

## Interview

# WAKING THE SLUMBERING SAVINGS GIANT

National Savings has been around for as long as anyone can remember. Anthony Thomson talks to Tim Mack, Head of Communications at NS&I and The Financial Services Forum Marketer of the Year, about how public awareness of this savings dinosaur has been brilliantly transformed.

## What does marketing mean to you?

To me it's to understand how we as a brand can identify, anticipate and satisfy the needs of customers profitably.

## What is your background?

I began as an accountant with Price Waterhouse and wanted to move into sales and marketing. At the time, I joined Ford Motor Company. I was interested in automotive, and Ford was one of the most respected "training schools" at the time. Then I moved from Ford after six years and did thirteen years at Renault UK ultimately as Director of Communications. The particular high spots were the enduring success of the Clio with the 'Nicole and Papa' campaign as well as the launch of the Scenic.

The attraction of National Savings and Investments (NS&I) was its potential as a brand, the fact it was in a different sector from the one I had been in, and the unique appeal of a public sector business competing with the private sector. As a brand, our roots are very different from our main competitors, which I saw as a really interesting challenge.

## Do you think NS&I is a brand?

Yes. To make a contrast from Renault UK, once we had the product, pricing and distribution going well, we had to promote and then add a 'premium value'

for customers to the brand through communication. We found that 60% of the UK population were prepared to consider a French car, and 40% were not. So we targeted our communication at the 60% to build on their disposition to value what they associated with Renault over and above that. We built on the positive heritage of our 'Frenchness'. That tapped into a particular appeal in the UK at the time, of the French rural lifestyle as opposed to hard driving 80s UK city life.

With NS&I, there are customers for whom we have a premium value over and above the competition, because of our overall offer including heritage and security – and increasingly because we are demonstrably good value and convenient. We have spent a lot of time and energy addressing myths that we are not good value.

**Tim Mack** and his team work across NS&I and its partners, Post Office, Tesco and particularly Siemens who are responsible for the outsourced customer facing operations.

Prior to NS&I, Tim was Director Communications at Renault UK where he developed the "Nicole & Papa" Clio campaign - voted Britain's most popular and most watched car campaign in a Sunday Times/Channel 4 poll. While he was at Renault, UK brand image and awareness grew to record levels and market share doubled to 8% making it the leading importer.

After graduating in Law, Tim was at Price Waterhouse prior to nearly twenty years in marketing, sales and communications at Ford and Renault before joining NS&I.



### **What does NS&I stand for in the mind of the consumer?**

We are built on security. Increasingly consumers in financial services value certainty. So security is not just about our 100% Treasury guarantee. It is also about the fact they know who we are and where we come from. It has been over 140 years. With other financial services

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providers there can be a perception of uncertainty over who is the brand and the company they're dealing with. Who owns them and who is likely to own them? They know exactly what they are dealing with at NS&I.

### **I can see that in the investment market. But is that the case with the likes of Abbey and HSBC?**

We do look at top ten to twenty high street competitors, because those are the institutions that hold most peoples' savings and investments. And there is an interesting point around the security issue. Most people are actually much more risk-averse with their hard-earned savings and investments than perhaps many of us in the industry, particularly equity based providers, would ever think. Despite many smaller operators temporarily appearing at the top of best buy tables, people do tend to go for what they know.

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### **Does the man on the street see any differentiation between NS&I, Lloyds TSB and Abbey?**

I think they do. What we have begun to realise over the last couple of years is that we have what we recognise as 'latent brand potential'. There has been very sound progress at NS&I on product development, infrastructure and channels before we started to raise the profile in the way we have over the last couple of years. A lot of the latent brand potential comes from customers' confidence and advocacy. It literally passes from generation to generation. And we still benefit from that.

We have seen at many Financial Services Forum events on consumer attitudes, how more and more people rely on trusted friends and family before they

look to an expert. A lot of people know they can get advice from sources that turn out to be more risky than they really wanted. The dramatic falls in equities in 2003 and difficulties faced by well known financial services providers have undermined confidence.

