CHAPTER 1

About This Book

Everything in this book is based around a single central idea: that in a consumer economy like ours, good marketing is good for consumers, companies and society as a whole.

We’ll define and describe what we mean by marketing, and specifically good marketing, in much more detail further on in this book. It’s important to be clear about this – of all the terms commonly used in business, there can’t be many with a broader, less precise and less consistent range of meanings. For the time being, let’s just say that at a high level marketing helps with figuring out what consumers want or need, and then finding ways that organisations can successfully provide products or services that satisfy those wants and needs while meeting their own goals.

On this basis, it seems clear to us that good marketing, in financial services as elsewhere, is a good thing. It results in products, services and experiences which please and satisfy consumers, which they perceive to offer them good value (a concept we’ll discuss later), which offer a profitable and sustainable future for the companies providing them and which generate economic activities that benefit society as a whole.

All of which makes it particularly regrettable that in financial services, unlike many other parts of the consumer economy, we’ve seen little good marketing over the years. There has been a growing amount of not-very-good marketing – much of it simply ineffective, but a good deal of it actually bad for consumers and for the companies responsible for it. And a lot of firms have carried on without very much marketing at all, relying on other ways to build and maintain their businesses.

There are exceptions. There are always exceptions. Inevitably, this book will deal largely in generalisations, and may not always emphasise the exceptions that exist, but they always do. The most basic of our many generalisations, of course, is the idea that there is any kind of single, homogeneous thing that can meaningfully be described as ‘financial services’. In fact, as we discuss in Chapter 5, the term embraces a huge number and very wide variety of businesses with little in common. In many respects mortgages have little in common with asset management, which has little in common with car insurance, which has little in common with retail banking.
In this large and diverse industry there are a few sectors where we have seen heavier investment in marketing for longer than others, particularly those where firms deal directly with consumers. And within almost every sector there are individual firms that have chosen to do the same thing. But on the whole the retail financial services industry has grown extremely large, and extremely successful, employing some 2.2 million people, over 7.3% of the UK workforce, and contributing almost 11% or £176 billion to the total UK economy, without feeling the need for a great deal of marketing.

This is in sharp contrast to almost every other major sector of the consumer economy. Marketing as a discipline emerged, back in the Victorian era, in the field of packaged goods: it was an essential function enabling firms to make the most of their new ability, as a consequence of the Industrial Revolution, to manufacture consistent products in large volumes. Marketing has been integral to the success of fast-moving consumer goods (FMCG) manufacturers and retailers ever since.

An integral part of this development of marketing was, of course, the development of brands and branding. As soon as you can make every day’s production of Pears soap or Bass beer look and perform exactly the same as the previous day’s, it becomes important to give consumers a way of recognising the brand from one day to the next. And from there, it’s a small step to the realisation that at the same time, it would be helpful to give consumers a clear and distinctive sense of what they could expect from your product. At this point, you’ve started to create the first true brands – a subject we discuss in much more detail, as far as financial services are concerned, in Chapter 17.

But over the years, the essential role of marketing has spread far and wide from its beginnings among grocery brands like Pears soap and Bass beer. It played the same vital role as industrialisation started to create similar volume manufacturing opportunities in much higher-value sectors, like motor cars and electrical appliances. And for well over a century, marketers have also been establishing an increasingly important role in service sectors, like travel, hospitality and entertainment.

That said, while the distinction between ‘products’ and ‘services’ was once fairly clear, there were always grey areas between the two, and over time these have steadily expanded. Today, as we discuss in Chapter 5, the dividing line is very blurred indeed, and we suspect that the distinction is on the way to losing any real meaning. After all, there is a single key requirement that underpins marketing and branding activity in product and service sectors alike: the need for consistency of customer experience. True, on the whole consistency is easier to achieve in packaged goods than in services, but a certain core level is essential before any kind of effective marketing can be brought to bear. (We’re aware of the odd, rather desperate service brand that
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claims that this core consistency in fact lies in the organisation’s amazing diversity, but we’re unconvinced by this attempted sleight of hand.)

In developing volume manufacturing it was essential that the product was 100% consistent, that every can of beans tasted exactly the same. In financial services, the products are not 100% consistent. Your authors could have exactly the same car insurance policy, but our experiences of making a claim are quite likely to be different.

Nevertheless, in every sector, product and service alike, the basic story is always the same: as firms develop the ability to deliver consistently and at scale, it becomes increasingly important to make sure that what is being delivered meets – and is seen to meet – a real requirement of at least a segment of consumers in the marketplace. There’s little point in delivering a million bottles of shower gel in a market where no-one showers, or building 1,000 hotel rooms in places where nobody stays.¹

These days, it’s difficult to think of many significant parts of the consumer economy where marketing has not successfully and visibly played this directional or navigational role, aligning what a company delivers with what a consumer segment wants and/or needs. Two main areas come to mind.

