

## Survey

No-one understands the state of play in financial services marketing better than Forum members – which is why Derrick Mabbott asked them how they are feeling at the moment.

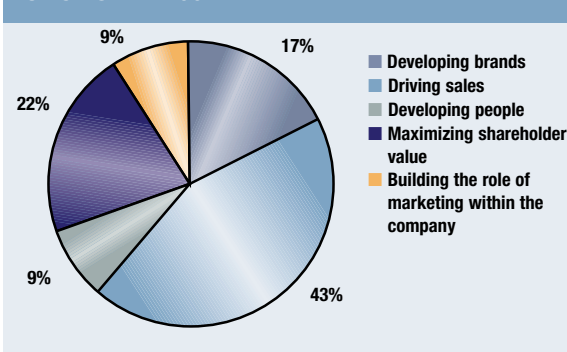
# STRUGGLING TO FIND A VOICE

In February of this year, The Financial Services Forum sent out a questionnaire seeking members' views on "value and its role in marketing strategy". There were thirty-five responses from a total of around two hundred questionnaires sent, with replies evenly spread from the retail banks, insurance and asset management sectors. In survey terms, this was a good response, but clearly the sample is not large enough to draw seriously rigorous conclusions. Nonetheless, I was struck by a number of points that might spark some further debate amongst the readership of *Argent*.

## Making the numbers

In answer to a question about the biggest priority for their marketing function in 2004, most respondents predictably plumped for growing sales, and then of course for the trendy mantra of "maximizing shareholder value", whatever that means<sup>1</sup>, but everyone nonetheless rated brand-building as very important, even if not their top priority. This focus was reinforced by a fairly uniform agreement that short-term results over-ride longer-term marketing investment, with comments such as "short-term wins every time", and "the board recognizes that

FIGURE 1: BIGGEST PRIORITY OF MARKETING FUNCTION IN 2004



building brand health takes time, but it is impatient to see sales growth and profitability".

As a measure of value, annual profitability seems to be the norm, with over half of the respondents

identifying this as their principal (if not sole) measure of value. Clearly for insurers, concepts such as embedded value play a lead role.<sup>2</sup> Value measures tend to be a major driver of decisions around activities by customer segments and channels, although less important with brand-building.

## Information is power

Two strong themes emerged from the responses to the question about specific challenges that prevent marketers from giving a greater role to value creation. Predictably, twelve out of thirty-five respondents cited the lack of adequate information systems to "... isolate the impact of marketing from sales and/or market movements", and most mentioned IT spends to try to put this right. Ten respondents also described "senior management buy-in to marketing" as a key challenge. It seems that these respondents struggle to make their case. The absence of many alternative plans to address this suggests that the IT investments are still seen as the key.

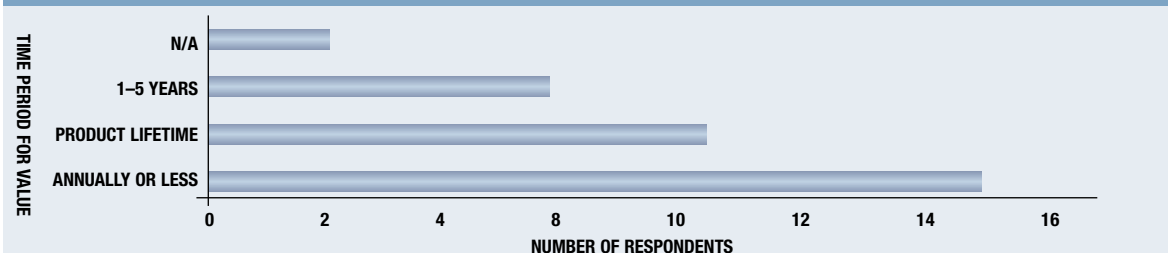
## A voice at top table

When asked about the influence that marketing plays at chief executive level, there was a varied response. When asked about their level of satisfaction with the influence that marketing has in business strategy, a fifth rated 8 or above on a scale ranging from 1 (entirely dissatisfied) to 10 (entirely satisfied). But just over half of respondents rated themselves 5 or under, and under half of the respondents enjoyed actual representation at board-level.

