Financial Services Tracking Study

2012

Insight partner

Contents

Introduction

At the DMA Financial Services Council, we recognise the value to our members in tracking consumer sentiments towards financial services providers, their products and the subsequent impact on usage of marketing communications and channels. We have been tracking perceptions since 2008. This report presents the findings from the Consumer Trust in Financial Services Study conducted in Q4 2011.

The Financial Services industry led a very high profile life in 2011. With many media moments created less confidence for consumers in the industry than more. From stock market volatility and big-bank backlash to PPI claims and anaemic savings rates – the bad news seemed bountiful and the good news in scarce supply. With this and the arrival of social media centre stage, we have seen the emergence of a new voice; the confident consumer is also 'advertising' opinion which is starting to impact consumer's trust and decision making.

So to state all is rosy in the garden of consumer perception would be an exaggeration. In fact it would be plain wrong. But as you read through this report, spot the stats and consider the commentary – there are encouraging learning here. And as you will find from the data, 2011 looks potentially to be a 'turning the proverbial corner' year for most sections of the industry.

Above all, we hope the findings are both useful and useable. From providing evidence to strengthen budget bids for media to adding teeth to the argument that traditional direct media has a new role.

As ever we welcome all feedback.

Regards

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Key findings

- Consumers are cautiously returning to the market and looking for financial products. Attitudes have changed since the consumer boom that ended in a crash, however, **with some implications for how marketers respond to these green shoots.**

- Leading this shift is the rising influence of social networks compared to brand marketing. "Know, not tell" best sums up how consumers **say they** find out about products and services - the opinions of users is **claimed to be** trusted ahead of what providers themselves say. **This emphasises the importance of word of mouth, although care is necessary about the influence individuals can have in these channels.**

- At the same time, there is a return to some traditional values - consumers have more trust in brands with a High Street presence than in purely virtual brands, such as comparison websites. They also prefer to be written to than to get **product** information via digital channels. At the same time, an easy-to-use website is essential. True multi-channel consumer behaviour is now a permanent feature.

- Consumer research of what products are on offer is still starting with price comparison and reading reviews - these are trusted ahead of the brands' own marketing materials. The good news is that some trust is finally returning to the financial marketplace. Whereas three years ago consumers would not choose any of the brands on offer in credit cards or insurance, now they are beginning to express preferences again.

- **There has been less change in the profile of contact channels used by the financial services industry as a whole than might be assumed. The marketing mix used by the industry is not so different now as it was two years ago – banks and building societies have even been sending more email than in 2009. Only outbound telemarketing has seen its role in the mix fall significantly.**

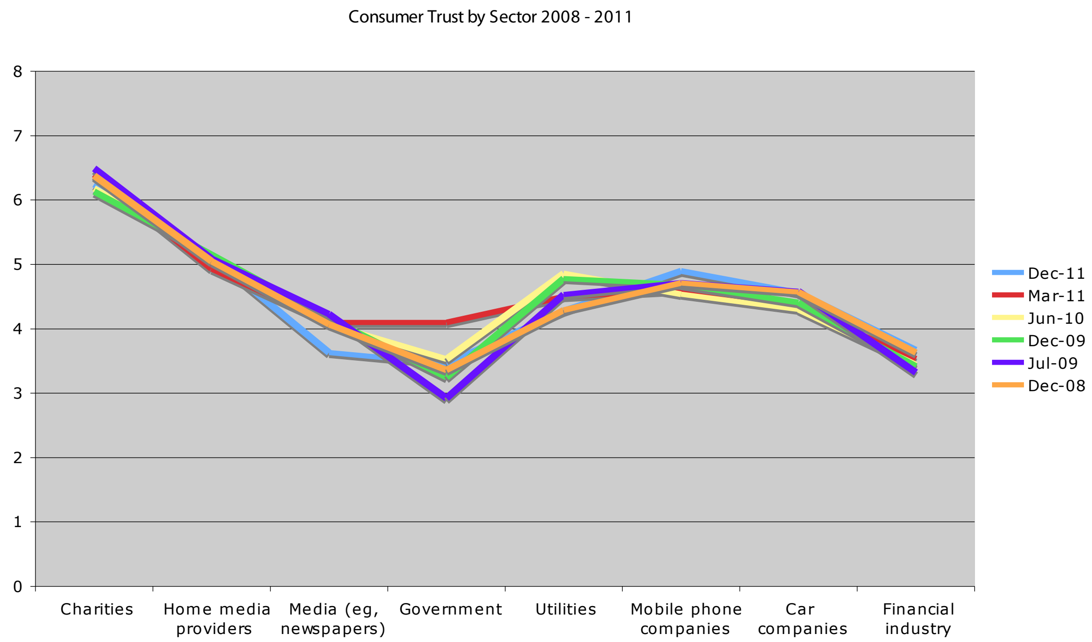
- The slate has not been wiped completely clean and consumer behaviour will be highly fluid depending on levels of confidence. What is clear is that there is less appetite for sophisticated marketing activity and more desire for simple, clear and trustworthy messages. **All brands are required to be transparent and fair in the way they deal with consumers – the challenge for marketing is to be engaging as well as truthful.**

1. Financial Services and consumer trust

1.1 Overview

- Financial services are in the bottom three sectors for consumer trust alongside government and the media. Consumers distrust the industry to look out for them in the current economic climate.
- Customer experience online is the primary ground where marketers can influence the consumer. Surprisingly, the views of other customers with experience of a brand are twice as important in creating trust as having direct personal experience. Nurturing word of mouth is likely to pay dividends both for recruitment and prospecting as a result.
- Trust in the information provided by financial services providers is barely positive. A worrying aspect is that many consumers say core financial products, such as mortgages, are not relevant to them.
- This trust deficit is based on a belief that companies sell products to meet their own sales goals, rather than to meet the consumer's personal needs.

1.2 How Far Consumers Trust Industry Sectors



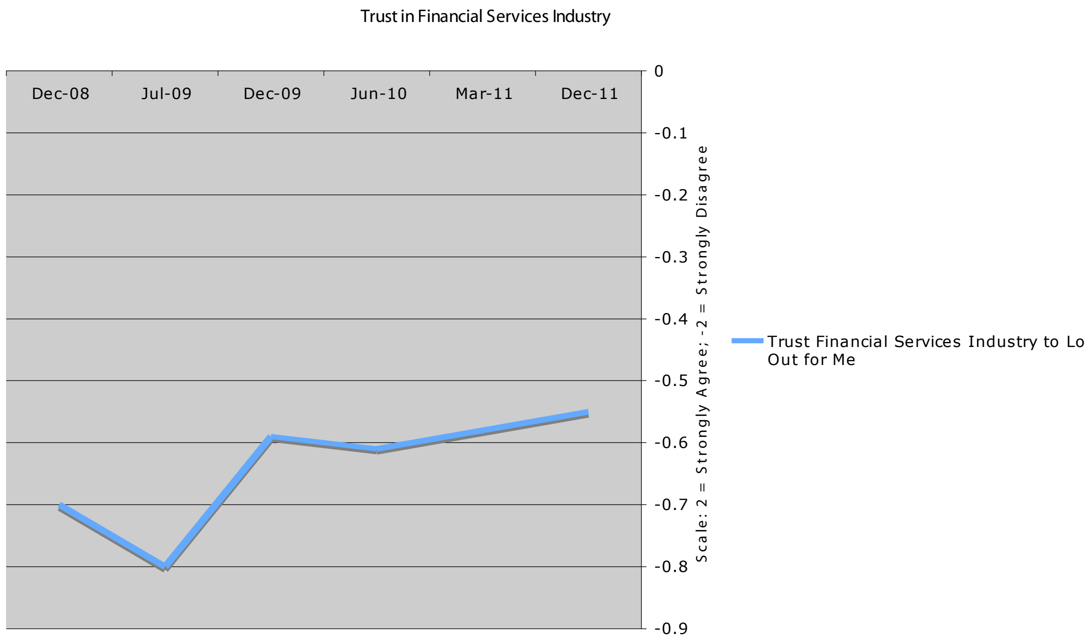
Charities lead on consumer trust – perhaps because of the emotional uplift associated with giving to good causes - as do key content and service providers (satellite/cable TV, mobile phones). Cars and energy companies also attract a positive ranking. But when it comes to getting consumer trust, the media, government and financial services need not apply.

