Who is influencing your financial choices?

Joanne Parker, Teamspirit, shows why financial services marketers should rethink how they deploy their marketing expenditure

THERE USED TO BE A TIME, not so long ago, when young boys doffed their caps as their headmaster passed by; when the bank manager was held in such high regard that it was inconceivable to question his authority; and when politicians were revered as the custodians of a civilised society.

And there also used to be that enviable epoch when consumers believed everything they saw on television and a comprehensive ad campaign could change the habits of a generation. How adland must be missing those days, as time moves on and behaviour changes.

Deference departed

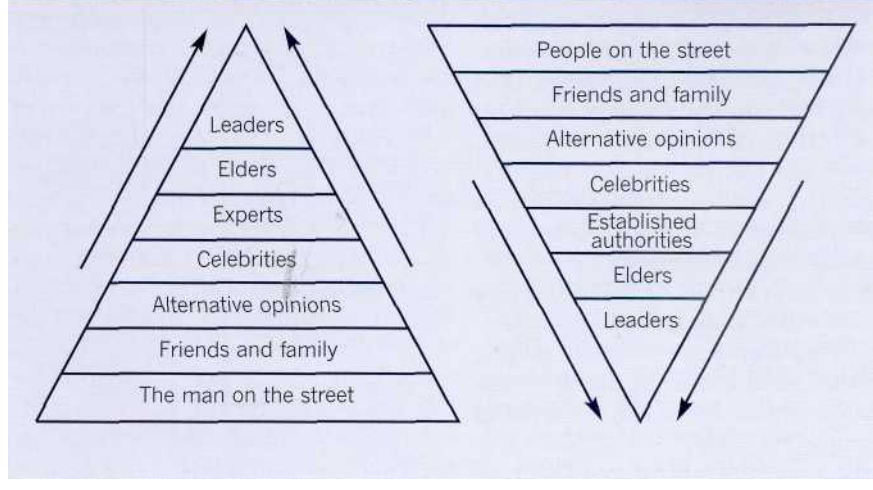
In short, we all used to defer to a higher authority, one composed of our leaders, in both class and wealth. Our elders, too, were seen as a source of knowledge; to be listened to and followed. In the age of deference everything was so much simpler - a small band of professionals and betters were lionised as the spokespeople for a generation, their views espoused and sanctified as gospel.

However, the consumer no longer feels the need to reference his or her behaviour against a small band of individuals, and has slowly changed the shape of the authoritative pyramid it longingly coveted. There is an ever-increasing chasm of trust between the historical mandarins and today's consumer. Today trust in figures of authority has wavered considerably and in many cases vanished altogether. And every brand now needs to consider what the trust deficit means.

For instance, a recent study undertaken by YouGov on behalf of Teamspirit found that only half of consumers claimed to trust banks and building societies, and that just 5% trusted investment companies and 8% insurance companies. This is not good news for financial institutions, nor for advertising agencies, because they have to find an alternative to just banging on about their products to an uncaring, fractious and non-believing public.

FIGURE 1

From deference to reference



So why has the trust landscape altered so radically over the last 40 years or so, and is it possible to redress the balance or is a new order of reference points taking shape? Our research has led to the conclusion that trust can, in part, be re-built by adopting a different model of communication - the influence model. This is based far less on what you say about yourself and far more on what others say about you. It is about reference and influence through credible third parties (see Figure 1).

Influence through reference

The model hinges on the strong belief that we are influenced by a series and continuous stream of persuasive reference sources, rather than by one single, branded message. Information and experiences are used by modern consumers before they make any decision in this complex, low-trust environment. Sources of influence might include other customers, employees, intermediaries, friends and family, third-party endorsement, experts, TV personalities, the media and brand experience.

The reference points that the consumer now seeks out are dominated by the people on the street - their peers - and far less by the stalwarts of a bygone society - doctors, ministers, bank managers and the gentry. For instance, the opinions of Fern and Philip (daytime TV presenters) are more likely to carry weight and influence as to the efficacy of a new drug than a leading physician or politician. It is not that trust has dissolved, but just that the sectors and individuals of society that we place most trust in have.

For instance, the Teamspirit/YouGov survey concluded that while more than 60% of marketing budgets of financial services are spent on advertising and direct mail, they account for less than 20% of influence. However, at the other extreme is PR and sponsorship, which accounts for only about 15% of spend but a staggering 50% of influence.

This is one of the fundamental problems facing financial institutions, for people no longer defer in making brand choices but refer to those closest to home. The opinions of those around them hold immense sway; and unless brands can identify the disparate groups that make alliances, based on kinship, they will face an ever-increasing discrepancy between their routes to market and the consumer's route to choice. •

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Social search

The social search engine of the consumer is the quickest route to the most credible source. Students open bank accounts based on the collective experience of a handful of their friends and their family; their mortgage is likely to be placed from a search of the internet offerings; and the decision as to choice of independent financial adviser, for any money left over after paying their student debts, will probably be referred to them by a friend or because they read about them in an influential paper or magazine. Research has also shown that financial journalists, who are specialists in their field, are considered particularly influential in guiding choice.

Thus marketing and advertising agencies will have to change the way they model their communication campaigns, from those still rooted in the deference camp to those based on referential thinking.

In the age of deference the credibility of the message actually grew with the degree of distance from the recipients. However, with the changing model, towards a reference one, credibility is gained through more intimate channels and mechanisms. Brands that insist on being authoritative and distant will fail to see consumers connecting with their message.

Minimising the risk

Yet with the demise of deference, consumers have had to think for themselves more and make decisions based on information gleaned from supposedly knowledgeable sources. With this responsibility has come a more complex decision-making process, which incorporates a subliminal risk analysis.

