# Retailers move in on financial services

There is little love lost between established providers of financial products and consumers. But traditional retailers, in particular the big popular brands, are fast making inroads into financial services' territory. Maureen Duffy warns that the takeover could be swift – and soon.

The market for financial services may be on the verge of a transformation. The High Street retailers, which have been building their presence in the market for some years, have the potential to break through to become major players.

Research by the Newspaper Marketing Agency demonstrates that retailers present a significant challenge to established players in the financial services industry, and could use the strength of consumers' relationships with their already powerful brands to make a breakthrough.

The research, completed before the run on Northern Rock further undermined consumer confidence, showed that the finance sector as a whole is dogged by negative perceptions and consumers' lack of trust. In contrast, consumers regard their regular retailers as trustworthy, and believe they offer good service and value. They know that there are rewards for loyalty from retailers, while they feel that financial services companies exploit loyalty, rather than value it.

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But retailers need to raise the profile of their financial services to capitalise on this close consumer bond. Although their brands are well known, they are not yet automatically considered when purchase decisions are being made, and consumers aren't fully aware of the range of offerings available. This can be addressed by an amplified and sustained focus on marketing communications.

The credit card, loan and insurance service sectors are already at a tipping point in terms of the presence of retailers in the marketplace. Good marketing could prompt a real step change in consumer attitudes, expectations and behaviours when it comes to what the financial marketplace provides and delivers.

**An issue of trust**

This transformation is being driven by retailers – such as Sainsbury's, Tesco, M&S and The Post Office – entering the financial marketplace and pushing to carve out a position within it.

The erosion of trust from the financial marketplace underpins the destabilised relationship between provider and consumer. NMA research clearly accesses this point of concern for consumers who feel that traditional finance companies are acting in their own interests. As one respondent put it, "at the end of the day they're just legalised criminals."

A raft of issues underlies this distrust. Providers are seen to be giving new customers better deals than existing ones; complicated communication about terms and offers means consumers don't feel their providers are open and transparent; insurance companies are seen to delay claim payments, and banks are thought to have unnecessarily long transfer times and excessive charges.

Customer relations are the main source of dissatisfaction for consumers in the financial marketplace. Respondents in research pinpointed several areas of concern: the lack of any tangible relationship with their providers, overseas call centres, inept call centre processes, slow responses to queries and errors and inaccuracies in statements and renewals.

**The importance of high profile as a trustworthy provider**

In an often confusing marketplace, NMA research consistently shows that having a high profile is more likely to lead to contact and a potential sale than anything else. A key contributor to raising that profile is advertising. It can put brand names uppermost in consumers' minds, influence trust and integrity perceptions and create awareness of product developments and offers.

Consumers are certainly aware of the omnipresence of financial services advertising but their impression is generic rather than a sense of different and differentiated brands with their own clear offerings. And when it comes to newspaper advertising, consumers tend to feel let down. It seems as though the majority of brands do not make much of an effort to engage them in a dialogue or with relevant communication. Too much small print, together with black and white, recessive, creative actually ends up fuelling their distrust, rather than making an active connection in a trusted environment.

**The appeal of the retailer**

The potential appeal of financial products from retailers, and a driver in considering them, is personal experience of the brand. Customers know their chosen store and appreciate its values. There is an established in-store experience and they are familiar with product quality and value. Their relationship is personal – this is their brand that speaks to them in a certain way – and they feel reassured by that.

As one respondent put it, "they're not trying to blind you with science." High levels of trust and confidence therefore pre-exist their use of other services from those same companies and expectations are set high. Consumers expect, for example, a retailer providing insurance products to pay up without hassle, to deal with consumers politely and sympathetically on the phone and be transparent and direct in their dealings.

Even though they realise that there are large finance companies behind the retailers they feel that the retailers are large and powerful enough to stand up to them on their customers' behalf. In addition, many consumers hold the belief that because retailers are so big and have a loyal and committed consumer base they simply can't afford to get it wrong.

**Limited awareness of retailers' financial offerings**

Given the high levels of trust and expectation placed in retail brands, it might seem surprising that they aren't bigger players within the market. As with all finance providers, profile and presence are critical. For those consumers more uncertain about the market, simply having heard of a brand gives it a level of respectability from which they will go on to consider its offering. The key barrier for these retailers in the financial services area, therefore, is lack of awareness.

There is limited recall of specific communications. Respondents have a subliminal awareness of leaflets but feel that their appeal is limited when in a supermarket or Post Office queue because they are not in the right frame of mind to think about financial decisions. As one respondent put it, "you're always in a rush to get out" and for another, "there's many other nicer things to look at."

Word of mouth, direct mail and advertising have created some further awareness, but on the whole, consumers feel they have to work hard at filling the knowledge gap.

Becoming top of mind is a first step to capitalising on their latent appeal. Once retailers have addressed this, they can seek to clarify consumers' concerns about their financial credentials and expertise and reassure them over the practical process when dealing with a retail finance brand.

**The role of newspapers**

With a heightened profile needed to turn retailers' potential into reality within the financial marketplace, national newspapers can play a pivotal role. They can affirm the profile of such providers by building brand legitimacy and regular presence in a national, high stature, medium alongside other finance advertisers.

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Newspapers can further trigger the named brand's advertising, and remind consumers of the brand values their customers rate so highly. By providing vital information, they can create awareness of activity in this sector and stimulate interest leading to contact.

Newspaper advertising can help in particular to reassure on the process – how the consumer actually engages with the financial side of the business as opposed to the in-store experience. Many respondents had very practical questions about how to access retailers' products beyond the confines of the store experience.