The relative trustworthiness of each sector has changed little over the last three years (with a couple of exceptions). Charities are the most trusted sector now as they have been since 2008 and this standing has shown little change.

Home media providers and mobile phone companies are the next most trusted sectors, undoubtedly reflecting their daily role in consumers' lives. Ratings for these brands have suffered little harm during the recession and currently standing slightly higher than three years ago, with three out of ten consumers ranking these sectors first or second for trust.

The biggest dip in trust has been in the Government. A slight recovery seen early in 2011 has been reversed, although its rating has not slumped to the trough experienced in July 2009. The media have also seen a falling away of trust for the first time, while the financial industry is unable to improve its standing to any significant degree.

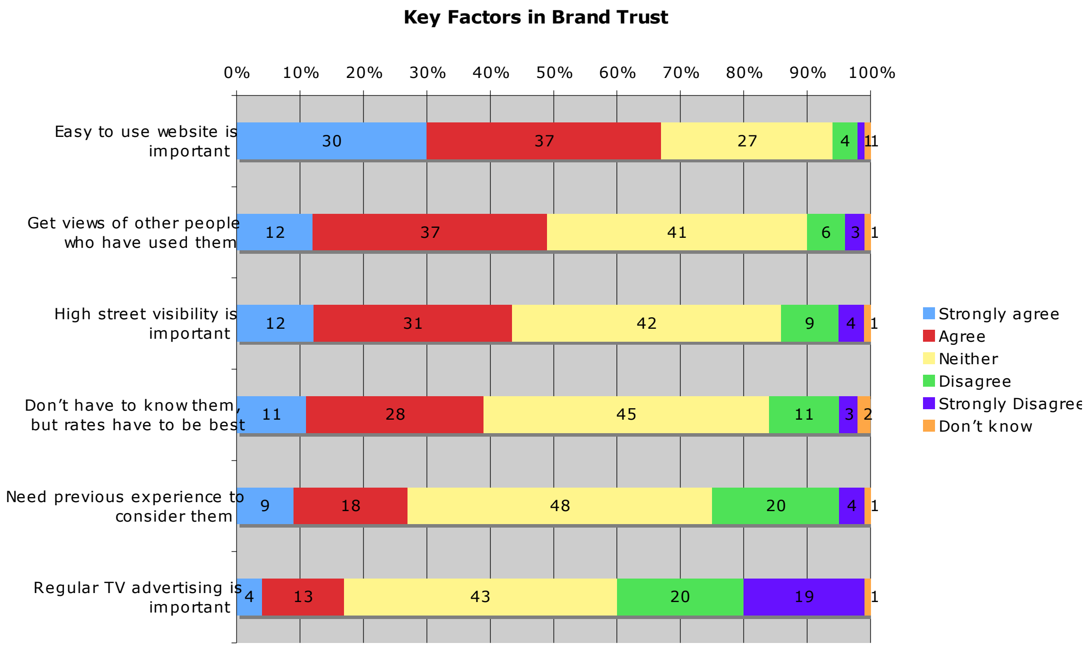
1.3 Trust in Financial Services Industry



Consumers still have little faith that the financial services industry will look out for them in the current economic climate, but are perhaps becoming more open minded. This lack of trust registered clearly in December 2008, when the majority of consumers (57 per cent) had a negative view with only 9 per cent being positive. By December 2011, the number holding a negative view had fallen by 10 points to 47 per cent, while those with a positive attitude had risen slightly to 11 per cent.

This is a real improvement compared to July 2009 when 60 per cent expressed distrust compared to 7 per cent having confidence that they are being looked after. Since then, attitudes have stabilised and are trending very slightly upwards with a drift towards neutrality – since December 2008, 8 per cent of consumers have stopped being negative and now have no view either way.

1.4 Key Factors in Trust in Brands



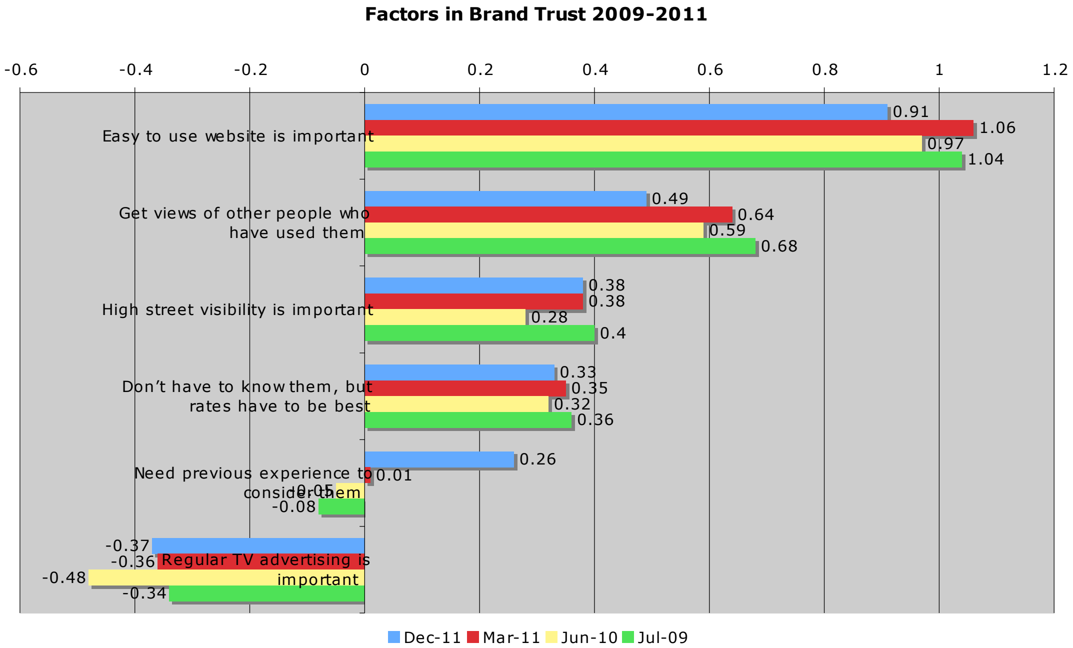
The most surprising dimensions in winning trust is that knowing people who have used a product or service and getting their views is twice as powerful as previous direct experience of the company. That is very telling in terms of the emphasis financial services providers need to place on social media, even within their retention marketing. This new marketing mix is further underlined by the fact that word of mouth (and by implication social media) is more important than any classic advertising or distribution methods used by brands.