No-one has ever lost capital with us. A major reason why the fastest growing sector of savings and investments is instant access savings, is because people haven't got the confidence in many cases to move beyond that. Our brand has very deep roots in families, friends and households. Now that we have changed our infrastructure and product offering and started to raise our profile, those roots are starting to come to the surface and blossom.

### **Has the National Lottery had an effect on Premium Bond sales?**

We've sold more Premium Bonds in the last five years than in the last 45 put together. That has been a decision by the business, primarily to use Premium Bonds, our best known product to uplift the profile of NS&I to enable us to cross-sell or attract additional business.

Since the National Lottery launched back in the early 90s our sales have increased. At the time the business responded to the launch of the National Lottery with the first £1 million monthly jackpot and more recently we added a second £1 million monthly jackpot to that as our prize funds moved up. But Premium Bonds are distinct from the National Lottery because your money is 100% safe. You are in the draw every single month. The sales figures show we have managed to communicate that to people.

Admittedly there has been sales growth as a result of increasing the maximum allowed investment to £30,000 and growth in the total prize fund. We believe we have always been distinct from the Lottery and the evidence would suggest that the Lottery has helped us to explain what the unique Premium Bond offer is.

### **Whom do you see as your main competitors?**

It would be the high street banks and building societies. Our two best known offers, Premium Bonds and Inflation Beating Savings, are unique products. This is helpful, alongside our heritage, in differentiating us from the rest of the market.

One of the effects of improving our infrastructure and channels in recent years has been our direct ISA offer. We're able to offer a very competitive rate with a guarantee, which is very 'on-brand'. We're saying to people that our pricing will be consistent and fair. We won't offer a rate to take us to the top of the aggregator tables, pick up business and go away again. We will put up a competitive rate that we can best afford and stick with it.

**Your competitors would say that your rates have not been competitive and traded off the security piece, putting you in a third quartile.**



If we look at commentators in the media, and as we talk to more and more financial advisors to promote a balanced portfolio, I can say without any complacency, that we have turned the corner. Our whole offer is appreciated and we get very little uninformed comment about our rates. That is a result of the infrastructure improvements we've been able to make and us raising our profile.

If I look back to the 1980s, people started for the first time to get really bold about equity investment. That was a time when people did pull out of their more risk averse savings and investments and take a chance. And for a long time through the 80s that worked out. Back then, if you said "security", people heard "lower returns". And we've got a reputation that had been built for over 100 years on security. We've come through that. The best proof of that is the fact our offers are overall much more competitive than they were and consistent and fair over time.

#### **What are the challenges that you see facing your business?**

The key challenge is to build on the success that we have had in Premium Bonds and enable people to widen their holding with NS&I. And to make it clear that we offer a choice of savings and investments and a choice of channels.

#### **What is your marketing strategy to fulfil that?**

Again, very much to offer people choice that still aligns with our unique brand values. What we do offer is certainty in an uncertain world. And we have differentiated products in a differentiated brand so we are in a very good position to build a differentiated relationship with customers – plus, unlike others, we specialise in savings and investments.

#### **Your Forum colleagues have been unstinting in their praise for the Sir Alan Sugar ads. How did they come about?**

We wanted to be different and we wanted to surprise people. We had to surprise people to get around the misconceptions that we've mentioned, such as poor rates. We also, in wanting to be true to our brand, decided we would be very straightforward and act with integrity – true to our brand values of 'security, straightforwardness and integrity with a human touch'. So that was the basis of the brief for that integrated campaign.

We wanted a very credible and well known person to speak about NS&I, someone who was respected. We identified Sir Alan Sugar as the best person to do that, with his credibility in finance, amongst other things. We also found our customers, and indeed our non-customers also, thought he would be the best person for that role. We managed to start the campaign with



him just off the back of the first series of 'The Apprentice' and his effect for us has grown as his own profile has increased. We were never going to be able to invest a lot of money in the campaign so we had to be different and surprising and stand out while being true to our values.

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#### **How does the relationship with the Post Office work now that they have launched Post Office Financial Services?**

We both look to offer customers a choice. We do have very distinct products at NS&I, which we have spoken about, but we have other products that are less so but are still distinct in that they are from us. Our roots in being different from everyone else go very deep.

