WHY HAS TRUST BEEN COMPROMISED?

Frances Green of Harris Interactive believes that establishing a trustworthy brand can overcome consumers' general scepticism of financial services companies and products.

Trust in Financial Institutions is eroding. The major force is undoubtedly the events that have occurred in the financial services sector. Scandals, such as Enron and Marsh McLennan, tend to be background noise.

More significant than these high profile cases is the constant stream of malpractice or just bad practice amongst financial services companies. It is this general disregard for consumers that has the most direct influence on their lives. The list of fiascos is long and includes pension, endowment and precipice bond mis-selling, the collapse of Equitable Life, along with every day practices such as varying interest rates on savings products without direct notification to the customer.

Against this background, there has been a change in consumer need as a result of shifts in the socioeconomic environment. These shifts include the gradual reduction in the role of pensions by the State and employers, leaving individuals to manage their own retirement savings. Another is 'empty nesters' who a generation ago could save money towards retirement, having to fund their children through education and beyond by helping them to 'get a foot' on the housing ladder.

As a result of these socio economic shifts, a set of challenges has been thrown down to today's consumers.

They have responded by trying to educate themselves to cope with their changing needs. Unfortunately, instead of helping clarify the choices on offer, the financial services industry has confused things further.

Of particular relevance to trust is the blurring of the line between selling and advice, which 'polarisation,' introduced in the 1986 Financial Service Act, aimed to clarify. The 1986 legislation made a clear distinction between independent financial advisers and the tied salesforces of financial institutions.

The government later bowed to pressure from the high street banks and did an about-turn, introducing 'depolarisation' which introduced a category of 'multi-tied' financial companies which has muddied the water still further.

Consumers will often seek advice because of the need for reassurance and corroboration. Many are disillusioned by financial advice, confused about who is independent and what independence means in this context.

The difficulty in seeing a way clear is confounded when the distribution of financial products is built around a sales culture, with those advising them having sales targets to meet. As a result, consumers are left questioning, that although these people are very good at selling to them, are the products and services relevant? They are left wondering if they are being advised, or sold to, with a sense that little regard is being paid to what is relevant and appropriate to them. A further development that has not helped consumers cope with the increasing complexity is the sheer proliferation of products. If we take just one category, mortgages, we now have fixed rate, discounted rate, variable rate, tracker, offset, capped, current account mortgages and several others as well. There are now over 6,000 mortgage products in the market and all of this is baffling to consumers who feel confused and daunted by the sheer choice on offer.

Confused and not trusting their own judgement to choose the appropriate and relevant products, consumers look for explanation and guidance but come back again to the same question, "given the sales culture around which the distribution of financial products is based, who can I trust to really tell me what is right for me?"

With so much doubt and confusion consumers would very much like to be able to deal with a financial brand that they can trust and one that can differentiate itself from the rest.

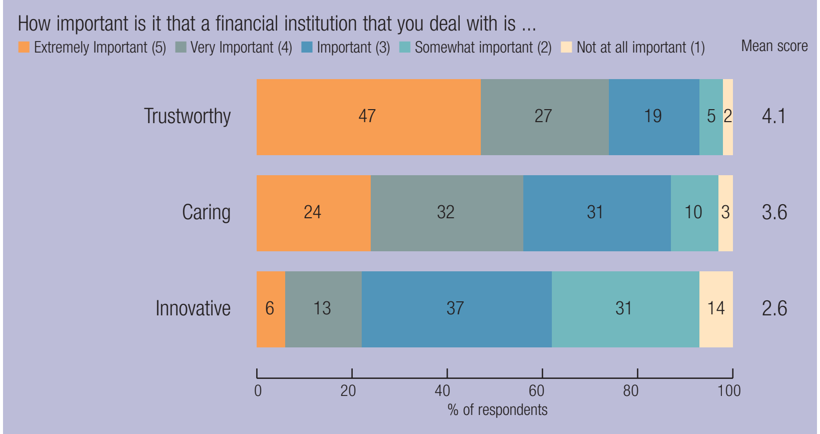
But why does this matter? Recent research findings demonstrate that, despite the majority of consumers saying a financial institution that they deal with as 'trustworthy' is extremely or very important, most consumers feel indifferent or negative about financial services providers in terms of their trustworthiness.

In a recent study amongst a nationally representative sample of 1857 adults 16+[1] respondents were asked how important it is that, "a financial institution that you deal with is trustworthy[2]". Consumers were in no doubt about the importance of trust – 47% rated it extremely important, 37% very important and 13% important.

To put this into some sort of perspective, the study identified other attributes against which financial services companies were particularly likely to want to measure their performance. Two other key attributes identified were 'caring[3]' and 'innovative[4]'. Trustworthiness was overwhelmingly the most important of the three attributes that were looked at.