Despite the importance of these virtual and personal factors in driving trust and usage, having a High Street presence still matters to four out of ten consumers, despite nearly one in five saying it does not matter.

Marketers can influence consideration through pricing - four in ten consumers claim they will trust or use a brand if they have best-in-market rates. These deal-hungry customers have long been a core driver of market share and appear to remain so. By contrast, TV advertising is viewed negatively by 39 per cent of consumers, with only 17 per cent saying it is important.

Existing customers have always been viewed as the key asset for financial services providers, yet this research suggests this may have been overstated. The number of consumers saying previous experience is necessary in order to consider a brand is only 3 per cent more than the level for whom this is unimportant (27 per cent against 24 per cent). From this it can be inferred that a significant proportion of consumers are perpetual prospects, ready to look at any provider in the market, not just those they already deal with.

1.5 Key Factors to Trust or Use Brands 2009 - 2011



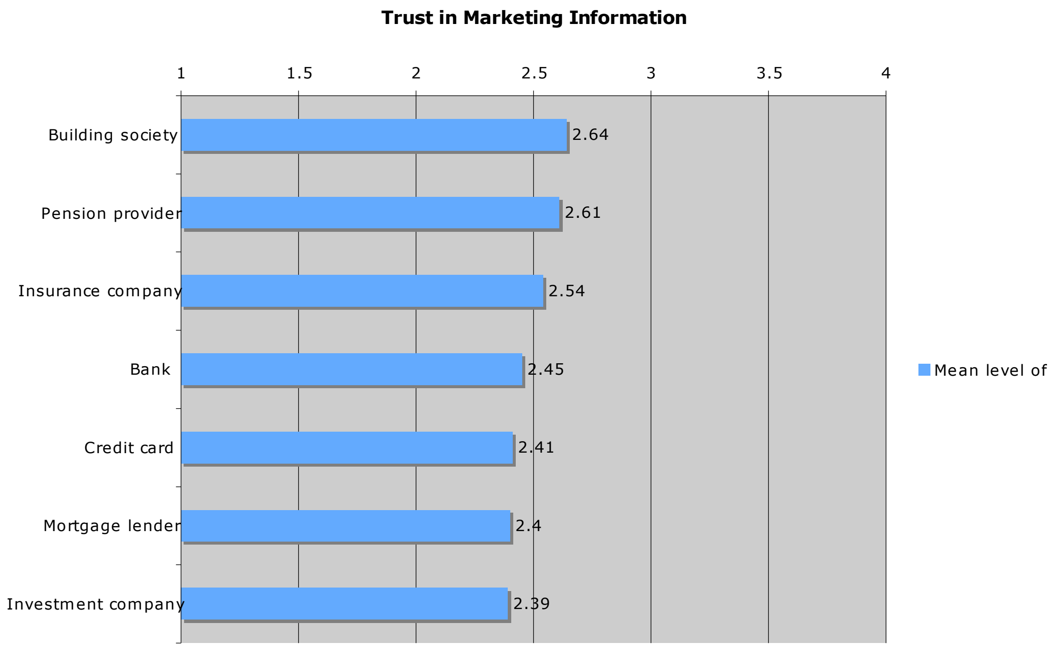
(Scale: 2 = Strongly agree; -2 = Strongly disagree)

The importance of the website in gaining usage and trust continues to be ahead of all other influences on the consumer despite a softening compared to previous surveys. In fact, all areas of influence have fallen in importance, with the highly significant exception of the need for previous experience. Despite being less important than what others who have used the company might think, there has been a sizeable resurgence in the importance of an existing relationship.

It is notable that having a presence of the High Street has returned strongly as an influence, perhaps as consumers start to look around for potential providers. Visibility in the real world is rated twice as highly as awareness built through TV advertising, with consumers still negative about seeing financial services providers using commercials.

By comparison, price is holding steady in terms of its importance in winning trust. Consumers probably have relatively little price elasticity and want to know that providers are giving them the best deal.

1.6 Trust in Marketing Information Provided



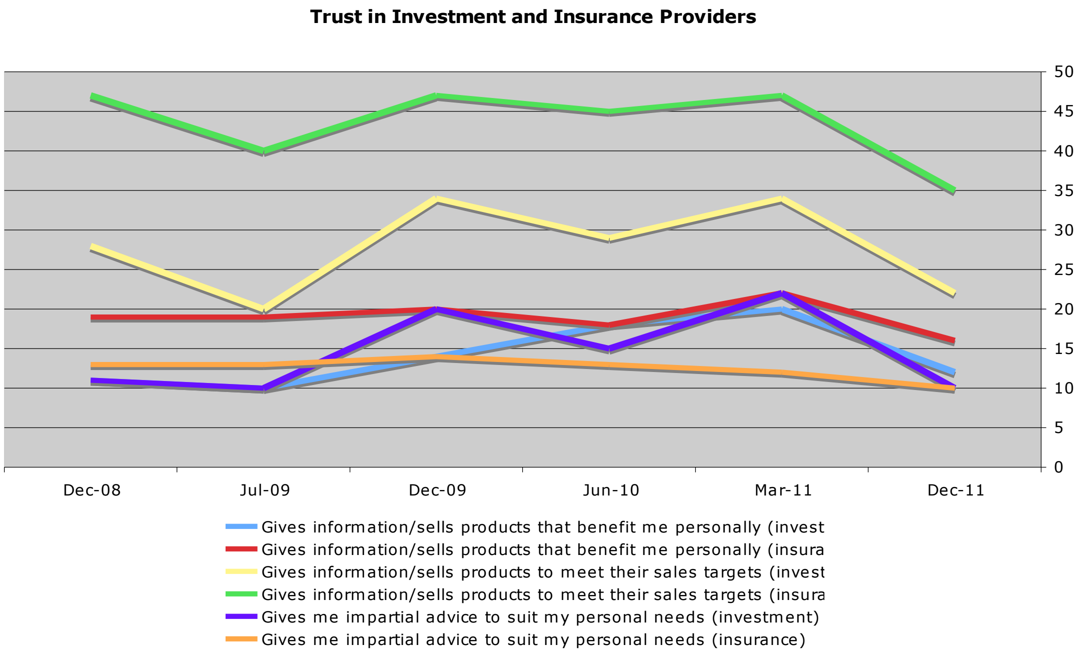
(Scale: 4 = high level of trust; 1 = none)

Despite low levels of trust in the financial services industry as a whole, not all providers are mistrusted to the same degree when it comes to the information they provide through marketing. Building societies and pension providers have the most trusted marketing, with scores of 2.64 and 2.61 respectively (based on a scale of 1 to 4, where 4 means the information is implicitly trusted and 1 means it is not trusted at all).