Readers confirm that newspaper ads have the potential to be more powerful and more influential. They go to newspapers for advice, ideas, information and inspiration. Their paper (whether the print or online version) helps them with research, provides contacts and forms part of the short-listing process. They spend time with it, digesting information and building understanding. Like their favoured retailer, they have a personal relationship with their paper and trust its views – this is their paper and advertising is evidence that brands are interested in their business.

**What works in newspapers? Strong branding**

When a reader is scanning through their paper, deciding what is relevant to them and what they will spend time attentively digesting, it is imperative to have immediately recognisable branding. Newspaper readers are used to advertising from major retailers in their papers and are familiar with the cues in these ads. By carrying the same branding into finance advertising, the values associated with the brand will transfer through. The stronger this connection, the more potent the effect.

**Clear offer or proposition?**

The best advertising in this category is direct, simple, differentiated and relevant and outlines the brand proposition from the outset. It is vital for consumers to understand the brand's differentiating benefits in a crowded marketplace. Open and clear communication confers trust and accessibility – qualities well regarded by an often cynical consumer.

**The impact of colour**

Colour is important in increasing impact and triggering emotions. Newspaper finance ads that use colour are more likely to be noticed and engage the reader. Importantly, it also means that logos (best known in their colour format) can be identified. The green and black of M&S invokes a warm feeling associated with the brand and makes consumers feel good about buying from them. Similarly, the orange associated with Sainsbury's triggers immediate familiarity and feels bright and welcoming – a step apart from a plethora of uniform, black and white finance ads which currently dominate the category.

**Access details**

In order for consumers to understand how retail finance brands work in practice, they need clear access details and information on how to proceed. Less is actually known about their product ranges and the processes involved and so newspaper advertising can serve to reassure and provide the consumer with guidance.

**Linkage with TV**

Simply showing a still from the TV does not provide automatic recall of the ad in question, if consumers have a different symbol as to what that TV actually stands for in their minds. However, where the still actually sums up the idea rather than just showing a snapshot of the ad, then the trigger is made and the response is enriched.

**Engaging the reader**

Advertising which involves and engages the consumer through an interesting visual or headline plays to the strengths of the newspaper medium where the reader is active and attentive, absorbed in the reading experience. Newspapers are much more than a rational, information rich medium. They trigger a wide range of readers' emotions and advertisers can capitalise on this to connect with their consumer.

**Professionalism**

Reflecting the professionalism, credibility and expertise of a brand is important in the finance sector. Financial decisions tend to be made in the context of a serious mindset, and advertisers need to use this context to frame the tone of their communications. This is especially the case for retailers whose credibility in the finance arena may be less well regarded than long-standing, traditional providers.

**How are the finance ads from retailers performing?**

The retail finance ads analysed in NMA research drew a mixed reception from respondents. Sainbury's ad for pet insurance fared well to a degree with a transparent offer, no small print, clear access details and an interesting visual/headline. However, without recognisable brand iconography, consumers failed to make a strong linkage to the main brand. [1*]

With Tesco, most of the finance ads tested were seen as weak and undifferentiating, and lacking the charm and wit of the Tesco brand that consumers love. This was particularly felt to be the case with black and white ads which reduced brand recognition and impact. [2*] Whereas with Tesco's home insurance ad researched in the groups, the colour, strong branding and clear proposition meant consumers labelled it as 'unmistakably Tesco' and engaged with it to a much greater degree. [3*]

Consumers expressed disappointment at the M&S insurance ads tested in research. Overall the ads were

[1*]

[2*]

[3*]

[4*]

[5*]

felt to be bland, dark and lacking emotional triggers. For M&S consumers who have a very personal relationship with their brand, without this emotional connection, the brand is no longer "my M&S". [4*] An ad constructed for the purposes of NMA research drew a much more positive response. With strong branding and reflecting the brand image and values consumers know and love, the &MORE credit card creative showed the difference that an engaging ad can make in forging a connection with consumers. [5*]

**On the cusp of change**

Non-traditional finance providers are potentially on the cusp of becoming main stream players. At the moment, finance is not part of their mainstay of activity and in the consumer's mind it's also a relatively small area compared to the rest of their offering. But research shows that with the right marketing activity, retail brands can move up to automatic consideration.

Retailers have appealing brands benefits, which give value to their finance offering. Specifically they have trust and respect from their regular customers, based on their brand experiences. And that is rare in the finance sector.

The single most important obstacle to their growth is simply their low profile and limited top of mind awareness in their capacity as finance providers. Whilst the latter is growing, it is still low, relative to the high profile players that are dedicated to this sector. Once retailers move to emulate and exceed the traditional companies in this respect, the shape of the market will surely see a significant change.

**Methodology**

1st stage – advertiser and agency depth interviews. Eight pilot groups across four sectors – credit cards, mortgages, insurance and loans – 1000 quant via BMRB

2nd stage – 32 groups – six specific per sector, four specific to retailers, 12 paired depths - attitudinal overlay from pilot

Within each group half pre-family early 20s and early 30s, half were family (35-55). Mix of men and women, half BC1, half C1C2. All to be regular national newspaper readers; half to be regular Internet users

High street retailer specific groups (women only):

- regular shoppers at one or more of the specified stores (M&S, The Post Office, Tesco, Sainsbury's) with some having purchased any finance products from these providers
- active in several areas of finance especially credit cards/loans/mortgages and specifically have recently renewed or are renewing (or buying) car or house contents insurance. ☐

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