The promise of precision

New research reveals how much consumers trust both established and challenger financial services brands. The REaD Group's LOUISE WALKER explains how these insights can help marketers make efficient use of their post-recession resources.

Unless you've been on another planet for the last two years, you can't have failed to wonder what would happen to the financial services providers at the epicentre of the global economic maelstrom. For those lucky (and robust) enough to emerge from the wreckage relatively unscathed, the landscape is forever changed. Many face a host of new challenges in marketing their products and services to consumers.

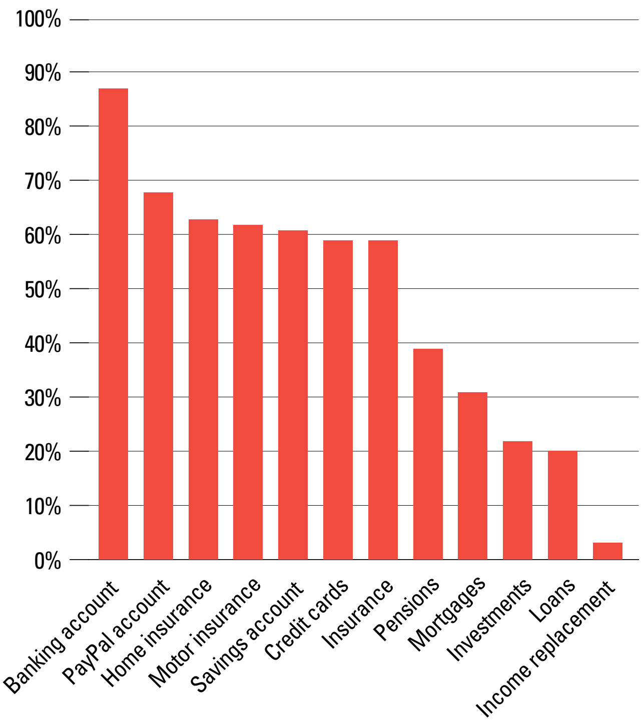
With consumer trust in the financial sector at an all-time low, British consumers are, not surprisingly, scrutinising everything they spend and are taking a fresh approach to selecting the providers they do business with. The days of lifetime customers are gone and FS marketers need to work extra hard to win business back from up-and-coming brands and the new entrants to the market such as retailers.

And, in a sector that's seen an explosion of liquidations, the survivors are hunkering down, causing an unprecedented increase in mergers and redundancies. In the midst of all this change, CEOs and strategists at financial institutions could be in danger of forcing their marketing departments to employ short-term solutions to avoid being the next victims.

It might be difficult to contemplate – and could even attract criticism for spending money on 'extraneous' activities – but companies can position themselves to rebuild customer trust and bolster brand perceptions if they invest in honing their customer and prospect communications, and make savings by trimming any waste in their direct marketing campaigns.

That's the message in the May 2011 *Financial Services: REaD Report*, which surveyed over 2,000 adult consumers in the UK.

MOST POPULAR PRODUCTS



Top of the class

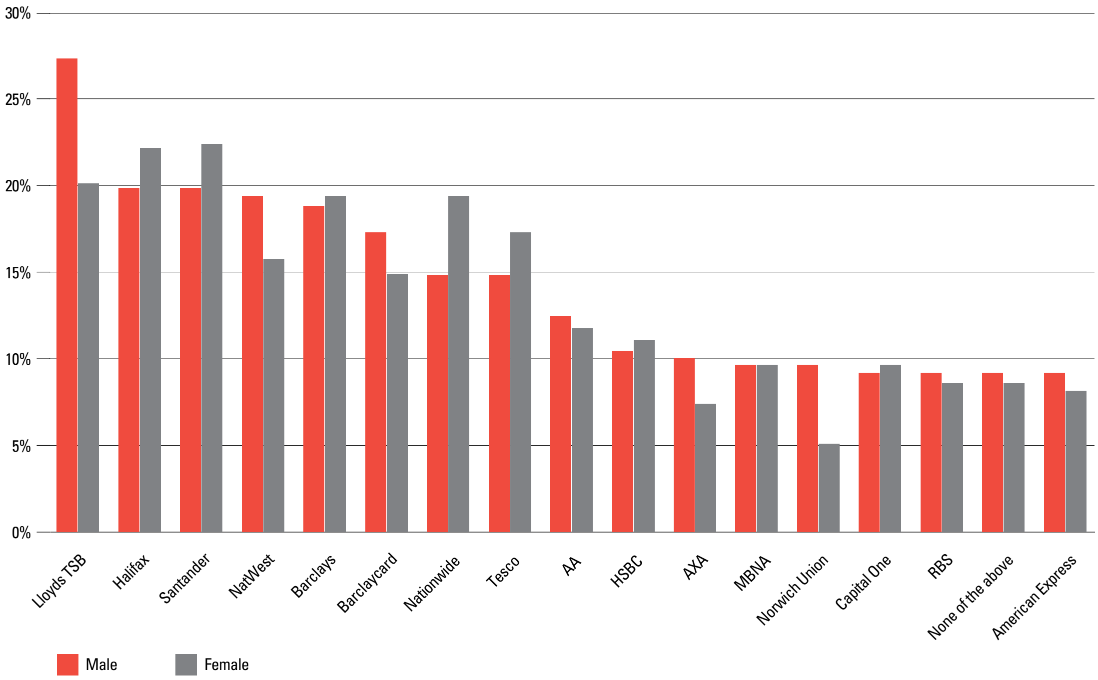
After serial blows to the pension market and the near collapse of the US mortgage market with global ramifications, it's not really surprising that pension, mortgage, investment, loan and income replacement products are the least popular with consumers. By contrast, 87% of consumers have bank accounts, and PayPal is the second most popular financial product in the category with a whopping 68% of consumers holding an account (see above).