Distrust in the information provided by banks has risen to 13 per cent (from 11 per cent in March 2011), although a bare majority of 51 per cent implicitly or somewhat trust what banks have to say. Credit cards have less credibility, with 12 per cent expressing no trust in their information, although 44 per cent do have a positive view. Investment companies suffer most, with one in ten taking the most negative view against 35 per cent being positive.

It should be noted that many consumers say that financial services marketing is not applicable to them, ranging from just 9 per cent for banks up to 38 per cent for mortgage lenders. These self-exclusions limit the degree of trust which can be gained by institutions – the mean level of trust shown above has been weighted to reflect only consumers saying the question is relevant to them. This is also a concern for products for which consumers have a low level of uptake, such as pensions, life insurance and investments.

1.7 Trust in Investment and Insurance Providers



Trust is a balancing act between the best interests of a company and those of its customers. Consumers understand the commercial prerogative that drives financial services providers, but they also need to feel that they are not being exploited. In the current climate (or based on experience in the last decade), consumers are not convinced that this balance is right.

Selling products in order to meet sales targets is identified as the biggest issue with both investment and insurance providers. Until December 2011, around 45 per cent of consumers believed insurers were just chasing their own sales goals, with three out of ten believing the same about investment companies. Most recently, both of these issues have softened by 12 per cent, not least because many of the more pushy tactics or one-sided deals (such as PPI) have been pulled.

At the same time, however, fewer consumers are convinced that the information and products on offer are to their personal benefit, with just 12 per cent saying this about investment and 16 per cent about insurance. Earlier in 2011, both of these statements received much higher levels of agreement. There is also limited conviction that the advice on offer is impartial. Demonstrating to consumers that this really is the case is a clear path towards restoring trust in the future.

2. Financial Services and the consumer conversation

2.1 Overview

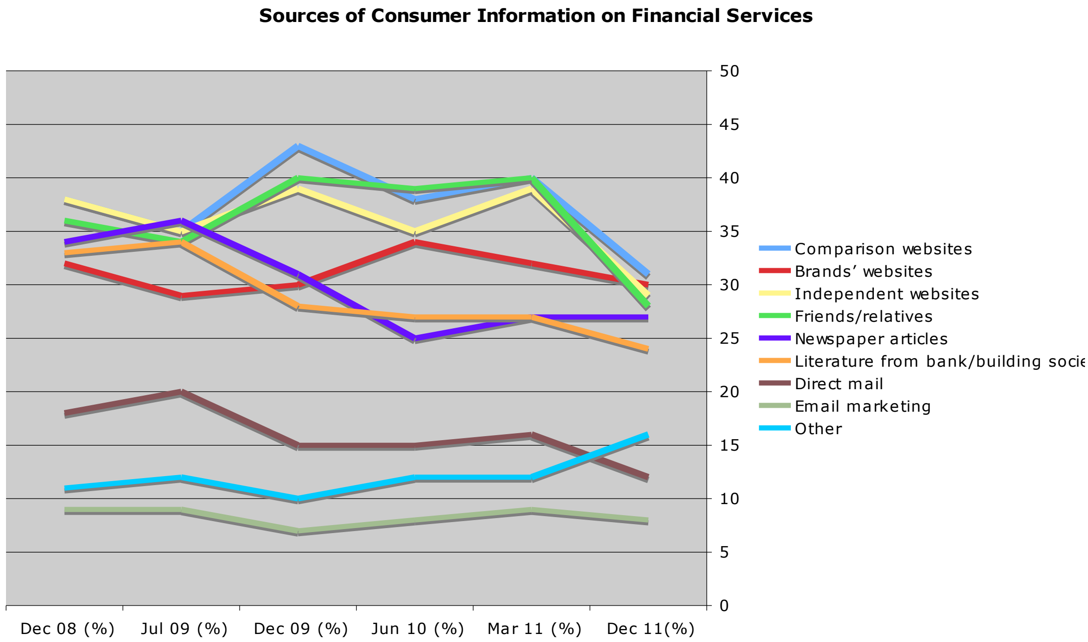
- A recent shift away from brands' own marketing and towards intermediaries has ended, with all sources of information on financial products suffering falls in importance. This reflects less activity in the market and therefore less interest in all sources. Despite this, there is a growing number of consumers who want to know more, but don't know where to turn.

- Consumers still state a strong preference for direct mail over email and do continue to receive mailings from all types of provider. Although the financial services industry sends out fewer items of post, consumers are not receiving significantly more messages through newer, digital channels.

- The mobile consumer has not yet arrived in the financial services marketplace with little appetite for calls or texts and low levels of usage of this channel by brands.

- Comparison web sites have seen a near 50 per cent fall in their status as a source of information, although they remain the most commonly used resource. In December 2009, 43 per cent of consumers checked these sites for information – by December 2011, this had fallen to 31 per cent.

2.2 How Consumers Find Out About Financial Products



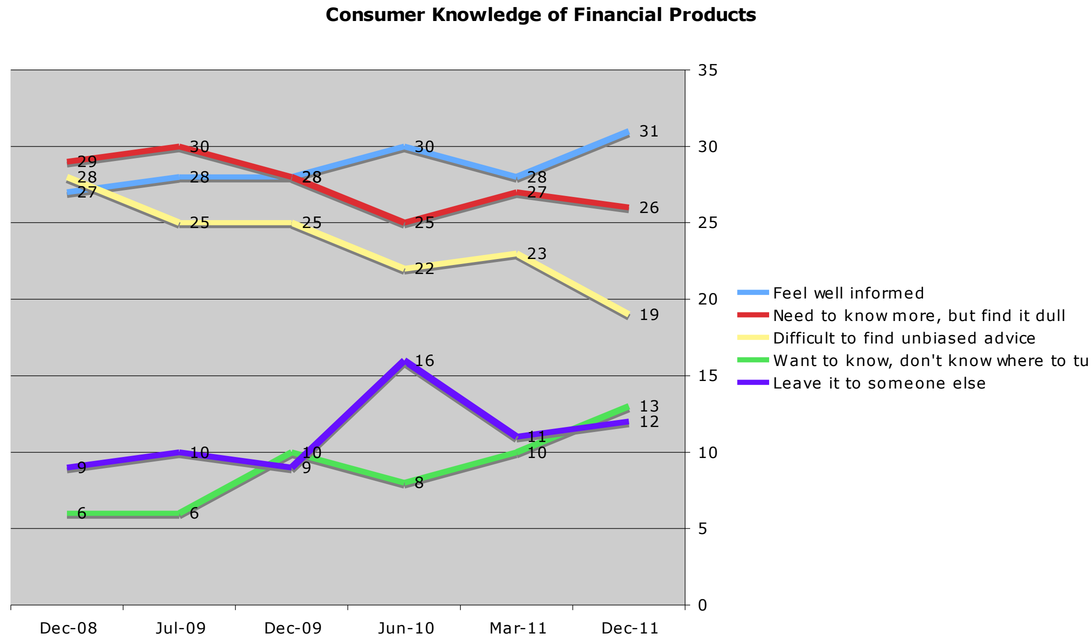
With the squeeze on household incomes, consumers are less interested in financial products now than they were three years ago. As a result, they are carrying out less research into what is available than they used to.