The areas in which most respondents felt well-represented will come as no surprise: marketing communications, the brand and customer insight were always cited. But then, for some, influence falls away, with business strategy, customer-facing activities and even product development being outside marketing's bailiwick. Given that these customer touchpoints tend to be the most important in building positive relationships with customers, this is a serious disconnect.

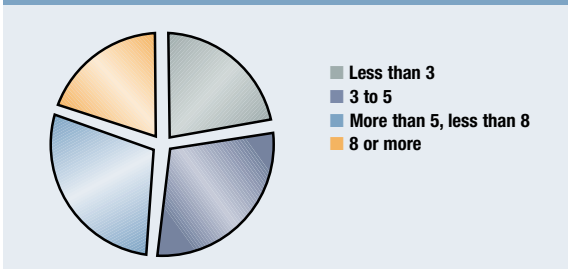
Those in this position are in a tough spot. Real brand-building is about delivery, not promise. In a service

FIGURE 2: OVER WHAT PERIOD IS VALUE ASSESSED?



business, with real interactions with real people, the bank teller and call-centre build the brand, not the TV ad. A marketing function that pumps out creative work but cannot link that to the real customer experience is, at best, a peripheral discretionary spend. At worst, it creates cynicism amongst customers and worsens marketing's own credibility within the company.

FIGURE 3: HOW SATISFIED ARE YOU WITH THE INFLUENCE THAT MARKETING HAS IN BUSINESS STRATEGY DECISION-MAKING?



### Finding a voice

Financial services is, of course, a complex, regulated industry, with multiple product areas, most of them "sold not bought", through a variety of channels, and against a bewildering range of competitors. That may explain why it has been difficult in the past to prove the value of marketing and the role it should have inside big financial services players. But for marketers, that should not be the end of the story, and it is not.

As well as many challenges, there are some wonderful opportunities too. Some financial services products offer the opportunity of not just a long-term relationship with a customer, but in a current account or fact find, a wealth of customer information. Today, some institutions have the opportunity to mine that information to develop a truly rich understanding of their customers. Some are even doing it. Propensity modelling, price-sensitive campaigns, risk-based pricing and individual pricing are being introduced, as companies learn how to turn data into actionable customer insight.

Companies are using their control over the customer experience to build a differentiated positioning. Goldman Sachs does it, so does First Direct. Abbey is

trying, although it remains to be seen if it can make the substance match the message.

Marketers in many environments struggle to understand their customers and to pin numbers to their plans, and so fail to gain the voice that they desire at top table. We have worked in many companies in which the chief executive wants to see the return on an investment in marketing just the same as for investing in a new plant. Marketers can hope that their CEOs "get" marketing intuitively, but CEOs should also expect to be convinced.

Whilst better systems undoubtedly help<sup>3</sup>, IT issues do not stop the case being made. There is enough syndicated and proprietary research available for simple, well-argued cases to be made that show how marketing can add value in financial services, how brands – well-constructed – can make a difference, and where investment can best pay off. Those numbers do not have to be the annual profitability that comes out after the event and is impossible to attribute meaningfully to any one factor. Any campaign can be tracked: for example, awareness, consideration and preference can be monitored. Bankers and actuaries expect numbers; I somehow think that will never change.

How many FMCG companies have the customer interaction and the wealth of customer knowledge that so many retail financial institutions have? Perhaps therein lies the difference; FMCG companies have had no choice other than to invest in marketing. For financial services marketers to earn the same primacy in their companies, the case must be made in hard logic, using the language of value, supported by reasonable numbers. Evidently some marketers are satisfied with the level of influence that they have at senior level. Others apparently are not. For the latter, there are clear examples to follow. □

Derrick Mabbott is a senior manager at Prophet.

<sup>1</sup> How do you balance short-term shareholder value with long-term, for example, or value in terms of social responsibility with cash returns?

<sup>2</sup> Ironically, embedded value is a measure of future (that is, long-term) profitability – yet many insurers still emphasize new business growth rather than retention in their results statements, and ignore in their actions the clear indications from the embedded value model of, for example, the importance of customer nurturing. Ed

<sup>3</sup> Provided that the systems are genuinely better in terms of delivering facilities that are really needed, rather than just being glitzy or better sold. Ed