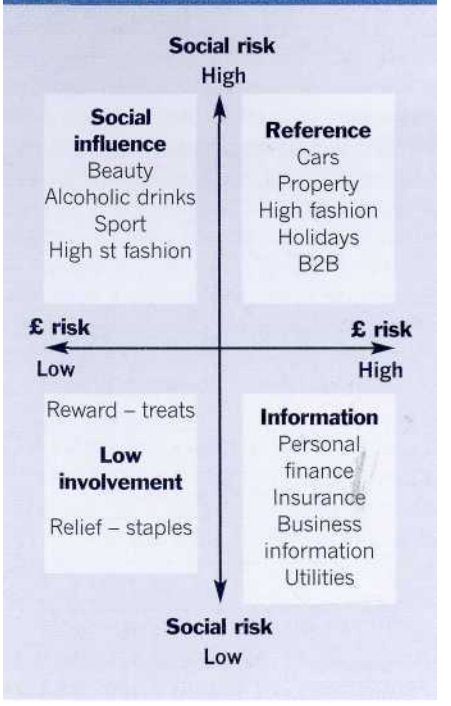
This risk analysis can be applied to consumers' purchasing decisions, asking what risks people are hoping to minimise when they buy - and thus what sort of information they require in order to feel confident they have made the right decision (see Figure 2).

When consumers make choices they are hoping to minimise two fundamental types of risk-social and economic.

Social risk is looking stupid, out of touch, un-cool or otherwise misguided by buying the wrong car, the wrong pension scheme, joining the wrong bank or having the wrong type of credit card.

FIGURE 2

Risk matrix



Economic risk is making a poorly performing investment, losing money on a property purchase or investing in the wrong ISA that fails to deliver what it suggested.

Financial service products (certainly longer-term ones such as pensions and investments) tend to fall into information categories, which have a high financial risk but a much lower social risk. This was confirmed in our recent research study, which asked customers who or what had influenced their choice when they last purchased a financial services product. Regarding the purchasing of pensions, the majority cited their employer or an IFA as those most likely to influence their decision.

Sources of influence

The biggest chunk of influence by some margin is now newspaper articles - the personal finance pages in particular - and published league tables giving independent comparative information. Influence by friends and family, and also IFAs, featured strongly, but paid-for media content had a much lower claimed effect. The latter is of some concern, given the traditional patterns of media spend in this sector.

However, as always there are variations in the level of influence media have apropos the type of financial service being offered. For instance, our research found the choice of credit card still reflected the traditional marketing spend pattern, that advertising continued to play an important role, as did sales promotion. This was in contrast to mortgages, where nearly 40% of those included in the survey claimed they were influenced either by family and friends or by IFAs, and another 29% responded to impartial media advice, such as financial articles in newspapers.

But will the banks and insurers take heed and begin to redress the importance they attribute to straightforward media ads? The argument that brand advertising creates share of mind cannot be dismissed out of hand, nor can the fact that consumers rarely give a foolproof answer as to what or who influenced their buying decision. However, the changing landscape is worth further investigation by the financial services industry.

For instance, for high-net-worth individuals the media are the key influence for investment funds. Articles in the quality financial press play an immensely disproportionate influence in their decision-making. The research found that media and impartial information influenced 45% of those surveyed and IFAs influenced an additional 23%. Advertising virtually fell off the map of influence, a point that should not be missed by the large investment houses. A similar pattern emerged for equity release, where the influence of professional advisers is huge, around 54%, and once again advertising plays a significantly smaller role.

The financial services industry needs to spend smarter while achieving more. No company has a bottomless pit of money; and with the proliferation of media and the continuing downward pressure on profits there is a need for marketers to re-evaluate their spend.

At a time when trust between customers and the whole financial services

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industry is somewhat shaky, the influence model could become the bedrock from which to build an effective communications strategy. Moreover, the influence model is based not on the dated premise of AIDA (awareness, interest, desire, action) but on the simpler but more comprehensive mechanism of AIC (awareness plus influence equals conversion).

Decision-making is complex - and far too complex to use the old, outmoded AIDA approach. This linear model, of trying to funnel as many consumers in one end, which dictated the eventual size of the market at the other, has been replaced by a more multifarious model - the new Decision Vortex. This takes a diverse range of reference points, which are all distilled by consumers prior to them making a decision. While more complex, the eventual outcome is a better, more solid relationship between consumers and brands - one based on creating awareness through the influence of friends, family, colleagues and influential third parties.

No one is advocating a total withdrawal of media-based advertising, but what is on the agenda is a more thought-provoking mix of routes to market. This challenges the old-guard theories personified by AIDA and the large brand-building communications strategies so readily adopted by many leading financial services companies.

The new agenda limits the weight attributed to certain traditional routes to market and changes the balance and interdependence of PR, advertising, direct marketing and customer relationship management.

This notion is best summed up by research reported by Michael Payne and Leon MacPherson, which identified the importance of friends and IFAs in guiding choice for banking and insurance products. They suggest strongly that there is a misalignment between the consumer's reasons for choosing insurance and banking products and the marketing techniques deployed - particularly the trend towards direct marketing. They call for a more effective bringing together of direct and indirect marketing activities to mend this apparent dislocation.

All-round integration of communications has long been a goal for the marketing and corporate world alike. However, many find the idea difficult to work with in practice. Bringing influence model thinking into the equation should give more meaning and a better indication of where and when each discipline will be most effective. This core process enables the development of better-focused campaigns and yields integrated - not merely aggregated - marketing plans.

Maximising the power of influence for financial services brands through a more effective media mix is probably the biggest marketing opportunity around. But the challenge is for both agency and client to introduce fresh ideas and discard outdated models that continue to cloud the communications picture. •

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