Even over the course of 2011 this awareness of the market has declined. Last March, consumers predominantly turned to third party websites or their friends and family for information about products, underling the power of intermediaries and word of mouth.

Comparison web sites have seen a near 50 per cent fall in their status as a source of information, although they remain the most commonly used resource. In December 2009, 43 per cent of consumers checked these sites for information – by December 2011, this had fallen to 31 per cent.

Friends and family have also seen their influence fall by 12 points and independent websites by 10 points. These falls are not being offset by growth in other channels (with the exception of "other"). Instead, it is evident that consumers are simply looking around less than they used to and as a result need less information than before.

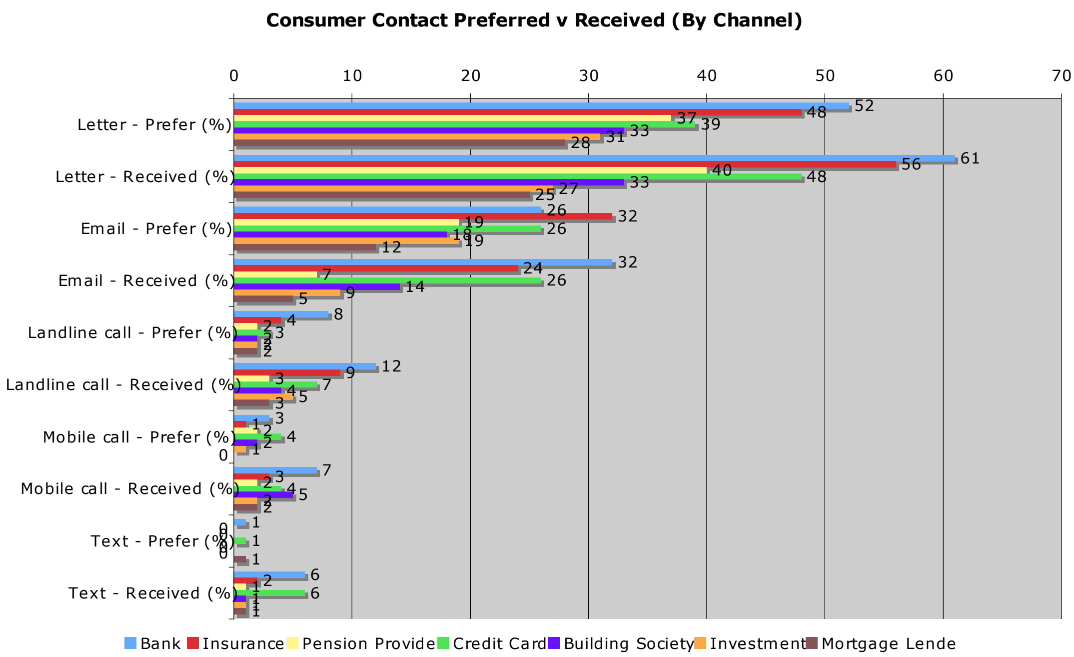
2.3 Consumer Knowledge of Financial Products 2008 – 2011

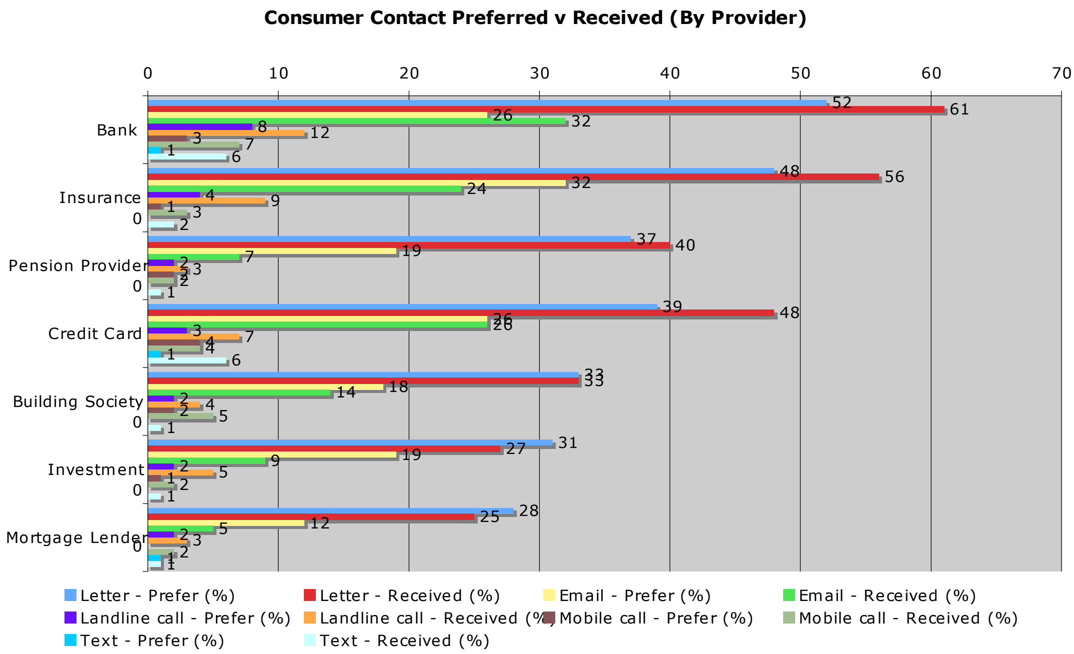


Despite weaker levels of trust in the financial services industry, there has been a fall in the number of consumers who say it is difficult to find unbiased advice, from 28 per cent in December 2008 to 19 per cent in 2011. This is the reverse of what might have been expected of a marketplace that has seen multiple stories about product mis-selling and the like, but could be the result of the rise in intermediaries, such as price comparison websites, that appear to be independent.

Certainly more consumers feel well informed now than at any other time and there is even a rising trend of those who want to know more, but do not know who to turn to. The marketing potential these consumers represent is significant, provided financial services providers are able to hit the right tone and balance in the information they provide.