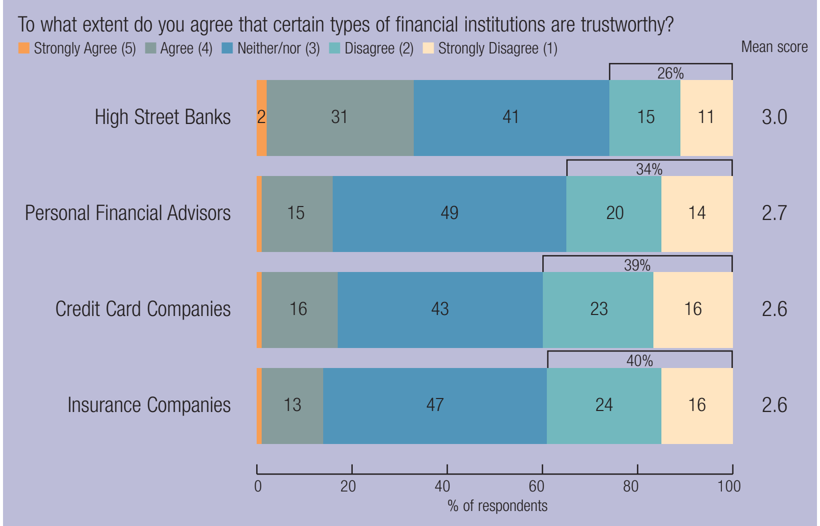
The importance consumers have placed on trust does not appear to be on the wane. Respondents were also asked which attributes had become more important over the last five years and which were likely to become more important. 'Trustworthy' received the most mentions on both accounts.

FIGURE 1: TRUST IS OF GREAT IMPORTANCE TO TODAY'S FINANCIAL CONSUMER



Source: The Harris Poll – Harris Interactive

FIGURE 2: BANKS ARE THE MOST TRUSTED OF FINANCIAL INSTITUTIONS



Source: The Harris Poll – Harris Interactive

So trust is important, and will become increasingly so. But are any specific institutions already getting it right? When asked the extent to which they agree that certain types of financial institutions are trustworthy, banks were revealed as “the best of a bad bunch," with only 2% ‘strongly agreeing’ and a further 31% ‘agreeing’ that banks are trustworthy.

> “Given the sales culture around which the distribution of financial products is based, who can I trust to really tell me what is right for me?”

However, 41% are non-committal and over a quarter ‘disagree’ or ‘strongly disagree’ that banks are trustworthy. However, as the chart shows, this is actually a relatively strong performance, since less than one in five ‘agree’ or ‘strongly agree’ and very large minorities ‘disagree’ that personal financial advisers, credit card companies or insurance companies are trustworthy.

To address this lack of trust, financial services companies need to work on their behaviour, their brands and their communication.

How can trust be rebuilt?

The first important step is accepting that a new, more difficult climate exists and that as a result the old ways of gaining trust and loyalty no longer apply. Financial services companies have to acknowledge that they have ground to make up and that the environment is different.

In the past a lot of trust in financial institutions rested on the very strong one-to-one relationships that developed between the employees of financial institutions and their customers. These enabled trust to be built because individuals working within organisations could demonstrate their understanding of their customers and their needs.

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These relationships are no longer as relevant. Financial institutions can’t afford to service their customers in this way and, even where they do, greater job mobility means that these relationships are less stable and enduring than in the past.

Even if these past relationships were possible to recreate, they do not necessarily fit with today’s consumers whose time is precious and many of whom have shown a willingness to embrace the convenience of dealing remotely.

It is the financial services brands themselves, therefore, that need to demonstrate that they understand their customers, their hopes and aspirations, and emphasise the role that they can play in their lives.

The task therefore is to recreate trust by re-establishing a dialogue between the company and the consumer on two levels – on a practical and functional level by providing transparency, and products and services that meet needs and deliver what they promise. But also through engaging with the customer on an emotional level.

To achieve this, financial services brands need to understand what behaviours on their part will rebuild trust and demonstrate trustworthiness – and how these behaviours will work and help consumers build an image of a trustworthy brand – in order that they can communicate trust in a way that is relevant to consumers.

The behaviours that are required are not hard to identify. Going back to the Harris Poll Online research, respondents were also asked what financial services companies could do to gain their trust. The answers they gave included improved communication by being open and transparent particularly with regard to interest rates on savings accounts, reducing the small print, using plain English, avoiding jargon, and keeping customers informed. They included separating advice from sales, lending responsibly, demonstrating understanding, admitting mistakes and consistency.

