Analysis

MONEY GUIDANCE IS A GOOD IDEA IN PRINCIPLE ...

Andrew Porter, Managing Director of The Financial Services Forum, takes a look at the Thoresen Review, and asks, "...is that it?"

Members of The Financial Services Forum who have been following the progress of The Thoresen Review of Generic Financial Advice since it was commissioned in January 2007, might feel slightly disappointed with its final report, published on 3 March 2008.

Admittedly, the Review team worked hard to understand all the issues and obstacles to helping UK consumers manage their financial affairs more prudently. They researched the problem, and concluded that there is a core 7.5 million over-indebted consumers in the UK who lack confidence, do not understand money matters, and do nothing or very little to save for their longer term future, or protect themselves and their families against potential financial distress.

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The implications for the UK economy are profound. Thoresen wants good money sense to be as much a part of people's lives in the twenty first century as healthy eating and keeping fit. The Review postulates the quantifiable net benefit to users from improved levels of financial capability to 2060, at £15 billion.

The Thoresen team received ideas and evidence from all corners of the financial services industry, and from advisory groups in the public and voluntary sectors. They created and tested a 'prototype' model for delivery of impartial and free advice.

But the Final Report leaves many questions unanswered, preferring to hand over the real marketing challenge of how to create an effective engagement strategy that will overcome consumers' inertia towards money management and longer term financial planning.

Yet, this was very much the agenda when a group of senior Forum members met at the Treasury on 22 January, to take part in a workshop and give the benefit of their marketing insights and experience to the Thoresen Review team.

Rather than discuss what Otto Thoresen's Final Report covered, which has already been reported in the mainstream press, this short article summarises what it did not, based on what Forum members debated and concluded. Some extracts from the Review are provided in the side panels below, for context.

How The Financial Services Forum contributed to the debate

In a workshop format, 21 senior financial services marketers, all members of The Financial Services Forum, collaborated to debate the difficulties of engaging with consumers.

Summary of our outputs

The provision of such an advisory service, intended to empower and enable people to manage their financial affairs more prudently, was thought to be a good thing.

It should not be a crisis counselling service for those in financial distress, (other providers already cover this ground), but a preventative service that is available to all. It should be designed to help consumers help themselves, by understanding the steps they can take to improve their financial well-being.

Many of those who would benefit most from this service are difficult to engage. Marketing communications cannot rely on the written word – many within the target group will respond better to oral or face-to-face communication.

The service has to be free, well-informed advice without sales pressure. Some therefore doubted the incentive for the financial services industry to give it financial as well as moral support.

But the service needs to establish credentials of trust and integrity and, therefore, should not be associated with the sale of financial products. It needs to position itself as genuinely independent, backed by Government but not run by Government.

The service needs to be 'accessible' to consumers – on their side, and jargon-free. Therefore, do not call it 'Generic Financial Advice'.

So far so good, and much of this thinking and, indeed, language is included in the Thoresen Review Final Report. Our workshops continued, however, to explore marketing and communications strategies, mindful of how difficult it will be to engage consumers who do not respond well to being told what to do, or to being lectured by the 'nanny state'.

Push or pull?

Big centralised Government-backed marketing and advertising campaigns have been successful in some categories in the past, but do they provide the right model for this challenge?

A popular theme could be developed as the 'umbrella' campaign idea, perhaps supported by 'Five Top Tips' to improve money management – simple and memorable - to embed the theme into popular culture, similar to some other successful campaigns e.g. 'Five-A-Day'.

Strategies for engaging target consumers may require some traditional advertising-led 'push', to create initial awareness and generate in-bound enquiries. But the problem of engagement will not be solved by advertising alone. True engagement needs to overcome consumers' inertia and break through their resistance to change their behaviour. Those who are intimidated by difficult financial challenges, or who delay addressing them, will not be persuaded by an expensive 'top-down' advertising campaign.

More 'engaging' campaigns will need to leverage existing family advisers and other trusted partners, to refer and recommend the service through word-of-mouth endorsement. Those who are already giving consumers advice, or delivering a service at key life-stages, such as marriage, could either be trained to

What the Thoresen Review concluded :