2.4 Consumer Contact Preference v Experience





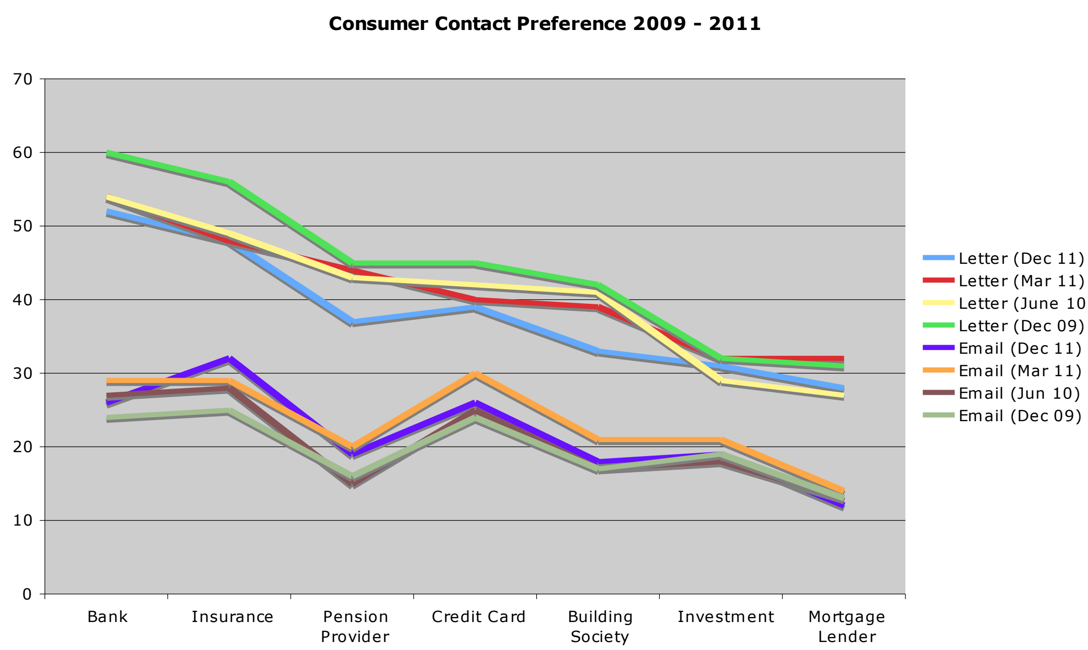
Contact preferences among consumers remain surprisingly traditional, despite the strong focus placed by marketers on new channels. Asked for their preference for how different types of financial services provider should contact them, consumers overwhelmingly named the letter. (Only one choice per provider was allowed, forcing consumers to choose a single preference.)

Post was the dominant channel for every type of financial service and was chosen by at least 50 per cent more consumers than any other channel in every scenario. Direct mail also enjoys the closest alignment between consumer preference and actual receipt. While banks, credit cards and insurance providers may be slightly over-mailing (by 9 per cent, 9 per cent and 8 per cent respectively), investment providers and mortgage lenders have a 4 per cent and 3 per cent gap between the level of preference and actual receipt, suggesting an opportunity for increased contact.

Email is the clear second favourite channel, indicating that contact preferences are changing, albeit still towards a channel that provides a written message. With the exception of banks and credit cards, actual receipt of email is below what consumers would prefer.

Although a sizeable proportion of consumers now prefer digital contact, landline numbers still win out over mobiles when it comes to being contacted by a provider. The mobile consumer may be emerging rapidly for retail and other sectors, but in financial services, there is still relatively little appetite for either mobile calls or texts.

2.5 Consumer Contact Preferences 2009 – 2011

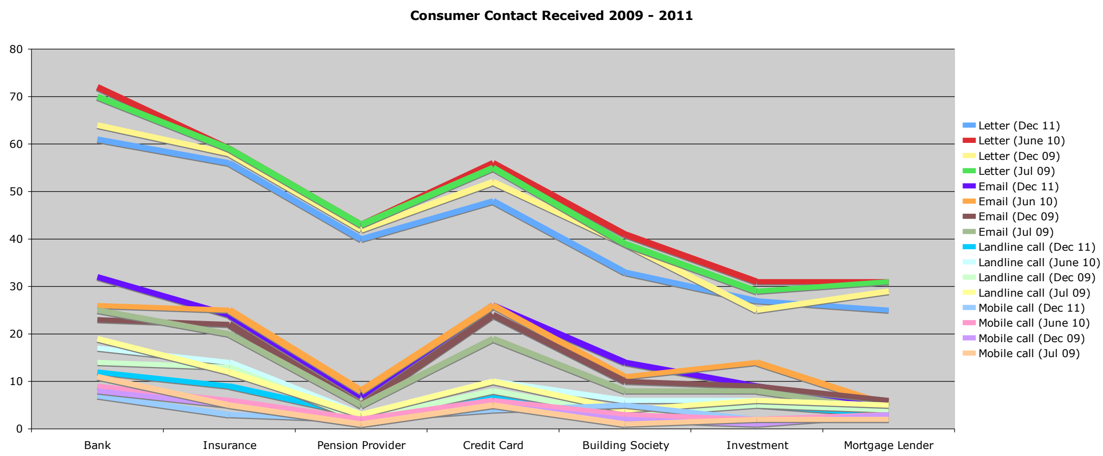


While more consumers prefer to receive financial direct mail than email, they also have clear preferences about which channel different types of provider should use. Over the last two years, these preferences have remained consistent, but also show some important dynamics.

Banks are the most preferred users of direct mail, with nearly twice as many consumers wanting to get post from them compared to mortgage lenders (52 per cent v 28 per cent). In the two years since December 2009, however, there has been a decline of up to 8 per cent in the number of consumers stating a preference for this channel.

Email has a similar spread of preferences between types of company that consumers say should use it, with consumers most likely to welcome email from insurance companies (32 per cent) and least likely to want a mortgage lender to send it (12 per cent). There is no sign of either increasing preference or declining receptiveness to email overall, although insurance messages in this channel are now welcomed by 32 per cent compared to 25 per cent two years ago – the only meaningful growth for any sector.

2.6 Consumer Contact Received 2009 – 2011



Marketers are constantly flexing the mix of channels they deploy in order to meet their business goals. These shifts are visible to some extent in the contacts which consumers recall getting from different providers across a period of years. The surprise is that over two years there has been less change in the profile of contact channels used by the financial services industry as a whole than might be assumed.

Direct mail has shown a seasonality which makes activity higher in June than December, but the drop in its baseline between 2009 and 2011 is only 4 per cent at most during the off-season. Email has maintained a relatively stable level of use, with the exception of banks – 9 per cent more consumers received emails from them in December 2011 than in December 2009, with 4 per cent more from building societies in the same period.

If there has been a significant drop off, then it is in outbound telemarketing to landlines. Nearly one in five consumers were called by a bank in July 2009, but this had fallen to 12 per cent by December 2011. Calls from insurance and credit card companies fell by 3 per cent in the same period. Mobile phone calls have not taken up this slack, with little real change in the volumes consumers experience.

3. Financial services and consumer brand preferences

3.1 Overview

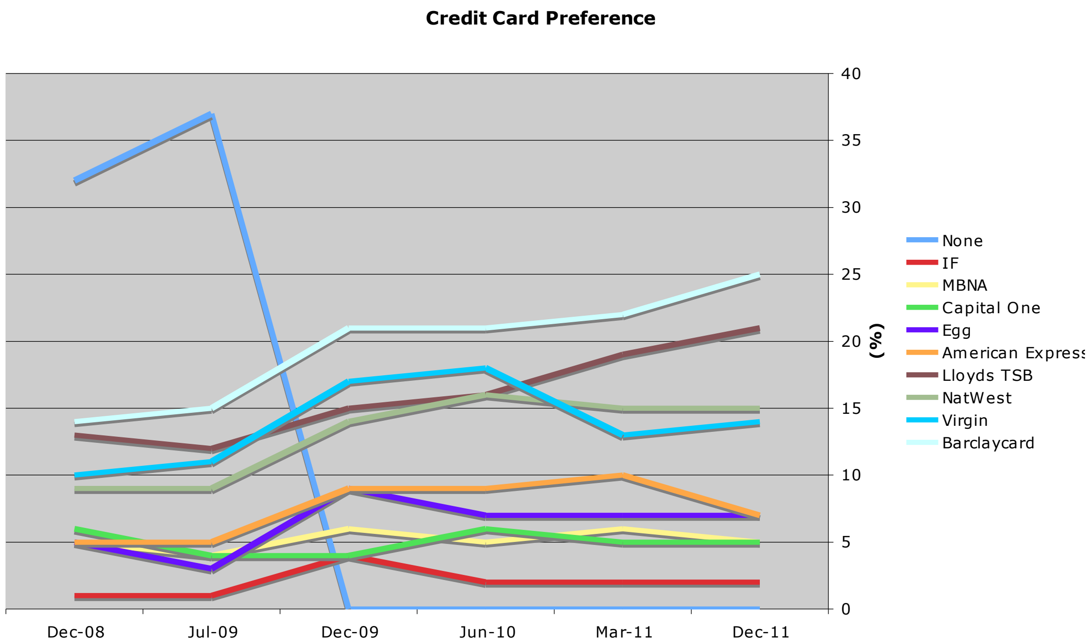
- Brand preferences are being expressed more strongly now than at any time in the last three years. When price and terms are removed from the equation, some brands are clearly achieving a higher degree of breakthrough with consumers than others.