The most likely explanation for the increasing popularity of PayPal is the unprecedented rise in e-commerce during the last decade. And, with 'free' banking coming under threat following a High Court test case on unauthorised overdraft charges, consumers may also be more open to new or alternative banking and transacting models proposed by PayPal and Virgin Bank.

IN A FRAGILE ECONOMIC CLIMATE, ROLLING OUT A POORLY TARGETED CAMPAIGN COULD HAVE SERIOUS FINANCIAL IMPLICATIONS, AS WELL AS CAUSING BRAND DAMAGE.

targeting

MOST USED PROVIDERS



Rising stars

According to the report, High Street banking giants Lloyds TSB, Halifax, Santander, NatWest and Barclays are the most popular FS consumer brands. This is closely followed by the credit card Barclaycard and Nationwide Building Society.

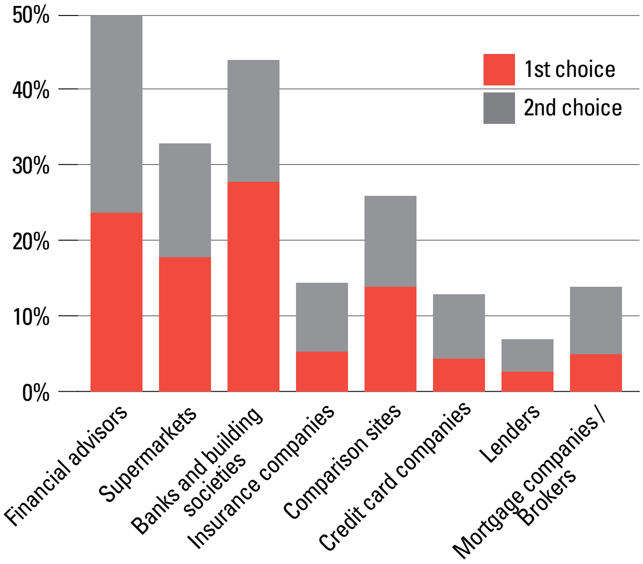
The report also seeks to identify rising stars challenging the status quo. Out of 42 brands, Tesco, the UK's biggest retailer with a brand value of $25.7bn, is the eighth most popular FS provider, fast fulfilling its promise to become the "people's bank" (see above).

However, while FS providers from retail backgrounds are gaining ground on traditional brands, the survey shows they don't yet pose any real threat: Sainsbury's is ranked only 18th, Asda comes 31st, and John Lewis' Green Bee comes second from bottom at 41st with only 1% of the sample claiming a relationship with the brand.

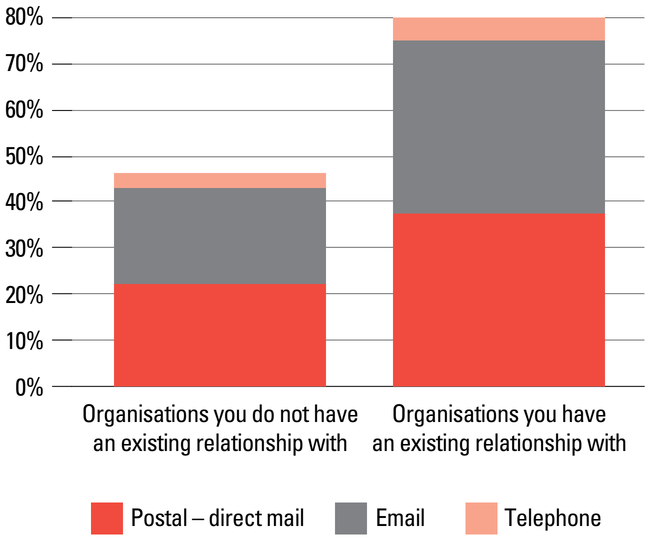
Data disasters

Consumer confidence has been further dented by a dramatic increase in data losses in the FS sector. In August 2010, the Financial Services Authority (FSA) hit Zurich Insurance with a £2.3m fine following its loss of 46,000 customer records. With unprecedented access to highly sensitive data, including