- A service that offers consumers generic financial advice is needed, wanted and can be delivered
- There is a gap in the provision of impartial information and guidance on money matters
- Millions of people could benefit from this service (the most vulnerable consumer segments, totalling 19 million UK adults have been identified)
- The service would aim to provide guidance on the day-to-day money matters that shape people's lives : simple budgeting, saving and borrowing, protecting and insuring the individual and the family, and planning for retirement
- It would also help people to understand the 'jargon' terms they encounter whenever they deal with financial services providers (and their tax and benefits entitlements whenever they deal with Government)
- Guidance will be multi-channel – available through the web, telephone and face-to-face
- Face-to-face guidance will be available through existing trusted and local sources, such as employers and the Citizens' Advice Bureau
- The original term, Generic Financial Advice, means nothing to most people (rejected as 'jargon') and has been replaced with "Money Guidance", though "this is not a brand suggestion, just a working description"
- The principals of Money Guidance need to be clear, in order to gain the trust and confidence of UK consumers
  - on the user's side (impartial from both Government and the financial services industry)
  - free, and available to all
  - preventative, rather than just for those in crisis
  - supportive and coaching in style, enabling people to make better financial decisions and to take the necessary action to change their behaviour
  - delivered with no sales agenda (though helping to educate consumers on the most appropriate products and services available from the financial services industry)
- Two 'prototype' pilots have produced only limited learnings over short 12-week campaigns, so the Review's principal recommendation is that a 'pathfinder' service be set up as soon as possible to test the hypothesis around delivery and, crucially, around how to engage people
- The 'pathfinder' would take 18-24 months to complete and cost £10- £12 million, split *equally* between Government and a compulsory levy on the financial services industry.

The boundary of the Money Guidance service :

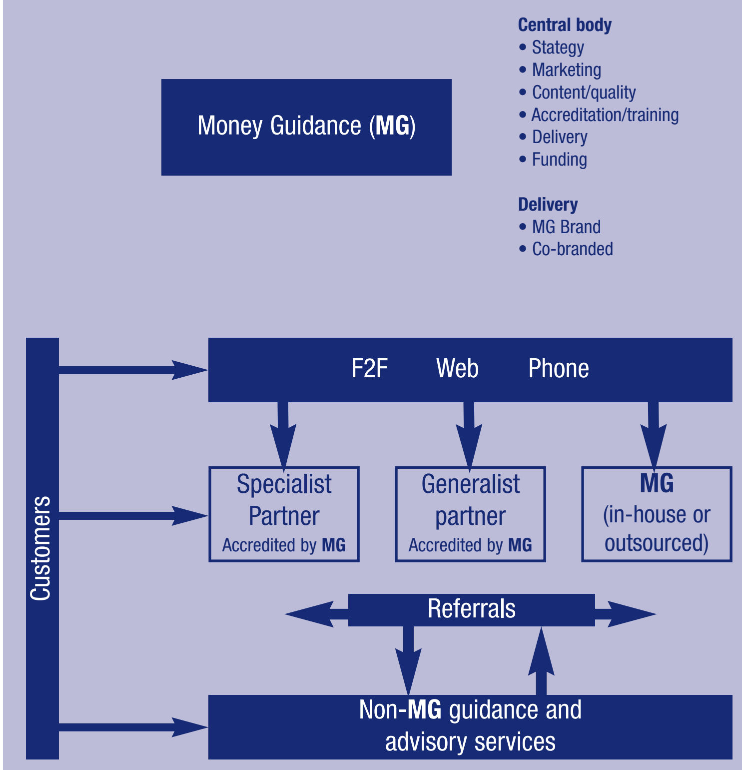
- *Money Guidance* will provide information and guidance to people on a range of financial topics, from jargon-busting to long-term saving
- Generalist accredited partners will provide guidance on a full range of topics to a consistent level. Specialist accredited partners will provide in-depth guidance on specific topics, such as pensions
- *Money Guidance* will guide the user to the point where they can choose between a small number of options, and where they also understand the consequences of doing nothing
- *Money Guidance* will refer individuals to external services, whether in the financial services sector, Government or the third (voluntary) sector, depending on the needs of the individual. This includes referring people to regulated advisers, or a crisis debt agency
- *Money Guidance* will not make recommendations to buy, surrender or change a specific product from a specific provider.

Face-to-face advice will be the most influential delivery channel, above telephone and the Internet.

Engaging users of the *Money Guidance* service :

- Importantly, the Review believes that engaging users is the most challenging work that the *Money Guidance* service will undertake
- The Review has not created the brand for *Money Guidance*, but recommends that the Government ensures a new brand is designed, which encapsulates the principles of the service, most notably that it is "on my side" and "sales free"
- The Review believes it will be "crucial to use a range of approaches to engage with users", including working in partnership with trusted intermediaries – such as promoting and/or delivering *Money Guidance* through the workplace
- Ambitiously, the Review asks the Government to deliver an engagement strategy that will ensure that "everybody, from the most vulnerable members of society through to the better off, believes that the service is for them, and that it engages with them in suitable way."
- The Review also believes that if the service is purely targeted at the most vulnerable, they will not want to make use of it.

Figure 1: Money Guidance Operating Model



Note: 'Money Guidance' (MG) is not the brand but is used for illustrative purposes

deliver advice, or to refer and recommend the service to their clients.

Popular media can play a part, but via techniques other than traditional advertising; to include programme sponsorship, celebrity endorsement and other media relations initiatives to stimulate editorial coverage.