- In the credit card marketplace, Barclaycard and Lloyds TSB have gained traction with one in five consumers, significantly up on their previous standing. Across all brands, more consumers now say they have a preference for a credit card provider, with none saying they wouldn't choose any of them - previously, nearly one in four resisted making a choice.

- In the insurance marketplace, there is a premier league of brands, led by the AA, Direct Line, Churchill and Tesco Bank. Surprisingly, comparison websites have no traction once price and terms are excluded from the choice.

- Although trust is a factor when choosing a provider, it is one of a set of things that consumers consider. For some brands, reputation is critical – for others, TV advertising can still win a new customer.

3.2 Which Credit Card Consumers Would Choose



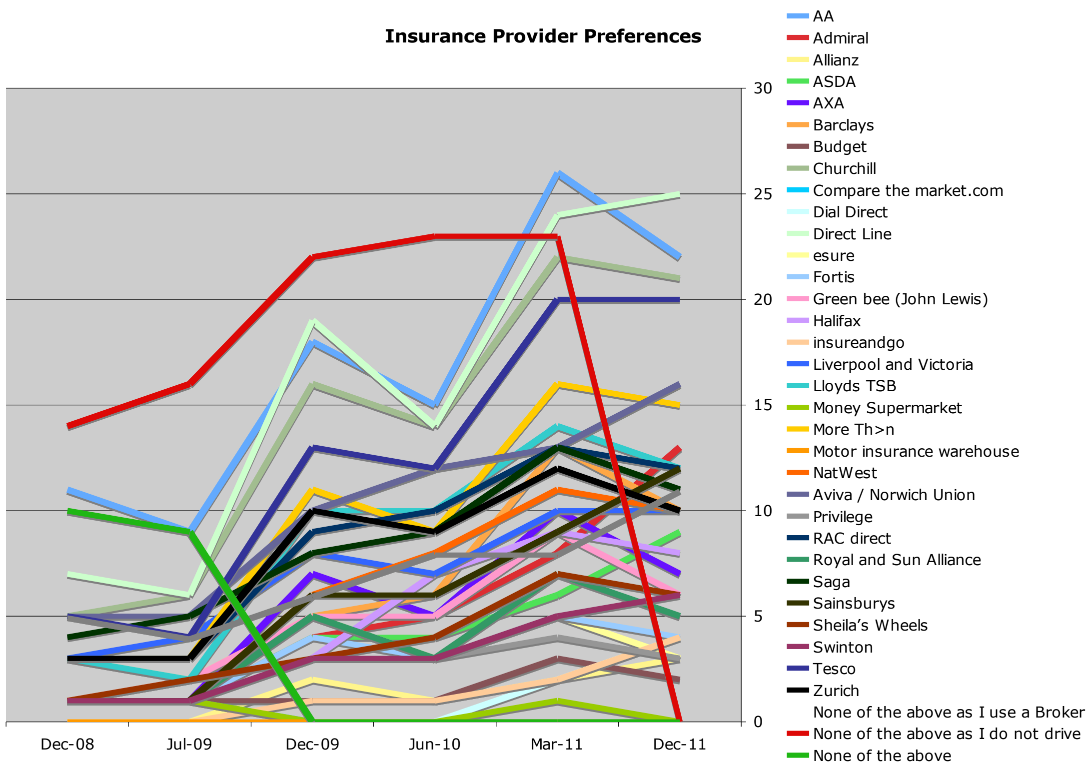
Brand preferences are a strong influence over consumers if the product or service on offer has parity with everything else in the market. Asked to pick a credit card provider on the basis that all rates and terms are identical, one in four named Barclaycard as their provider of choice, while just over one in five would pick Lloyds TSB.

Both of these brands have seen their ranking leap since December 2008, when Barclaycard was chosen by 14 per cent and Lloyds TSB by 13 per cent. What is fuelling this growth in preference is a willingness among consumers to consider a provider at all - when surveyed in 2008 and mid-2009, 32 and 37 per cent of consumers said they would not choose any credit card company, regardless of rates and terms being the same for all. That clearly reflects the depth of mistrust and wariness of taking on debt that existed at the time.

NatWest has similarly benefited from this return of trust, seeing its ranking nearly double from 9 per cent in December 2008, while Virgin has seen its rating rise from 10 per cent to 14 per cent, although it peaked at 18 per cent in June 2010.

Other brands have seen small increases in their standing. Significantly, the biggest credit card issuers - MBNA and Capital One - get low scores once the terms and offers which drove their market share are removed from the equation.

3.3 Which Insurance Provider Consumers Would Choose



Brand preferences between car insurance providers are highly dynamic. Assuming parity of price and terms, the AA, Direct Line, Churchill and Tesco Bank Bank would be chosen by one-fifth to one-quarter of consumers. While these brands are in the premier league of consumer preference, there are a dozen more named by between 10 and 16 per cent of consumers, indicating a championship level of brands. By contrast, in July 2009, no brand commanded more than 9 per cent of consumer preferences.

This rapid upshift in brand status seems likely to reflect a more "business as usual" view among consumers of financial services providers. Car insurance is a must-buy for drivers, yet in July 2009, 9 per cent of consumers said they would not choose any of the brands proposed - now, not a single individual opted-out in this way. Consumers have become more willing to buy again and are rebuilding their view of the marketplace. At the same time, brands have been using more intensive direct selling to counter the power of comparison websites.

A notable aspect of this return to market is the low level of brand preference expressed towards intermediaries and comparison services. The number of consumers who buy through a broker has nearly trebled to 11 per cent from 4 per cent in July 2009. Yet Comparethemarket.com and Moneysupermarket.com were not mentioned by a single consumer in December 2011.

