How to become a Moral Bank

The spirit of the times is all about companies 'doing the right thing' for their customers, says Mintel's RICHARD COPE. And changing consumer expectations are creating opportunities for banks to build new bridges in their localities.

Rightly or wrongly, banks are seen as uniformly 'bad' – but this doesn't have to be the case.

So far they've sought to overturn their image by communicating a cosy localism – the 'corner shop banking' of NatWest, or Mastercard's Big Lunch summer street fêtes are great examples. But there's potential for more banks to do good work on behalf of consumers.

At Mintel, in our Moral Brands research, we talk about this spirit of "doing the right thing" for consumers, and this is increasingly expected of companies. Most consumers are frankly too lazy or cynical to act on their beliefs: our research shows that, while half the UK population views environmental and ethical issues as important, they're reluctant to take action themselves.

Given a choice, though, people will opt for the ethical brand. This is why corporate social responsibility is being extended and offered to the consumer as a differentiator, a deal-breaker across many sectors. We've seen IKEA working with UNICEF to help eliminate child labour in the cotton industry in India, as well as organising immunisation efforts. Tesco has a self-imposed deadline of being carbon-neutral by 2050, after opening its first zero carbon store in Cambridgeshire last year.

Banks work particularly hard convincing consumers they care, through everything from paperless statements to green mortgages. HSBC has offered ISAs that donate to worldwide vaccination schemes; the Co-op signed up Bob Dylan to define itself as a bank "doing the right thing".

But ethics alone aren't enough. Consumers want simple propositions – and proof. An ethical bank might look to retail for inspiration. Charitable action works best, for example, in the post recession retail language of coupons and 2 for 1: the 'buy one get one free' (BOGOF) culture has been simply replicated as the appealing notion of 'buy one give one free'. Procter & Gamble buys one tetanus vaccination in the Congo for each pack of Pampers sold. For every pair of glasses Warby Parker sells, it donates another to the charity Restoring Vision. In the US, Tom's Shoes promises with every pair you purchase, they'll give a pair of new shoes to a child in need.

Progressive financial brands can offer something similarly tangible: Bank of America's 'keep the change' programme rounds purchases up to the nearest dollar and deposits the change in a savings account; this could be applied to charity donations on purchases, so the bank takes care of the legwork.

Banks might also achieve distinction by tapping into the aspirational green trend associated with high-end style leadership – something we call "Eco and Ego" on Inspire. Going green to be seen is rooted in the Prius and Anya Hindmarch's 'I'm not a plastic bag' concept. Today it's being expressed through Philippe Starck designed tapwater bottles, chic, futuristic Treehotels in Sweden, the 'renewable energy city' and tourist attraction of Masdar in the Emirates and the hip rooftop gardening clubs of Queens, New York.

For banks, this suggests a potential for heavily branded credit cards that double as 'green cards' or 'donor cards' – advertising and contributing towards ethical causes at the same time. Taking a lead from Mastercard's Big Lunch venture, there's also promise in sponsoring and co-ordinating community regeneration or gardening projects.

How can a bank become a local hero? For many, financial services represent a corporate old guard at odds with the spirit of new independence nurtured by the Internet and necessitated by recession. Progressive companies need to address the needs of a newly independent workforce and counter the rise of crowd funding which threatens to relegate banks to the ranks of dispensable 'middle men' – a trend we explore in Subsidise My Dream.

Another influence is the changing workforce. Recession, redundancy and the prohibitive costs of education are all contributing to a decline in office working.

The UK's Office for National Statistics says self-employment grew by 112,000 in Q3 2010 to reach a record 4.03 million. The Federation of Small Businesses estimates that 300,000 more people turned to self-employment during 2010.

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This new spirit of independence affords banks an opportunity to support new businesses, but they face competition from consumers themselves. The community-owned business model is nothing new, but communities are now moving beyond peer-to-peer lending into actual stakeholding, where individuals no longer rely on an institution (a bank, a record company) to fund their endeavours.

This poses a threat to banks – especially from sites like zopa.com that turn to peers as investors and supporters. Mintel's research shows that peer-to-peer lending schemes contributed to a 36% decline in the UK's personal loans market through 2009.

Crowd funding is taking many forms, from supermarkets to football teams. We've seen a members-only, members-funded People's Supermarket in London; in Manchester, there's FC United, a member-owned alternative to Manchester United, where shareholders are invited to help build their own stadium.

How can banks win back trust and custom at a local level? They might become third parties to guard and administer funds – rather than actually provide them as loans. However, it's better to use crowd funding as a wake-up call and win the trust of the wider entrepreneurial new business start-ups that require traditional business loans.

SPEED READ

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This speaks to a need for localism as an alternative to mass-market globalisation and homogenisation. Rather than be third parties, banks can be 'third places' – sounding boards, resources, places to meet, rallying and staging points for the local community. It's one thing, like Metro Bank, to welcome customers with free biscuits for their pooch, but banking venues and sponsorships can do much more to reconnect with local communities and businesses.

Inspiration and subversion of the status quo can come from various sectors. In the Czech Republic, news publisher PPF Media has launched Nase Adresa (Our Address), a chain of cafés which function as both newsrooms for its journalists and cafés for the general public. Seattle's Sorrento Hotel offers locals educational extracurriculars.

What does this mean for finance? One opportunity is to follow the Czech example and meet your customers halfway – on the comfortable, neutral ground of the pub, the park, the café, or even the customer's home. Or banks might use their properties and physical spaces (or sponsor the use of others) to connect with the community.

Jyske Bank in Denmark is already part of the way there, having given its branches a makeover, creating a café feel with comfortable furniture, video screens and espresso machines. The next step is for these 'third places' to extend their hours and roles – it's been suggested to traditional café chains – to play community roles to become night schools or entertainment venues after hours.

Can finance ever be 'social', as meeting places, either during business time or after hours? Could banks reconnect at street level, win community trust and, crucially, the custom of local businesses and entrepreneurs? No sector is distinct or isolated. They all share the same target consumer group. Inspiration can be drawn and lessons learned by looking at what's happening elsewhere.

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