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**SPEED READ**

- Customers traditionally defined by income
- Higher priority placed on family
- Loyalty programmes recognised as successful
- Majority of banks still offer rewards

# LOYALTY FROM THE AFFLUENT MIDDLE

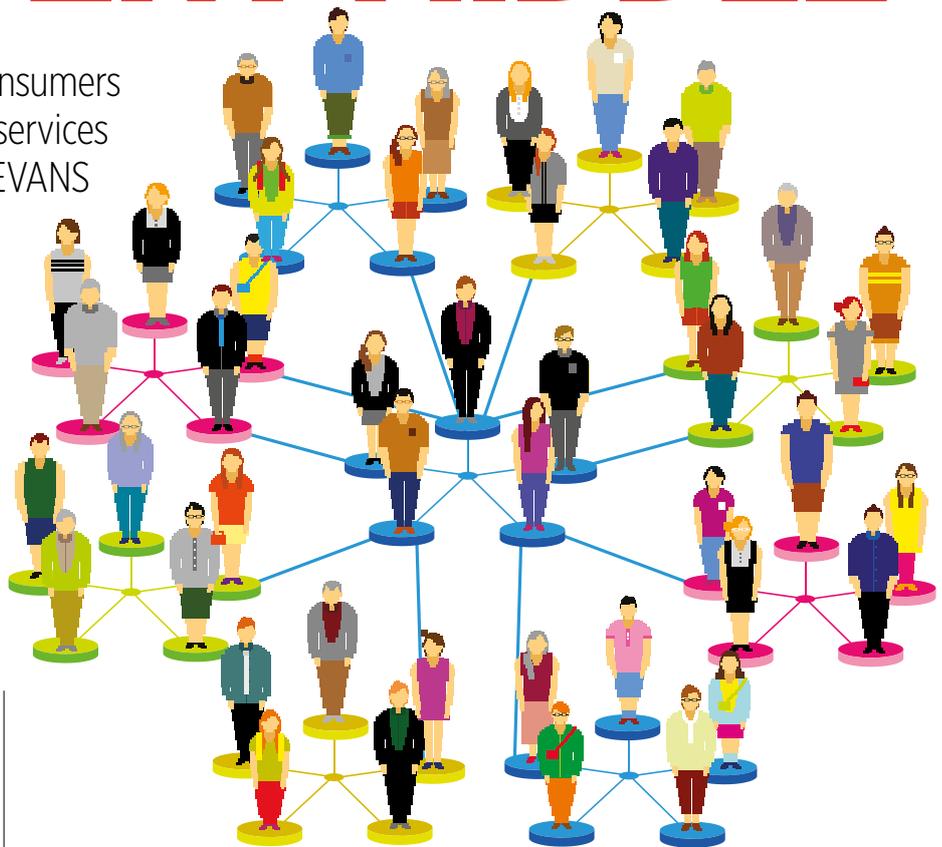
Middle-class ‘mass affluent’ consumers are very attractive to financial services organisations. CHRISTOPHER EVANS provides insight on why this is such an influential group.

**T**he Organisation for Economic Co-operation and Development expects the global middle class to increase from 1.8 billion in 2009 to 4.9 billion by 2030. This expansion is driven by renewed economic growth, rapid urbanisation and improving wealth.

As a result it is a highly valued and influential group, with particular growth in dynamic markets such as China, Singapore, India and the United Arab Emirates, as well as in established regions such as Europe and North America.

Financial services companies have traditionally defined customers by income, spend or the products they buy. A new international study by Collinson Group of 4,400 consumers across eight countries instead identifies four ‘tribes’ which share common traits that cut across age, gender and international boundaries and provide valuable insight into the motivations and expectations of the world’s mass affluent consumers:

- **The Prudent Planners** are motivated primarily by family and trying to help others.
- **The Stylish Spenders** yearn for the finer things in life.
- **Mid-life Modernists** are characterised by their enthusiasm for technology.
- **The Experientialists** put money-can’t-buy experiences at the top of their priorities.



Today’s affluent consumers place a higher priority on family, caring for others and enriching experiences (69%) than they do on luxury products and short-term satisfaction. Three fifths (57%) of the world’s most affluent consumers say their priority is to spend time with and provide for their families, save for the future, give back to the community and protect the environment.

The tribes identified by the research provide deeper insight into the attitudes of global affluent middle-class customers beyond transactional analysis alone.

### CHANGING EXPECTATIONS

In the past, many people have stayed with the same bank for life, having taken out an account when they were younger or simply remaining with the same bank their parents used. The ‘tribes’ above highlight

the changing expectations of banks’ most valuable customers and show that short-term products or simple points based rewards no longer engage consumers as they used to.