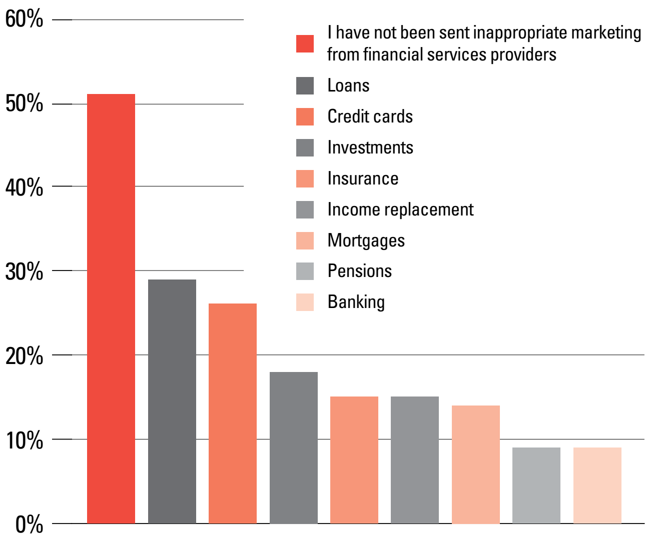
MOST TRUSTED – top two choices



PREFERRED APPROACHES – top three routes



HITS AND MISSES – inappropriate or irrelevant marketing



customers' intimate identity details and information on their bank, loan and credit accounts, Zurich and other insurers now face mounting pressure to heighten security and improve their internal reporting systems.

A year earlier, HSBC divisions came under fire for failing adequately to protect customers' confidential details from being lost or stolen and were fined £3m by the FSA.

Consumers were asked to rank organisations by how much they're trusted with their personal data. Banks and building societies come out on top, with 28% of consumers saying they're most trusted. But when the scores are aggregated, financial advisors take first place, banks and building societies come second while supermarkets are ranked third. The least trusted organizations overall are lenders, closely followed by credit card companies and then comparison sites (see Most Trusted).

But, despite all the Press stories about catastrophic data losses, it's not always the big issues that cause problems. Often simple, careless errors in the way that data is captured or maintained can lead to highly distressing situations for individuals, not to mention the money that's wasted on mailing obsolete records.

For businesses hoping to improve brand image and rebuild consumer trust in a fragile economic climate, rolling out a poorly targeted campaign could have serious financial implications, as well as causing brand damage.

The research also identifies some mitigating factors. While 43% of consumers say they'd contact a brand directly to let them know about receiving badly targeted communications, 18% admit it would negatively affect their opinion of the brand. And 13% say they'd be less likely to use the brand's products and services in future, while 4% say they'd never use the brand's services again. All the same, this equates to 15.05m adult consumers with a negative and potential harmful impression of a brand!

Making amends

To start building bridges with consumers, it's vital that FS marketers ensure all their communications are hitting the right note. It might seem blindingly obvious, but a squeaky-clean database and well-targeted campaigns deliver age appropriate messages show you understand your audience.

The research indicates that a staggering 29% of consumers have been sent irrelevant or inappropriate marketing for loan products (see Hits and Misses). And credit cards don't fare much better with 26% of consumers receiving unsuitable marketing. By contrast, only 9% of consumers say they have received inappropriate marketing for banking or pension products, indicating perhaps that they have a better knowledge of their customer and prospect base.

Given the different channels available to marketers, it can be difficult to know how to allocate precious budgets or how consumers want to be communicated to (see Preferred Appraoches). Although the percentage differences are marginal, the research shows that 39% of consumers would rather receive marketing communications by e-mail from providers they have a relationship with, and prefer direct mail if they don't have an existing relationship. Overall, consumers prefer direct mail to any other marketing channel, with e-mail coming in a close second, followed by telephone and text message.

Above all, the report shows that while consumer perceptions of the sector have been damaged, green shoots are appearing and that, by making simple changes to the way they communicate to consumers, FS brands across the sector stand the best chance of repairing the damage.

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