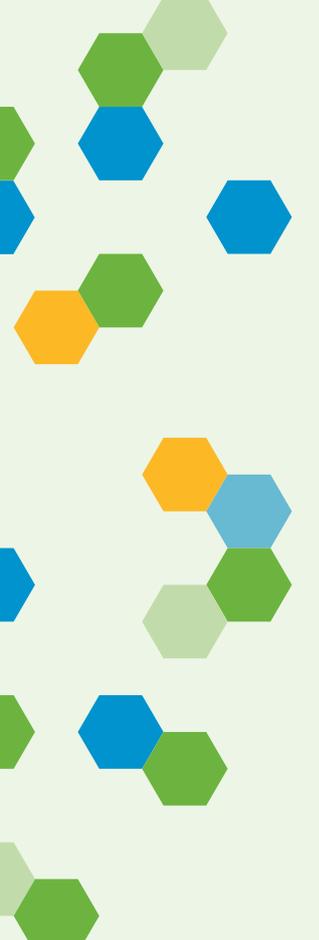
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