

## Who is influencing your financial choices?

By Joanne Parker, Managing Director of Teamspirit

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 the consumer believed all he or she saw on television and a comprehensive ad campaign could change the habits of a generation. How adland must be missing these times as time moves on and behaviour changes.

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 so was 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 its behaviour against a small band of individuals and has slowly changed the shape of the 'authoritative' pyramid it so longingly coveted. There is an ever increasing chasm of trust between the historical mandarins and today's consumer. Today the trust in the aforementioned has wavered considerably and in many cases vanished altogether. And every brand now needs to consider what the trust deficit means to it.

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% trust investment companies and 8% insurance companies. This is not good news for the financial institutions, nor is it good news for the advertising agencies because they have to find an alternative to just banging on about their product to an uncaring, fractious and non-believing public.

So why has the trust landscape altered so radically over the last forty years or so and is it possible to redress the balance, or is a new order of reference points taking shape? The research, in part, has led to the conclusion that trust can, in part, be rebuilt 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.

### Influence through reference

The Influence model hinges on the strong belief that we are influenced by a series and continuous stream of persuasive reference sources, rather than one single branded message. Information and experiences are used by the modern consumer before they make a decision in this complex, low trust environment. Sources of influence might include other customers, employees, intermediaries, friends and family, third part 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 lots less by the stalwarts of a bygone society –

doctors, ministers, bank managers and the gentry. For instance, the opinions of Fern and Philip 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 the sectors and individuals of society that we place most trust in have.

For instance, the Teamspirit/YouGove survey concluded that whilst over 60% of marketing budgets of financial services are spent on advertising and direct mail, they account for under 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.

And this is one of the fundamental problems facing the 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 roots to market and the consumers root to choice.

#### PICTURE OF PYRAMID

The social search engine of the consumer is their 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 IFA, for any money left over after paying their student debts, is probably going to 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 the marketing and advertising agencies are going to have to change the way that they model their communications campaigns from one still rooted in the deference camp to one that is 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 the consumer connecting with their message.

#### Minimizing the Risk

Yet with the demise of deference the consumer has had to think for themselves more and make decisions based on information gleaned from supposed 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 customers are hoping to minimize when they buy and thus what sort of information they require in order to feel confident that they have made the right decision.

#### The RISKS MATRIX – graph

When consumers make choices they are hoping to minimize two fundamental types of risk – the Social Risk and the Economic Risk.

The Social Risk is the risk of 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.

The Economic Risk is the risk of losing more than face by 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 the Information categories, which have a high financial risk but a much lower social risk. This was confirmed in the recent research study undertaken by Teamspirit and YouGov 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 –PERSONAL INVESTMENT PRODUCT

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 plays apropos the type of financial service being offered. For instance, the Teamspirit/YouGov research found that the choice of credit card was still reflective of the traditional spending pattern i.e. 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 that they were influenced either by family and friends or by IFAs (Independent Financial Advisers), and another 29% responded to impartial media advice, such as financial articles in papers.

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

For instance, for high net worth individuals the media is 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 of 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 playing a significantly reduced role.

The financial services industry needs to spend smarter whilst 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 an obvious need for the markets to re-evaluate their marketing spend.

At a time when trust between customers and the whole financial services industry is somewhat shaky the influence model could become the bedrock form which to build an effective communications strategy. However the influence model is based not on the old 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, out-moded 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 end 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 the consumer prior to them making a decision. Whilst more complex, the eventual outcome is a better more solid relationship between the consumer and the brands – one based on creating awareness, through the influence of friends, family, colleagues and influential third parties.

#### VORTEX - GRAPH

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

The new agenda limits the weight attributed to certain traditional roots to market and challenges the balance and interdependence between public relations, advertising, direct marketing and customer relationship management.

This notion is best summed up by research reported by Michael Payne and Leon MacPherson that 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 consumers' 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 the 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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