One consists of those service sectors that are still highly fragmented and populated by very large numbers of extremely small firms or even single individuals. You won’t find many marketers working in the window-cleaning sector, for example, or among child-minders, dog-walkers or landscape gardeners. Small firms or individuals in sectors like these are effectively responsible for their own micromarketing, usually in their own local catchment area – and many, by the way, are extremely good at it.

The other (on the whole, and allowing for a fair few exceptions) is retail financial services. This very large and very diverse sector has relied on other factors for its growth and success, with marketing playing a supporting but generally much more limited role. We’ll consider those ‘other factors’ in a later chapter. But at this stage, we should raise two broader points.

First, we think it’s clear that the consequences of this marketing-lite development have been generally bad both for firms and for consumers. Time and again, situations have arisen in which consumers have been presented

¹Actually, of course, this is a little simplistic. It might well be worth building a hotel in a particular location if the reason no-one stays there is a lack of hotels. There’s an old joke about two shoe companies which send marketers out to a remote corner of the world to report on the size of the market opportunity. The first reports back that there is no opportunity – no-one wears shoes. The second sends back an excited message, ‘Fantastic opportunity, send as many pairs as you can, no-one has any shoes’.
with products and services that haven’t properly met their needs, or indeed in some cases haven’t met their needs at all, or which have not been priced fairly or sustainably and so have not delivered good value, or which have failed to deliver appropriate levels of service. Just as often, the corollary has also applied, and the industry has failed to identify big and obvious needs or to develop products and services that satisfy them. We think that all these failings have resulted, at least to some extent, from firms choosing to put decisions affecting their customers into the hands of people with little real customer insight or focus.²

Second, and more happily, there are good reasons – and in fact surprisingly many – to believe that things are now finally changing, and that marketing is beginning to occupy the kind of central directional role in financial services that it does in most of the rest of the consumer economy. We share some of the research we undertook on this in Chapter 2.

A lot will still have to change to get us there. At this moment, most marketing departments in financial services still play a limited role. Far too many are still unkindly, but often accurately, known internally as ‘colouring-in departments’. (Regrettably, our own research among financial marketing professionals indicates that quite a few of them use this term to describe themselves.) The important decisions about what firms should provide to their customers are still resolved elsewhere, and the marketers are then tasked with producing the marketing collateral, the website and the brochures.

And of course far too many of those important decisions still reflect a degree of cynicism toward customers that would make a true marketer’s blood run cold. It’s not so long ago that one of your authors was working on the launch of a new personal pension for one of the big High Street banks. In a working group meeting, someone pointed out that the proposed product charges would be the highest on the market. ‘That’s right’, said the project leader, ‘But you have to remember, this is only for our existing customers’.

Comments like this reveal a horribly misguided view in which marketing is seen as a zero-sum game in which the company can only ‘win’ if the customer in some way ‘loses’. This book is written at a time when we believe that attitudes like this are finally on the way out, and we hope to be able to give them a further shove toward the exit. Our own belief is the exact opposite: by our definition, ‘good’ marketing can only be marketing that works in the interest of both the customer and the company.

²In some parts of the industry these tend to be actuaries. One of the old jokes about actuaries says that if you have your head in the fridge and your feet in the oven an actuary will say you’re at the perfect temperature. This tells you what you need to know about the average actuary’s level of consumer insight.
To be clear about this book’s scope, it deals with financial services ultimately delivered to individual consumers, whether they buy them directly from the provider or from an intermediary (and whether that intermediary is an individual, a branch or an aggregator website). To do this, it will embrace the subject of marketing to intermediaries, en route to the end customer. But it won’t attempt to deal with financial services delivered to business or corporate customers, or to large collective groups of consumers (such as members of company pension schemes).

It’s written from the perspective of two authors who have seen the industry they’re describing from the inside, from the outside and from many other angles. Lucian has worked in the marketing services sector specialising in the financial world for over 30 years, during which time he has founded, chaired and eventually sold two creative agencies: a copywriter by trade, he has worked for literally hundreds of financial clients, mostly in the UK, but also across the world. He has written and spoken extensively on the subject for many years.

Anthony also built his initial reputation in marketing services, but has gone on to lead two other careers since then. First, he established (and still chairs) the Financial Services Forum, a membership organisation for individuals in senior marketing roles dedicated to improving marketing in the industry. More recently he has built a reputation as one of the world’s leading ‘challenger bankers’, founding and chairing the highly successful Metro Bank, the UK’s first new retail bank for well over 100 years, and going on to found and chair Atom Bank, the first bank in Europe to deliver services via mobile devices.