Provision of adequately trained and qualified advisors will be key to success. Face-to-face advice will be the most influential delivery channel, above telephone and the Internet, but cost considerations obviously apply.

Pro bono support from the financial services industry could play a part, especially from larger institutions that might treat free advice as part of their on-going commitment to Corporate and Social Responsibility (CSR).

Employers will be key supporters, as publicisers and distributors of literature, and also hosting worksite events and presentations. But employers are already overloaded with Government initiatives.

Marketing strategies will be limited if they are restricted to regional pilots, so the sooner a national network can be created, the sooner a centralised marketing campaign can use all the tools available.

It will be important to establish key metrics at the outset. What are the measures of success that matter?

Where next?

The ball is now back in the Treasury's court to consider the Thoresen Review's Final Report and factor its recommendations into the Government's financial capability action plan, due out later this spring.

But we cannot help thinking that the elephant in the room has been somehow overlooked. The difficulty of engaging with UK consumers on how to become better managers of their own money cannot be underestimated. ☐

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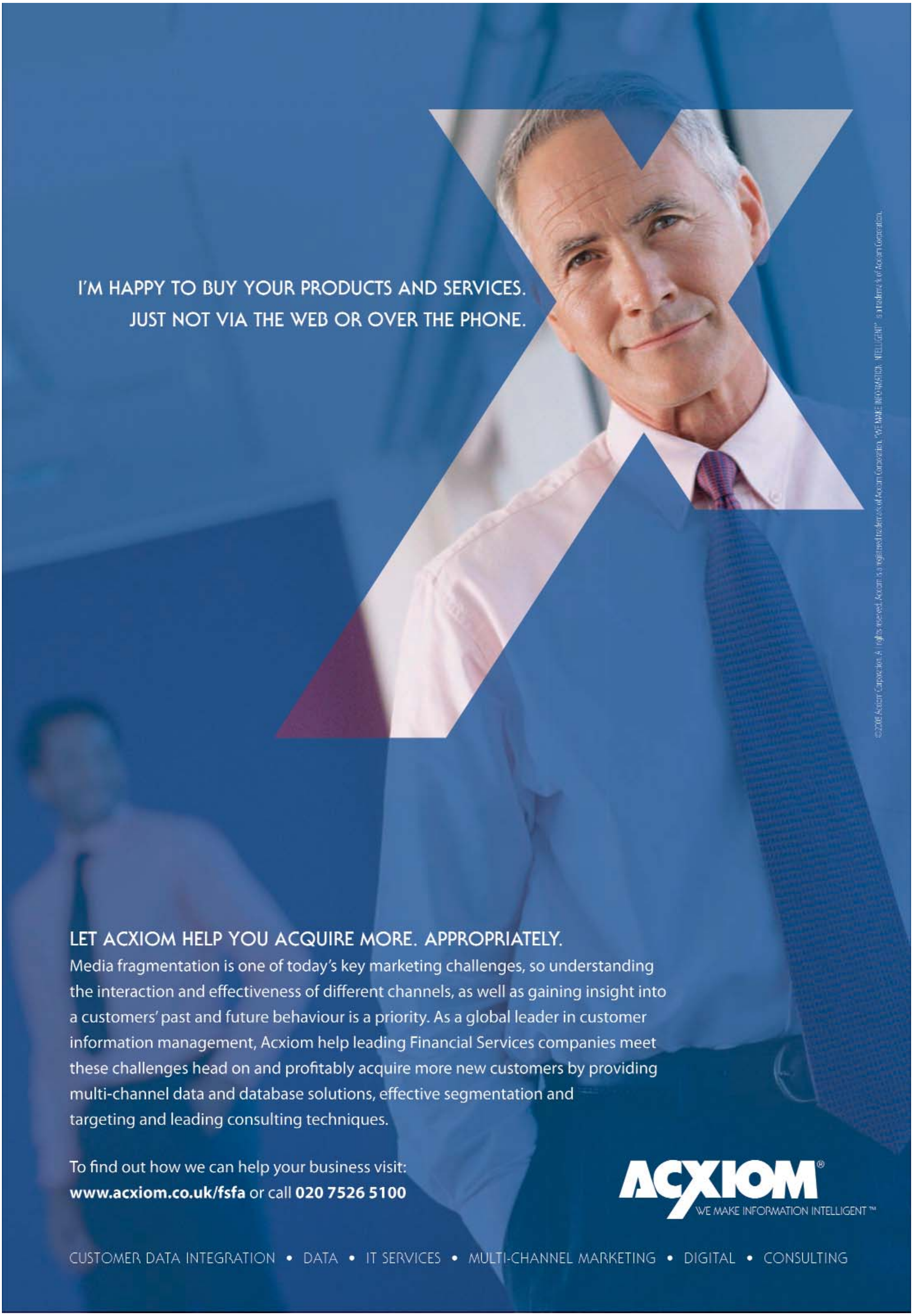
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