

Putting the ‘service’ back into financial services

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Hello, good afternoon and thank you for not bolting for the exits. My name is Julian Marr.

I’m editorial director of marketing-hub.co.uk and I’m here today to spend 15 minutes – give or take, hopefully take – offering a few thoughts on Her Majesty’s financial services industry.

Who knows? If we get lucky there might even be some insight along the way. In fact, let me share a piece of wisdom I gained simply by being part of today’s proceedings – if somebody ever asks you if you would chair a panel session for their conference, before you say yes, always first check whether as part of the package that involves a 20-minute speech on the state of financial services.

So ... the text for today’s sermon is “putting the service back into financial services” and I use the sermon line advisedly. I’m aware that a journalist talking on that subject to an audience of your calibre risks sounding a little preachy. I’m just sorry my design sketches for a pulpit got caught up in the postal strike – or at least that’s what the stage designers say must have happened.

And of course I know what you’re thinking – how can he possibly be discussing putting the service back into financial services when only recently F&C Asset Management was named as the number-one call centre in the country with a 95% overall performance score.

OK, I must have skimmed that supplement at least twice and still couldn't find anything that looked like a methodology for reaching that figure. But as soon as I realised the Top 50 UK call centres included a further 16 companies from the financial services sector – which averaged an 87% overall performance score – I was just too proud to care.

No – when I saw that beautifully written and handsomely crafted paid-for supplement in The Times, I nearly rang up Tony Vine-Lott to cry off because the reason for this talk had been overtaken by events. But then I remembered something – not everybody thinks like me and especially not every journalist.

I suppose – after just the 13 years covering financial services in one form or another – now is as good a time as any to make a confession. I'm not a good journalist. And the reason I'm not a good journalist is that I care too much what people think of me. Good journalists – proper journalists – don't care at all and that's why they're quite happy – when the need arises, of course, only when the need arises – to write unkind and hurtful things.

Me, I've always preferred to duck the issue and yet, thanks to this speech, I am going to have to break the habit of a lifetime and at least say some less than nice things. Still, I can at least finesse one of my golden rules – that I maintain my objectivity by taking freebies from everybody – and try and be rude about every part of the financial services industry, including my own profession.

Certainly I am not alone in thinking about where financial services stands in the public's perception – in fact one might construct an 'ABC' of organisations looking to address the issue.

So, A is for Asset Management Working Group, which last week published its 77-page report, 'Asset management: the UK as a global centre', and noted how "the recent financial crisis has only served to underline the imperative for an examination of the relationship between communications, expectations and education."

This, incidentally, was in the section entitled 'Serving clients', which covered a whole three-quarters of a page. Sorry, of course, I'm being unkind because there was another full page or so on the highly intermediated nature of the asset management industry due to the growing influence of IFAs, platforms and multi-managers. Only a cynic of the worst kind would see this as any sort of excuse to drop standards – especially when the latest so-called 'Dog Report' from Bestinvest found the value of canine-oriented funds had almost doubled over the first nine months of the year to £14.2bn.

Moving swiftly on, B is for British Banking Association, which towards the end of last month set out its 'Next steps for banking' to restore confidence in financial services. Launching the publication, I noticed chief executive Angela Knight said that "The banks are undertaking a vast amount of work to reform the financial system, much of it unobserved and unrecorded." An impressively selfless strategy – but then it's not as if banks need any positive PR.

C is for Council of Mortgage Lenders, whose chairman Matthew Wyles recently gave a speech on meeting customers' needs – in the process raising the interesting question of whether what they need is the same as what they want.

But at this point I can see some of you beginning to react with the same horror as the audience at an industry dinner I attended years ago when Nicholas Parsons, I think, started doing jokes based on letters of the alphabet and, round about C, people realised he had every intention of pushing on all the way to Z.

Don't panic, I don't – although I would briefly hover around G to highlight that no less a figure than our own beloved Prime Minister has been fretting too – writing in the *FT* last week on restoring consumer trust in financial services.