Altogether, this adds up to a combined total of more than 60 years of financial services marketing experience. As far as this book is concerned, this is a case of both good news and bad news. The good news is that we can tackle our subject from an insider’s perspective: pretty much everything we have to say reflects direct, firsthand experience. The bad news is that inevitably, it means you’ll find our fingerprints on a number of marketing initiatives that in some way fall short of the ideal. Nothing too disgraceful – hopefully our antennae were sensitive enough to keep us away from some of the industry’s least customer-friendly practices. But, undoubtedly, a good deal of activity could fairly be described as ‘colouring in’.
There are many reasons for progress in the field, including increased competition. But if we had to name a single one we would both, unsurprisingly, choose the massive and exhilarating advances in the digital world, which have been gathering pace over the past 15 or 20 years.

In the same way that financial services has been comparatively slow to take advantage of the full potential of marketing, it has also been comparatively slow to take advantage of the full potential of digital, tending, initially at least, to think of it as a way of reducing costs and increasing efficiency rather than fundamentally reinventing propositions and changing behaviours. On a scale of 1 to 10, where 1 represents the pre-digital status quo and 10 represents the eventual total transformation, we’d say that with a few honourable exceptions we haven’t yet got much past three. But the snowball is now rolling down the hill, going faster and getting larger as it rolls.

As it gets larger, it becomes increasingly clear that speaking of ‘digital’ as a singular thing, with a single label, doesn’t make much sense or do any justice to its scale. If ‘digital’ represents a new world, then it’s a world made up of any number of continents and land masses. As far as financial services are concerned, some are relatively the well developed: immense efforts and investments have been made, for example, in process automation. Others are largely unexplored: it’s very hard at this stage to imagine the kinds of accommodation that financial services will eventually reach within extraordinarily dynamic and fast-changing continent called Social Media, and so far we’ve scarcely begun to make the most of Big Data. And others again have scarcely been discovered: in the long run, there can’t be much doubt that the emerging sciences of Artificial Intelligence and Machine Learning have the most transformative effects of all. To borrow the quote from Carl Sagan ‘The future of digital has arrived, it’s just unevenly distributed’.

Nevertheless, it’s perfectly clear even at this relatively early stage that digital is driving more change in financial services than any other development in the industry’s history – and, no less important, that while the processes of change may be difficult, the emerging consumer outcomes have every chance of being largely benign. Digital will transform every industry, but in many cases both the processes of transformation and the eventual outcomes will be painful: in today’s world, who would choose to run an offline newspaper or magazine business? But for financial services customers, it just seems to make things better.

By chance, there is at least one other driver of change in financial services that, in our view, could have implications that are almost as dramatic. This is the broad agenda that comes under the heading of Behavioural Economics (BE).
We must admit to some sympathy for the view that BE as a way of thinking, emerging principally from the US academic community over the past 30 years or so, has less to teach marketers than others in the commercial world. A bit like the foolish hero of the Molière play *Le Bourgeois Gentilhomme*, who is thrilled to discover that he has been speaking ‘prose’ all his life, many of the ‘discoveries’ now claimed by behavioural economists have been well known to marketers – especially direct marketers – for decades. But that’s not the point. The point is that these discoveries about the ways that real people think, feel and make decisions are now increasingly owned by economists, academics and senior non-marketing management, and that makes them far more powerful than when they were understood only in the colouring-in department.4

This book is about these and many other changes and their implications. We intend it to tell a positive and exciting story, about a huge and historically slow-moving industry that has been through some dark days (or indeed decades) in the way it has treated its customers, and has come under irresistible pressure to change its ways and do things better and differently.

You’ll have heard the saying that it is insanity to ‘do the same thing over and over again and expect a different result’. We think it would be madness to continue financial services marketing in the way it has been done and expect to get a different result.

We intend to spell out what ‘better and differently’ will look like. If you’re accessing this copy – on screen, or paper or another, newly invented medium – at some distant point in the future, it will be interesting to see how much we got right.

We’d be surprised if you agreed with everything we’ve written. We didn’t even agree among ourselves on all of it, or at least not without some heated debates. But if you work in or around financial services marketing, we hope that some of what you read here will encourage you to question what you’re doing and perhaps think differently about it.

If it has, then please do get in touch. Even if you violently disagree with what we’ve written we’d love to hear from you. You can reach us at www.nosmallchange.co.uk.

4To take a single, albeit important, example, auto-enrolled pensions represent a way of applying a BE principle to the need to increase retirement savings. It must be very doubtful whether HM Treasury and the Department For Work & Pensions would have committed themselves to this bold and radical initiative if it had been only marketing people who were championing it.