Our research found that just because a customer has had an account for a number of years, it does not mean that they are

**‘THE ANSWER LIES IN MORE PERSONALISED, FLEXIBLE REWARDS WHICH OFFER GENUINE VALUE TO CONSUMERS.’**

## ‘SHORT-TERM PRODUCTS OR SIMPLE POINTS BASED REWARDS NO LONGER ENGAGE CONSUMERS AS THEY USED TO.’

► loyal or content. We found that less than half of bank customers are happy with the experience they received.

These shifts in behaviour are matched by increasing choice offered by hundreds of new entrants in the retail banking space, all trying to do something different. Many new entrants do not compete in the same way with retail branches or a broad universal banking model. Companies such as PayPal, Zopa and Transferwise offer specialist products and services in an accessible way for consumers where the user experience and delivery of service online or via mobile devices and apps is easy. Meanwhile, comparison and switching services highlight better deals and alternatives.

### BUILDING LOYALTY IN THE FACE OF COMPETITION

Our research indicates that trust and quality of service are key factors in encouraging all the mass affluent tribes to be loyal to a financial services brand, but personalisation, effective rewards and a consistent experience across all the channels they use to interact with a bank also have a strong impact on loyalty.

Companies in many sectors acknowledge the power of personalisation but banks have a unique wealth of data across consumers’ spending habits which could be better used to drive tailored offers, rewards and communications. Consumers still mostly perceive financial institutions as large and impersonal entities. Mass affluent consumers want to be recognised and in return are more likely to be satisfied customers and less likely to switch. Some 64% of these consumers stated that they expect to be rewarded for staying with their bank.

This group is also more willing to endorse and act as an advocate for brands

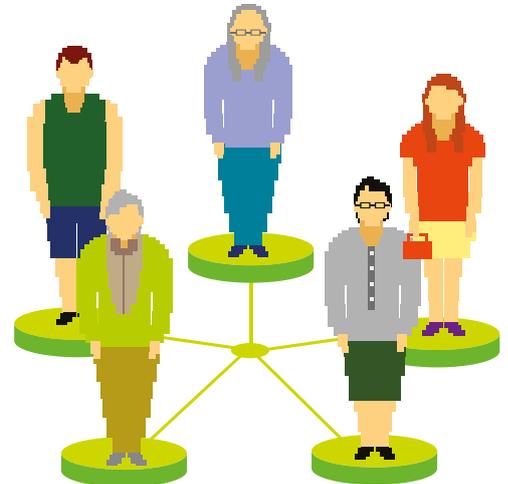
they feel loyal to, which can have a powerful impact on promoting the brand and on revenue. Nearly three-quarters (72%) will make repeat purchases from brands they feel loyal to and 70% will recommend a company to friends and family. Just over half (53%) will use a service even if it is more expensive and the same percentage will go out of their way to do business with a brand they feel loyal to.

Loyalty programmes are widely recognised as a successful mechanism to drive engagement and repeat purchase. Choice of reward is important in boosting loyalty. We are seeing companies in other sectors, for example mobile operator O2, offering a wide range of choice of rewards to their customers. This includes concert tickets and unique, money-can’t-buy experiences, which appeal to the motivations of mass affluents. The majority of banks still offer rewards specific to financial services and products or simple points-based programmes. However, the opportunity to widen reward offers beyond financial inventory is clear. The insight from the tribes identified highlights that experientialists in particular ‘live for the moment’ and expect brands to offer unique experiences to maintain their interest, meanwhile the prudent planners appreciate rewards which offer longer term gain and which can also be extended to their family.

A common perception of loyalty programmes is that it is hard to earn enough points to access the best returns and that redemption processes are too complex. Giving customers greater flexibility in how they access rewards will enhance the experience and differentiate a programme.

### THE CUSTOMER BENEFITS

A loyalty programme has no value unless it benefits the customer – and



that customer value is typically created at the point of redemption – the ‘Golden Moment’. Providing relevant, appealing and attainable rewards prompts earlier redemption. Managing redemption proactively is key to customer value and driving an engaged relationship.

Social media and mobile services from providers of specific financial services encourage an ‘always-on’ attitude and mean consumers continually expect fresh content from loyalty programmes. With new technologies there is an opportunity for card providers to offer real-time tailor made promotions and redemption at the moment of purchase in store. This boosts customer loyalty, and, in return, allows companies to track spending and encourage changes in buying behaviour as well as securing merchant funding for the card programme.

Our research into mass affluent consumer motivations highlights that companies need to invest in better understanding of customer behaviour and motivations.

Delivering value is not only important to retain customers but also in terms of customer acquisition. The challenge is how to grasp the opportunity and better engage these highly sought after customers before nimble, fast-moving new entrants and specialist providers do. The answer lies in more personalised, flexible rewards which offer genuine value to consumers, beyond the specific products and services they buy. ■



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