I dare say he may also have had something to do with the Queen's Speech this morning although I was relieved to see that my little contribution to the debate had not been undermined by a proposed bill that it be illegal for the service not to be put back into financial services.

Believe it or not, I'm delighted to see the politicians getting involved in this issue because they have a lot to offer. After all, according to a survey last month by the Direct Marketing Association, the only people the public trusts less than the financial services industry is, of course, the politicians.

According to this survey of 1,600 consumers, the financial services industry is mistrusted by 71% of the public while politicians are mistrusted by 81%. Just for the record, more than a third of people actually trust the media – more than a third – and, yes, that is another source of great personal pride for me.

At the time, the Direct Marketing Association made the reasonable point that failing to address this lack of trust would see financial services companies paying a heavy price. It also argued that restoring consumer trust is crucial to marketers as they face the daunting challenge of competing to get their message noticed in an increasingly crowded media space.

Where I must admit I slightly lost them was when they highlighted the need for marketers to build two essential components into their campaigns. One is 'reassurance', which goes hand-in-hand with going the extra mile and eventually translates into trustworthiness, but the other is 'charm in the deployment of novelty', which I assume involves using a meerkat as your company spokesman.

Either way, notice how the Direct Marketing Association, rather like the Asset Management Working Group, breaks down the issue of trust into different elements. For of course today I'm not so much interested in trust as service. Rebuilding trust is going to take a lot of work and a lot of time, whereas reintroducing – sorry, improving – service standards is a more immediate way of building towards that ultimate goal.

How? Well, the FSA finally seems to be coming to grips with one element of the problem, with chief executive Hector Sants recently identifying the need for cultural change to drive reform in the wake of the financial crisis. "There remains," he said, "an absence of the acceptance of collective responsibility for what has happened. I personally remain unconvinced that all senior management have taken on board the need to change and operate in a genuinely different manner."

But I realise now – and I apologise for the oversight – that I have left it an unforgivably long time to be rude about the FSA. For while it may well be coming to grips with one element of the problem, I wonder to what extent the regulator has at the same time been part of the problem. No, not in terms of the financial crisis – that’s a different sermon for a different day – but on this question of service.

I hope this makes sense, because it’s rather central to my whole thesis – but to what extent has regulation forced advisers, banks, fund groups, life offices and all the other product providers to think in terms of products rather than the services they provide or, better yet, client or customer needs? And have I answered my own question by using ‘product provider’ as my catch-all phrase?

Let’s travel back in time to my favourite-ever financial news story, which actually made it onto the very front page of *The Sunday Times* back in 2000. Forgive my quoting from memory but it started off along the lines of how, every July, the cream of the fund management industry could be found on the banks of the Thames washing down lobster and caviar with buckets of champagne while occasionally venturing to watch the Henley Regatta.

The piece went on to accuse the entire fund management industry of being a bunch of baby-eating pirates, who would sell all their relatives for an extra couple of basis points on the annual management charge. OK, I admit that bit may not be a direct quote but you get the idea.

The press’s obsession with cost has not diminished in the intervening years but neither has the FSA’s or indeed the government’s – you only have to look at the fate of the stakeholder

pension or the thinking behind its spiritual offspring, the personal account, to know that there is a big difference indeed between cost and value.

Can I argue cost is more product-specific while value takes a client's or customer's needs more into account? I'm certainly going to try. Look at other great industry 'debates', as the cliché goes. Active versus passive investing? Focusing on the product again. There is no debate – both have their place in portfolios – very possibly in the same portfolios – depending on the needs of each individual client.

What about commission versus fees? I'd suggest we're once more focusing on the product here because – and I'd be grateful if we could keep the pitchforks and flaming torches at bay for the time being – there are plenty of people for whom commission would be a far more appropriate solution ... ah ... if only we felt we could trust those awful financial services people.

Presumably we have a representative of the Association of Independent Financial Advisers somewhere in the vicinity so I should say that I'm well away of its well-worn research that found earlier this year that trust in IFAs has increased over the past five years while other financial services institutions have seen their levels of trust not only remain low but in some cases decline even further.