Identifying action items alone, however, is not enough

FIGURE 3: DEVELOPING A BRAND STRATEGY TO MEET CUSTOMERS NEEDS

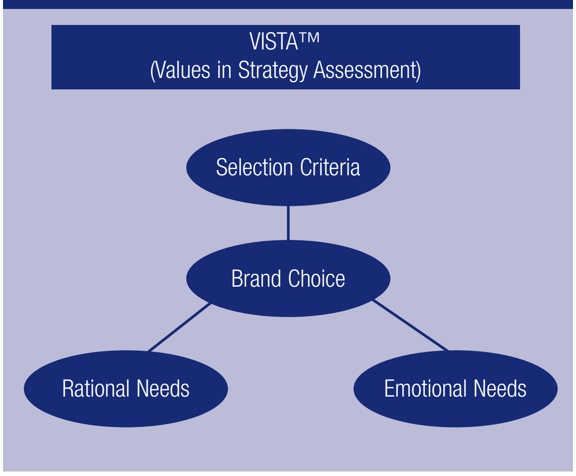
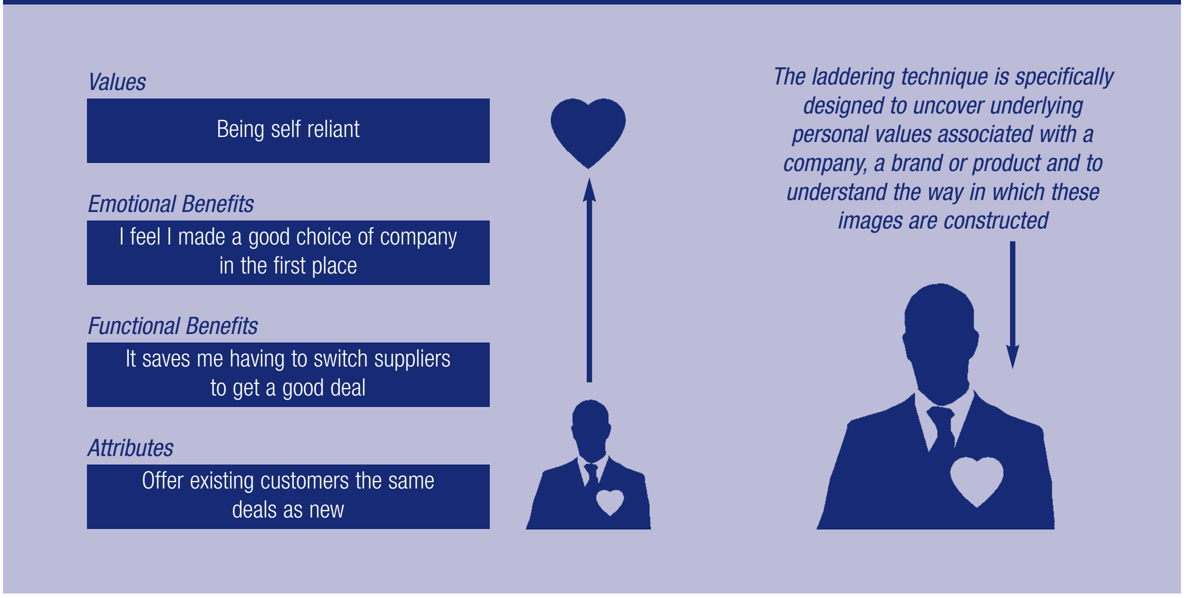


FIGURE 4: UNDERSTANDING CONSUMER DECISION MAKING



to improve trustworthiness. What makes an understanding of these desired behaviours really powerful from a brand-building viewpoint is to understand the impact of these behaviours on consumers' perceptions of brands.

Research into decision making and motivation tells us that what makes a brand promise emotionally compelling is the ability of a brand to tap into people's deeply held personal values.

In other words people are persuaded rationally by the way the organisation behaves, but motivated emotionally by the brand's ability to reflect the things they value and hold dear. In that way they allow companies to connect in an emotionally relevant way with those consumers whom they are targeting.

Tools such as VISTA, a research application that works by understanding the tangible needs that people have and linking these with the emotional benefits that they bring, help understand the link between the characteristics that people look for in the product category of financial services, and the personal values that underline choices in this market place.

For example, if a consumer identifies an important attribute of the bank that they deal with as "they offer existing customers the same deals as new customers," the functional consequence of this might be that it "saves me having to switch suppliers to get a good deal." Looking further up the ladder, the emotional benefit might be that, "I feel satisfied that I have made a good choice in my bank," and the personal benefit might be, "self-reliance."

The values technique has a great deal of relevance to rebuilding trust in the financial services sector. A good reputation, reflected by a brand, delivers real value by encouraging consumers to behave in a way that benefits the company, such as buying the products or services of a company that they trust. So a positive reputation that reflects trustworthiness is an important strength for a financial institution.

The task therefore is to recreate trust by re-establishing a dialogue between the company and the consumer.

Obstacles such as malpractice, changing socio-economic environments and a proliferation of products on the market place need not be barriers to re-establishing trustworthiness.

The gap between the trust consumers' desire and the reality of their experience can be bridged through an understanding of how rational behaviours, that demonstrate trustworthiness, link to the deeply held personal values of the consumer. It is through this understanding that financial institutions will be able to re-build trust with the consumer, position their brands more effectively and develop more powerful communications. □

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[1] Research conducted using Harris Interactive's Harris Poll Online Global Omnibus in January 2006 amongst a nationally representative sample of 1857 adults aged 16+ in GB.

[2] Trustworthy was defined as: is honest in its dealings; can rely on them.

[3] Caring was defined as: demonstrates care and concern about customers.

[4] Innovative was defined as: is creative and has new ways of doing things.