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SPEED READ
- Good advertising builds engagement
- Today's investors believe they are seeing a lot of investment advertising
- Tomorrow's investors see only a fraction of investment advertising
- Brands need to appeal to the next generation

INVEST IN THE FUTURE

LUCIAN CAMP explains why the next generation needs to be the focus now for the fund management industry.

Insofar as I know anything much about the retail funds marketplace, a lot of it comes from a single source – Consensus Research's legendary Investment Funds Survey, a syndicated study which has been running for well over 25 years now.

Over that time, it has provided its many subscribers – mostly fund management groups – with a huge quantity of insight and information about the way that intermediaries and 'active' retail investors think and feel about funds, fund managers and investment generally. It continues to do so. And although I'm not a subscriber, I enjoy a valuable benefit in my role as a consultant to Consensus – namely, the opportunity to add a question of my own onto each 'wave' of the study.

Needless to say, like most people commissioning market research, I almost always use the opportunity to find hard evidence for something that I've already decided must be the case, and the question I devised for the most recent wave of research was no exception. It's been clearer to me recently that when you look at the kinds of financial activity that consumers do and do not tend to engage with, there's one very obvious correlation: consumers' levels of engagement and activity in any given category or product type are very closely matched with the amount of advertising they see (or, more precisely, are aware of seeing).

IT'S IN THE ADVERTISING

So, for example, the highest-spending categories are general insurance, credit cards and retail banking, and indeed the very large majority of people buy general insurance, use credit cards and have bank accounts.

Vice versa, I've been grumbling a lot recently to our colleagues in the protection category that as the amount of money they've been spending on advertising has fallen steadily in recent years, so too have the sales of most protection products. Unless they meet a persuasive adviser – which, for example, most young couples with small children are unlikely to – most people won't hear a sales or marketing message about protection from one year to the next. On that basis, it's hardly surprising that it never occurs to most of them to buy any.

There is, of course, room for discussion on this correlation about which is the chicken, and which is the egg. You could argue that it's the low level of engagement that comes first, and discourages advertisers from spending (or wasting) money. But that's not the way I look at it. Good advertising builds engagement – that's one of the things it does best. If levels of advertising and levels of engagement in a category are low, I'm in no doubt which one is more likely to be the chicken.

POWER TO THE INVESTORS

Back to the Investment Funds Survey, I wanted to use my free question to find out to what extent the same sort of thing is true of investment. The latest wave was to be carried out among a sample of 'active' private investors (to cut a long research sample definition short, people who are personally involved in buying and selling investments in funds – the sort of people

'BRANDS ADOPTING A MORE BALANCED APPROACH WILL ALWAYS INVEST SIGNIFICANTLY IN DEVELOPING NOT JUST ADVERTISING, BUT ALSO PRODUCTS AND SERVICES.'

most fund managers are most interested in reaching). So we framed a question which asked them, very simply, whether or not they thought they saw more advertising for investments than for insurance, cards and banking, about the same amount or less.

I waited keenly for the results. Obviously the answer would be that they saw less – not just less, but hopefully much less. And then I'd be able to argue that if only the funds industry would do more consumer advertising, then many consumers would very likely do a lot more investing.

Disaster. The findings came in, and were some way from what I was expecting. True, 61% of the sample agreed that they saw less advertising for investments than for other categories. But 33% – otherwise known as a third – thought they saw about the same amount. And 6% actually thought they saw more, for goodness' sake.

Well, maybe not quite a disaster. But not a clear enough picture to be able to write a piece talking in excitable terms about an 'overwhelming' majority or an 'indisputable' result.

'THE STUDY DISTINGUISHES BETWEEN WHAT IT CALLS TODAY'S INVESTORS AND TOMORROW'S INVESTORS.'

GENERATION GAP

Then I looked at the results a bit more closely. The sample is big enough that it's possible to break it down by age, gender and so forth and still have a respectably sized sub-group to look at – and one of these 'cross-breaks' was very revealing.

The study distinguishes between what it calls 'today's investors' (typically an older group much more involved in investing already) and 'tomorrow's investors' (typically a younger group expressing similar levels of interest, but so far involved to a lesser extent).

Comparing these two groups, the difference in the results was significant. The 'today's investors' group do indeed feel that they're exposed to a good deal of investment advertising: 38% think they're seeing as much as for any other financial category, and only a little over half think they're seeing less. But the 'tomorrow's investors' sample paints a very different picture. Only 21% think they're seeing as much, and three-quarters say they're seeing less – among these, 43% say much less.

Looked at in this way, the research works well for me, perhaps not quite for my original hypothesis, but for a slightly revised new one. My message is now that the fund management industry does a reasonably good job of preaching to the converted, reaching a large number of the retail investors who account for most of its business at the moment – but a much less good job of reaching the next generation, drawing them into the industry's orbit and perhaps bringing forward the day when they become significantly active themselves.

If that's right, then it represents a very short-sighted approach to marketing. Brands adopting a more balanced approach will always invest significantly in developing not just advertising, but also potentially suitable entry-level products and services, to appeal to the next generation and make sure they follow in the footsteps of the previous generation in due course.

This is a clear message, and I think an original one – I haven't seen research before which quantifies the difference in advertising impact on groups of more and less experienced investors. But is it actually surprising? I'm not so sure. It's hardly the first time the fund management industry has been accused of short-termism. ◘

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