Advertising financial services

Roderick White outlines the issues

FINANCIAL SERVICES MARKETS around the world still vary quite markedly in their technical characteristics, legal frameworks and regulations. However, gathering globalisation and convergence of economies and marketing practices are combining to increase similarities, although most markets remain essentially national in character, and even pan-European brands, let alone global ones, are still a rarity. The focus of this article is primarily British, but the general principles appear to be generally applicable.

Characteristics of financial services markets

Financial services markets are large, diverse and mostly poorly understood by consumers (4) and of low interest to most people (16,23,30). This is partly due to the inherent complexity of many of the products (2) partly to the relative rarity with which most people take serious purchase decisions (4).

The markets are crowded, with numerous brands competing for business (28). Many brands are quite well known - awareness scores are often high (23) - but few have clear, positive, differentiating brand images (I, 27,30). Nonetheless, it is generally accepted that familiarity is a necessary for any brand to reach consideration by consumers (16).

After that, considerations of reputation, perceived size, value for money and product specification take over. Nonetheless, studies repeatedly show the importance of 'reassurance' - trust in the brand (usually, the company) (2,9,28).

Many sub-sectors of the market are near-commodity (25): competition is focused on price (24).

Nonetheless, the market has - until recently - been characterised by great consumer inertia (28): an unwillingness, or inability, to change brands. This is especially true of people's main bank accounts, but applies widely. Occasionally, this reflects genuine loyalty, but not as often as many marketers believe (13. 24).

Product purchase, and consequent interaction between company and customer, splits into three categories (4):

1. products involving regular contact, e.g. current accounts, credit cards (21)
2. regular, mostly annual purchase, e.g. motor and home insurances (22,23,24)
3. infrequent, but often major purchases - life assurance, pensions, mortgage, less active investments and savings.

Distribution channels are intricate (4), ranging from 'retail' (bank branches) (3) through various intermediaries (brokers, advisers, consultants) (23) to direct, using door-to-door sales, the mail, telephone, internet and, now interactive digital TV (e.g. 5,20,25,28,29). Most companies find they need to serve customers through multiple touchpoints and channels (i, 28), which incur different costs and hence profitability to serve.

Many companies in the market are long-established, but 'new' entrants, from retailing, utilities, auto manufacturers to subsidiaries of traditional suppliers established to exploit new channels, have penetrated some sectors (I2,23,25).

In most cases, the purchase of products and on-going contacts is intermediated by company service personnel: the brand is the voice on the telephone or, increasingly, the text message on the mobile phone (15, 24, 25, 27). However, the success of ATMs (cashpoints) and growing use of the internet show that for many people there is rarely a need for personal contact. This varies by product, and by the stage of the customer relationship (3,4).

Managing financial communications: key elements

Financial communications are multi-purpose and multi-faceted. At their simplest, contacts with actual or potential customers are required for three purposes:

1. recruitment or 'acquisition'.
2. maintenance and retention - CRM; (e.g. I, I0,IO,I3).
3. cross-selling (4,6,12).

Key to all three functions is the creation and maintenance of an efficient customer database, for targeting, segmenting the market and providing essential data on the value and potential value of each customer (4,10, n).

The database has to be accessible, in real time, to call-centre personnel or branch counter staff who are involved in dealing with customers (25).

While practices vary, most companies find it necessary to use a mix of communications to reach customers (e.g. 20, 21). These may include advertising and/or direct mail and PR to recruit, supported by a range of print material (14); mail, telephone, the internet and in-branch point-of-sale to maintain contact with customers (3); and a similar mix to cross-sell. In addition, roles for advertising and PR can be identified in staff motivation and customer relations, and as support for targeted direct marketing to existing customers (2).

Clearly, how these communications are deployed will depend on the company's strategy and market situation. A new company marketing an innovative new product will have different priorities from an institution with millions of customers to which it aims to sell enhanced versions of products they already have or buy (20,24, 25).

A fundamental problem faces the concept of 'bancassurance', or the financial superstore: in spite of efforts to cross-sell to their customers, institutions find it difficult, because consumers recognise that the best product in the category they require will probably not come from their current supplier (12,13). Strong branding can overcome this to an extent, but few brands are strong enough (4).

Financial services communications

Because financial services are intangible, communications are crucial for effective marketing - but financial advertising is low-interest (9, 16). A variety of devices have been used to overcome this and 'cut through'. Examples include the use of celebrities (22, 25); sponsorships (18, 21); 'piggybacking' ads on major brands' advertising (19); creative cause-related marketing (23); sheer consistency behind a strong core idea (24).

Targeting is key to effective financial services communications (e.g. 19): understanding who the best target customers are, where to find them and contact them,

md what their attitudes and understand-ng in the product category may be is issential for successful, cost-effective :ommunications. Case studies demon-trate a range of targeting strategies, and vays of refining targeting (e.g. 20, 22, 25).

While consumers in most industri-ilised countries have become steadily nore sophisticated about financial mat ers (4, 7), there is still a wide range of mowledge and interest, and marked vari-ttions in people's perceptions of and ittitudes to risk (10, 29). Segmentation)ased on attitudinal or psychographic dif-erences is essential (6).

These need to be allied to functional :onsiderations: what products are already)wned, from what suppliers; lifestage (a :ritical variable) and other demographics 7,8,17,26); propensity to use technology o deal with finances.

Communications in a given category iced to reflect consumer needs and pur-basing practices in that category; drivers)f consumer choice vary widely (9).

Most financial brands are 'company' Brands, even where the range of products ;old is very wide (27). This provides the :ompany with a challenge to achieve an effective balance between brand-building ind product sell (30). This obviously iffects the creative approach, but may ilso influence the choice of media.

> There is a tension between creating an mage for a brand and communicating :ompetitive selling points for a specific product within a market sector (24,29,30).

> The ease with which non-financial irms such as Virgin, Marks & Spencer md General Motors have entered the mar-cet demonstrates the value of a trusted 3rand (4,12,23,28).

>• In the UK, the ability of new brands such as Egg, Goldfish and Smile, together with US credit card suppliers like MBNA, to penetrate the market confirms the weakness of the established brands in the face of effective exploitation of new chan-nels and marketing techniques (12,25).

There is evidence that continuous advertising, albeit at a relatively low level, is likely to be more effective for financial brands than heavy bursts (18, 21, 20.

This reflects the fact that in many sub-s ?ctors of the market, people are irregular buyers, and are not interested in the advertising until they are actively seeking a product (4,10,23).

The implications of this, and of the dif-ferences between a brand-building and a more direct sales approach are substantial in terms of detailed media planning (18, 20, 24).

Accountability

With the growth of CRM and database marketing, companies increasingly rely on their in-house databases for much of their on-going campaign evaluation. However, with such a complex market-place, there remains a clear role for more or less traditional tracking studies, and for customer satisfaction studies (10, 11,25). ■

Key reading related to this article at

www.WARC.com

View the online version of this article at www.WARC.com/bestpractice for easy access to the references below (* except items asterisked)

Core reading

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Fonte: Admap, v. 41, n.11, p. 14-15, dez. 2006.