Public Relations vs. Business Reality
by Charles B. Wendel

I recently received a LinkedIn message from a former colleague who had attended an industry meeting on ESG issues. My first reaction was surprise that these meetings are still being held, since many companies are now moving away from their previously high-profile focus on DEI and ESG issues, instead putting their focus back on customer service and profitability.

The writer's summary comment was as follows: "There was a lot to talk about- we had great discussions, and we all learned a lot!" I'm sure there was "a lot of talk" with many of the attendees representing the ESG initiatives at their banks, a job area almost sure to shrink over the next months. That shrinkage will also impact consultants in that area who are trying to hold on. So, "a lot of talk," yes, but action?

Banks and other companies may face increased scrutiny from smarter clients and social media. PR gloss will be harder than ever to maintain.

For example, we grew up eating General Mills cereals like Cocoa Puffs, aimed at kids' taste buds. But a few weeks ago, the *Washington Post* published a disturbing article about how companies like General Mills promote obesity, harming the health of their customers: "One company in particular, General Mills, maker of Cocoa Puffs and Lucky Charms cereals, has launched a multipronged campaign that capitalizes on the teachings of the anti-diet movement…General Mills has toured the country touting anti-diet research it claims proves the harms of "food shaming." It has showered giveaways on registered dietitians who promote its cereals online with the hashtag #DerailTheShame, and sponsored influencers who promote its sugary snacks. The company has also enlisted a team of lobbyists and pushed back against federal policies that would add health information to food labels."

And, no surprise, some "influencers" and "dieticians" are on the take: Most of the influencers who used anti-diet language also were paid to promote products from food, beverage and supplement companies, the analysis found.

GM, Nestle, and others denounce food and fat shaming. Cargill even tried the wormy approach of saying they engage "with dieticians across diverse backgrounds," in effect promoting obesity for all. But the executives who push this potentially deadly approach ("Nearly half a million Americans die early each year as a result of excess body weight.") are the ones who should be ashamed.

This is no different that cigarette companies decades ago promoting ads featuring doctors who said smoking was good for the throat.

Beyond Big Food, we all know the impact of Big Pharma and their huge advertising budget aimed at consumers. A 2023 *Forbes* article reports: "The proportion of advertising spending allocated to direct-to-consumer ads was an average of 14.3 percentage points higher for drugs with a low added benefit compared to those with a high added benefit… The findings could suggest pharma firms are aiming promotional dollars directly towards consumers, rather than clinicians, as part of a 'strategy to drive patient demand for drugs that clinicians would be less likely to prescribe.'"

As for banks:

- Are they providing market interest rates to customers?
- Are they squeezing the most financially needy customers by charging 20-30 percent interest rates?
- Are OD fees still artificially high, again potentially harming the neediest customer?
- Are services like Zelle tailored to the bank's or the customer's interest (e.g., daily limits)?
- What other friction points exist for the customer that, if resolved, could distinguish your bank?
- Do PR words align with day-to-day actions?

In addition, for *decades* I've heard banks proclaiming their interest and support of small business. The reality is often different: internally, small business staff is viewed as a level below middle market personnel and borrowers continue to jump through hoops to get a loan. They also face difficulty in getting through a bank's internal supplier approval process if they see a sales opportunity.

At some companies, banks included, the internal ESG/DEI teams are holding on to their reduced power by their fingernails. Internal communication is often ineffective with each business line making economic decisions while likely "patting the heads" of the ESG people to placate them until they go away. In many cases ESG people would not be happy to hear what is said about them once they leave the room.

But, back to the top of this newsletter, it is not hard to imagine a group of ESG/DEI diehards ending an offsite meeting high fiving each other and enjoying a brief sugar rush before they return to the hard reality of line bankers faced with managing through increasingly difficult times.

If ESG/DEI people cannot change or reduce a customer's pain points, should those non-revenue producing groups still exist?

FIC works with senior management and Boards on issues that are critical to a bank's sustainability and growth. We emphasize practical solutions that we customize to a company's capabilities and culture. Reach FIC at cwendel@ficinc.com.