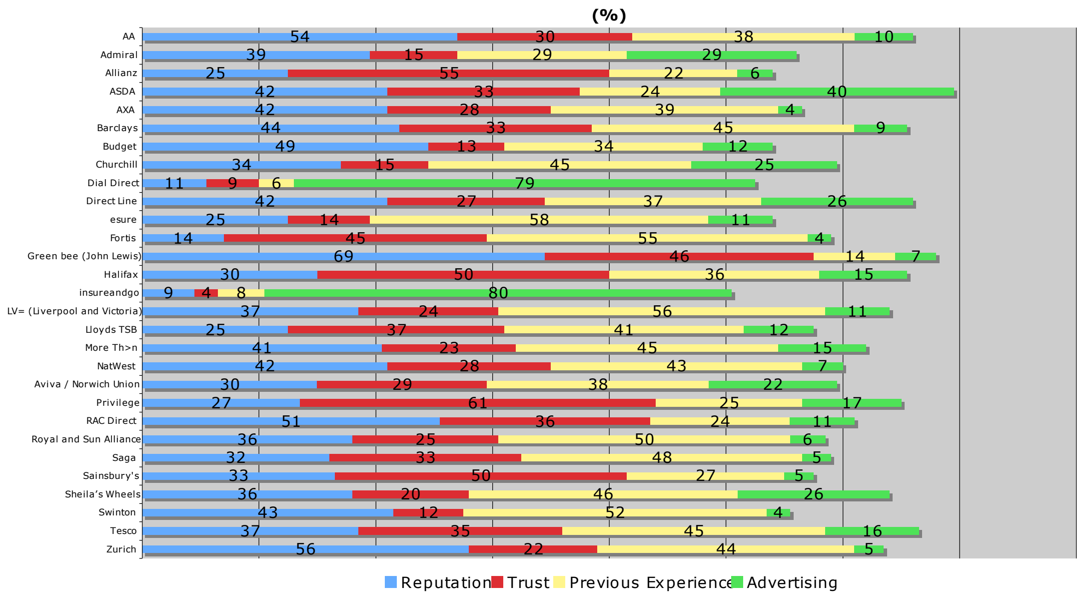
Once price has been removed from the equation, this suggests online comparison sites are not building brand values, whereas a wide range of other providers have created a perception that they offer more than just the lowest deal. Long-established providers make up the second tier of preferred providers, including banks (Lloyds TSB, Barclays, NatWest, Halifax) and insurance specialists (Aviva/Norwich Union, Zurich, AXA, LV=).

More recently-launched brands which have managed to embed themselves in the consumer's consideration set include More Th>n (launched by Royal Sun Alliance Insurance in 2001), Green Bee (launched by John Lewis in 2006 and now renamed after the retailer) and Sheila's Wheels (launched by esure in 2005). The most successful brands from non-conventional insurance providers are companies with a strong customer relationship in other sectors, such as RAC Direct, Saga and the supermarket chains.

Breaking through the barrier where one in ten or more consumers would prefer the brand has proven difficult for even some of the biggest providers and companies in the UK, however, with the likes of RSA and ASDA unable to gain more than 7 per cent of consumer choices. The decision by Fortis to rebrand as Ageas seems unlikely to lose it any traction since only 4 per cent of consumers said they would pick the old brand.

3.4 Reasons for Choosing Insurance Provider

Reason for Choosing Insurance Provider



Choosing an insurance provider may be a mundane task for many consumers, but it involves a complex suite of factors that need to come together at the right moment. Whereas for some brands, previous experience is dominant (Churchill, esure, Fortis, LV=, RSA, Saga, Shiela's Wheels, Swinton, Tesco Bank), for others it is reputation that led to the buying decision more than anything else (AA, Admiral, ASDA, Budget, Direct Line, Green Bee, RAC Direct, Zurich).

Trust is a rarer basis on which to make a choice, with Allianz, Halifax, Privilege and Sainsbury's Personal Finance scoring highest on this dimension. But there is significant scope for challenger brands to win market share through advertising, despite what consumers might say – eight out of ten consumers who picked Insurandgo did so because of its ads, with 79 per cent of Dial Direct customers also swayed by its ads.

Responses are of course only from those consumers who recently bought insurance and from these particular companies. In some cases, there will be limited numbers of individuals involved, making their reasons for the choice appear more significant than where a large number of consumers have bought a brand.

Methodology

17 questions were submitted onto a fast.MAP online self-completion survey and broadcast from March 30 to April 5, 2011, and repeated from November 29 to December 5 to a panel the demographics of which echo those of the UK population.

The panellists were entered into a prize draw to win £250.

Results were then weighted in terms of age and gender to give a true representation of the UK.

Sample size (n) March 30 to April 5, 2011= 1,353
Sample size (n) November 29 to December 5, 2011= 1,305

Statistical confidence March 30 to April 5, 2011 +/- 2.16%
Statistical confidence November 29 to December 5, 2011 +/- 2.34%

Randomisation of images and answer options to avoid top box bias / creative skew

Acceptable completion time for the survey and removing any that are completed in a quicker time

Intelligent Routing to ensure a quality survey experience as questions are relevant

Constant re-qualification of the panel to ensure that background variables are updated. Differences from initial recruitment can result in being removed from the panel

About the DMA

The Direct Marketing Association (DMA) is Europe's largest professional body representing the direct marketing industry. With a large in-house team of specialists offering everything from free legal advice and government lobbying on direct marketing issues to research papers and best practice, it is always at the forefront of developments in the industry.

The DMA protects the direct marketing industry and consumers. It promotes the highest standards through self-regulation and lobbies against over-regulation. The DM Code of Practice sits at the heart of everything we do – and all members are required to adhere to it. It sets out the industry's standards of ethical conduct and best practice.

Our 10 DMA Councils/Board Committees cover the whole marketing spectrum – from the digital world of social media and mobile marketing to the 'real' world channels of door drops and inserts. The Councils are made up of DMA members and regularly produce best practice and how to guides for our members.

We also have a packed calendar of conferences, workshops and discussions on the latest topics and best practice, and 80% of them are free for members and their staff.

As the industry moves on so do we, which is why we've recently launched a number of new services for our members – a VAT helpline, a Social Media Helpdesk and an IP Protection Service.

Visit www.dma.org.uk regularly to keep up to date with all our services.

About *fast*.MAP

fast.MAP is an insight partner that continuously connects clients in real-time with their customers.

As exclusive insight partner to the DMA, we run a number of tracking studies designed to give DMA members primary insight into key areas that support the Direct Marketing discipline.

The combined experience of our Directors spans many industries, disciplines and methodologies and the solutions we provide can be executed from within the business.

Industry expertise: Financial, Automotive, Travel/Transport, Charity, Marketing Communications, Media, IT/ Technology, Retail, Pharmaceutical, Travel/Transport, FMCG and more

Methodologies: Quantitative: online, telephone and face to face; Qualitative: in-depth interviews and online focus groups

Our aim is to help clients to:

Improve Marketing Effectiveness:

- Branding Studies
- Concept Testing
- Message/Copy Testing - ads (TV, Press), leaflets, direct mail

Understand Markets:

- Demand Estimation and Sizing/Audits
- Market Segmentation and Pricing
- Competitor Analysis

Understand Consumers:

- Attitude and Usage Research
- Customer Profiling
- Customer Loyalty and Satisfaction

For further information visit www.fastmap.com or call Paul Seabrook on 0207 242 0702 (paul.seabrook@fastmap.com)

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