I'm being unkind again – for why wouldn't such research be trotted out time and again when it found that IFAs are consistently the most trusted of all financial services institutions – both in terms of 'low-level trust' (the extent to which an organisation can be relied on to do what it says it will do) and 'high-level trust' (the extent to which an organisation is concerned about

the interests of its customers)? Even if – since we believe all surveys equally – the Direct Marketing Association’s findings on the industry’s general trustworthiness means that this is rather damning with faint praise.

Mind you, trust is a two-way street and punters certainly don’t make it easy for the industry. We appear to be stumbling towards a regulatory environment where in any dispute between financial services companies and consumers it is automatically taken for granted that the former cannot possibly carry any blame while the latter are presumed guilty until ... no, they’re pretty much just presumed guilty.

The problem is, when people aren’t expected to take some responsibility for their actions, they don’t – and we end up in a situation where, for example, financial services research consultant Brandspeak can conduct a survey and find one in two consumers happily admitting they sign forms saying they’ve read and understood terms and conditions when they’ve either not read them or not understood them.

I know – it’s an incredible figure – mainly because I’d suggest there’s no way as many as half of all financial product consumers read and understand terms and conditions. Still, you’ll be happy to learn the survey came up with some thoughts on the perfect piece of product literature – it should cover no more than two and a quarter pages of A4 and should not take more than 25 minutes to read. Do make sure you break the news gently to your compliance departments.

Of course, as Mr Wyles of the CML observed, what consumers want may not necessarily be what they need. Just for the record, the main reasons given for not reading or understanding

your beautiful documents were that it didn't seem important to do so, that some people simply couldn't get their heads around financial products while others felt unable to ask or said the person advising them wasn't approachable, which does seem a little bit of a cop-out. Oh – and a significant number just didn't want to appear ill-informed.

As our hero says in *The Life of Brian* – well, what sort of a chance does that give me? And the answer would seem to be – not much of one. To cover their backs, financial services companies are feeling obliged to cram more and more smallprint – or indeed not-so-small print – into their publications, making them less and less likely to be read by people who are increasingly allowed to shun any responsibility for their part in what is theoretically a two-way transaction between grown-ups.

Who's to blame then? I think I've name-checked most of the usual suspects – government, regulator, media, consumer and of course Her Majesty's financial services industry, which doesn't exactly do itself any favours – whether it be investment houses launching funds at the top of the market, mortgage lenders okaying loans to people who haven't a hope of meeting their payments, advisers recommending inappropriate products – or, worse, ones they don't understand – and banks encouraging their staff to, well, commit pretty much any one of those sins.

Seriously, I know they are only obeying orders but one day I really am going to tell my smiley cashier precisely why there is no way on earth I would want to buy one of their employer's ropey products and that they should be ashamed for trying to sell anything to a person they have just met and may I please just pay in my cheque and go?

So what's Julian's Big Idea for a Brighter Tomorrow? As I say, trust takes time but service, which has to be a crucial part of building that trust, can be brought into play more quickly. Mr Sants highlighted many of the key elements when he talked about taking responsibility, cultural change and management recognising they need to step up to the plate.

For me, it comes down to something as simple as doing as you would be done by – would you be happy with a family member being treated the way your particular organisation treats every other soul who walks through its doors? It comes down to a realisation you should be dealing in people not products. It comes down to ... deep breath ... empathy. Sorry, dreadful word, I know, so if it doesn't sit well within your business plan, I can MBA it up a little for you – alignment of employee and customer interests just makes good business sense.

One day the financial services industry will win back the trust of consumers – hopefully even while there's enough of an industry around for that victory to matter – and all the different elements I've mentioned – the education, the communication, the expectation management, the reassurance, the meerkat with the funny accent – will have played a part.

But the thousand-mile journey starts with one step and I'd suggest service is a pretty good first step. That involves thinking people not products and – and once again I apologise for the unexpectedly touchy-feely direction I have taken after doing my best to be equally insulting to every person in this room – a degree of empathy.

Dearly beloved, here endeth the lesson. Thank you for your time.