#### **Is there a threat to your biggest distribution channel through branch closures?**

The Post Office is far and away our biggest distribution channel. They have a retail network, which we value



massively. We have products and a brand they value. So that is why the partnership works so well. We both bring different elements to it.

**Tell me more about the Tesco relationship.**

The reason we are partnering with Tesco, who came forward out of a tender exercise, was again, to widen our distribution and give more choice to customers. We see it as complementary to the Post Office and to our direct channels.

**And how are the other channels developing?**

The Internet is very interesting for us. We got Premium Bond sales online the June before last, and last financial year online was a £1 billion channel. It is now a £2 billion channel for us. October was our biggest ever month for sales in our history, and Internet sales went ahead of telephone sales. We have particularly seen new customers coming to us online and by telephone as well as through the Post Office and Tesco

**Is it difficult to be market led, when you are, in essence, an instrument of the Treasury?**

I don't think so. When we were granted agency status in the late 90s and through our partnership with Siemens, we were being given more and more control and an opportunity to shape our own future. We've carried on being able to do that. We still have to hit our targets and maintain a service to customers that is profitable. Our role is first and foremost to provide cost effective funding to the government. But clearly we can only do that by anticipating the needs of our customers and providing good solutions.

**What do you think of the move to principles based regulation?**

We are actually regulated differently from the rest of the industry. We do take compliance, openness and honesty with our customers very seriously and always have. But in terms of the rest of the industry, it's not my area to comment on really. We follow best practice rules that are consistent with our brand values. Because of our brand, it is right for us to tell people what is and is not right for them.

Before I joined the team, our brochures always gave reasons why a particular product was right for a customer, and put alongside it the reasons where it would not be right for them.

We have a compliance team in the business that we are very close with. For example, we are quite pleased to point out that if you don't win with Premium Bonds, your investment decreases with inflation. But that is on brand for us. Saying that type of thing really does fit with what we are trying to do with customers in being straightforward and trusted. Key to the Sir Alan Sugar campaign, was the fact we can say exactly what we are



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offering without any frills, because people have confidence in us and we have confidence in the simplicity and honesty of what we are putting forward.

## **Why do you think you were voted overwhelmingly by our members as marketer of the year?**

It was a vote for me because the most visible part of the business in the last year or so in terms of changes has been the impact of the integrated campaign spearheaded by Sir Alan Sugar. Sir Alan Sugar sits on top of a pyramid which goes all the way down through our offers, products and what we have done with our customers. In particular, what we have managed to realise in partnership with Siemens and the Post Office going back a long time. So we couldn't have done the integrated Sir Alan Sugar campaign without the rest of the pyramid.

Often in marketing, it is the bit that people notice at the very top that manages to break through and surprise that gets the credit. Therefore it's always important to point out the foundations that support that.

It was, without doubt, a team effort. By the team, I mean Siemens colleagues at Durham, Glasgow, and Blackpool with our HQ in Kensington because we work in a matrix organisation. It involves a lot of communication. But the team at NS&I genuinely is a team that stretches across those sites and co-operative working is key.

The recognition from The Financial Services Forum members has been very good for us. It was said a few years ago that we were the 'Cinderella' of the financial services industry. But we do want to benchmark ourselves against the best in class and our vision is to be recognised as the leading and most trusted savings and investments organisation in the UK. So external recognition is important, but learning from the competition – financial services and other – is equally important. This type of recognition gives us confidence to continue going forward.

## **How will you build on that success?**

Since the awards night, we've completed much of the Premium Bonds 50th Anniversary celebrations. That has helped us to bring in new customers and potentially to cross-sell to them. It meant that October was our

biggest sales month in history with over £2 billion sales. So I'm glad to say that we've managed to keep the momentum moving forward.

## **What do you do when you are not working?**

I get out and about as much as I can. Sailing through the summer and I play a lot of tennis. I also do a lot of horse riding, particularly in mid Wales, where the landscape is an added attraction from steep hills to wide beaches. Plus, we have a flat in a 1930s modernist building on Brighton seafront and have been part of the team organising a major refurbishment. □

