CORPORATE SOCIAL RESPONSIBILITY

THE CHALLENGE OF REBUILDING BRAND TRUST IN FINANCIAL SERVICES – INSIGHTS FROM THE UK MARKET

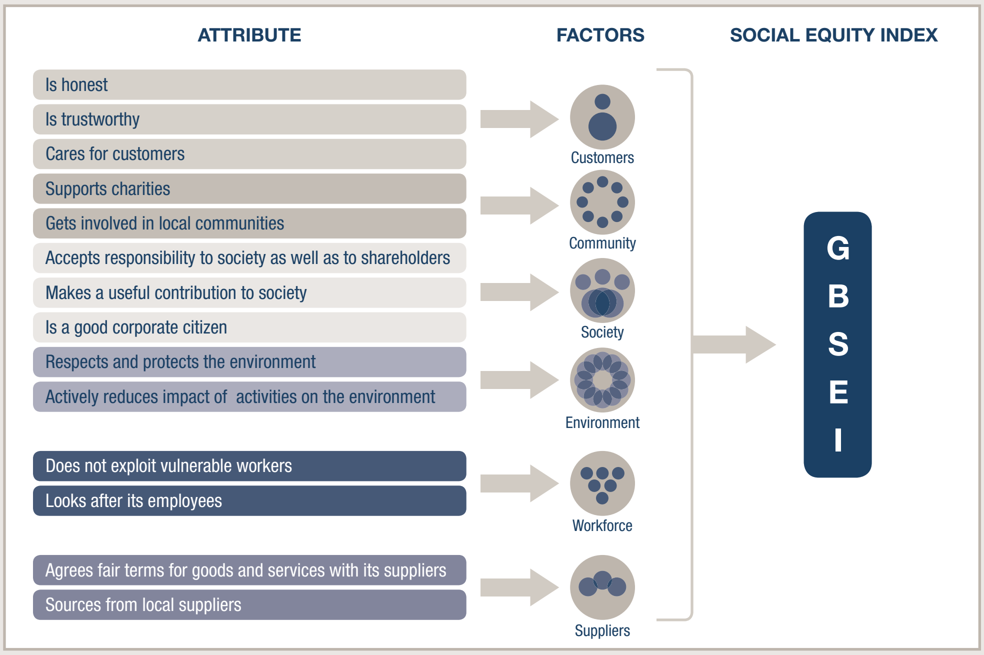
Consumer marketers have known for a long time that trust is a cornerstone of building strong brands. In the aftermath of the global financial crisis, how is the UK financial services sector starting to rebuild brand trust – and which brands are succeeding, and how?

The global financial crisis of 2007/8 shook consumer confidence in financial institutions across the world. Nowhere was this more true than in the UK, where several banks have effectively been taken into state ownership and Northern Rock became the first British bank in 150 years to suffer a "bank run", after having had to approach the Bank of England for a loan facility during the credit crisis in 2007. And the consequences for the regulation and control of the banking industry rumble on, with an enforced split of UK retail banks from their investment banking arms now being supported by the UK Chancellor of the Exchequer as well as the Governor of the Bank of England.

Consumers increasingly expect companies not just to be ethical but also socially responsible.

The financial crisis also fundamentally changed consumer attitudes. Ethical considerations were already moving up consumer and media agendas, but the end of the credit-fed boom also marked a significant shift in personal values for many consumers, putting business responsibility and sustainability considerations at the heart of purchase decision-making for more and more people. Over 85% of UK consumers now agree, for example, that it this responsibility of companies, as well as government and individuals, to take care of the environment and disadvantaged people in society[1]. Right across Europe, consumers are not just consumers – when they make their purchasing choices, they are now thinking as citizens too.

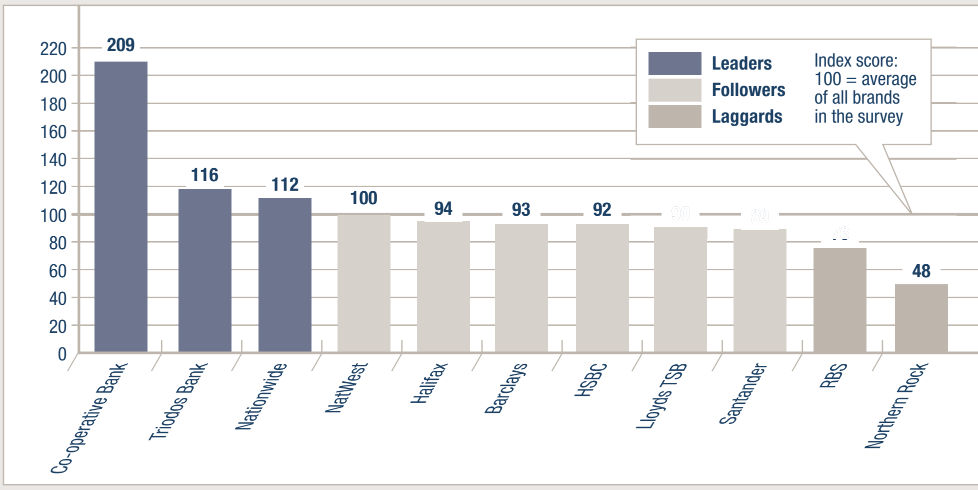
So how is the UK financial services sector starting to address these "new consumers"? As marketers know, brand trust takes time to re-build – but, in the initial post-crisis years, are some financial services brands rising to the challenge?



The GoodBrand Social Equity Index is made up of 6 factors, which are derived from 14 attributes that use consumer language

Goodbrand's Social Equity Index (GBSEI) provides some clues. An online all-adults survey with over 20,000 respondents, covering over 1000 companies and brands across 10 European countries, GBSEI was first run in UK in 2005. The study measures consumer perceptions of company and brand social equity, brand energy and their relationship with preference and recommendation. Designed to complement traditional brand tracking research, it enables companies to compare their performance with a range of competitive benchmarks, both within and outside their category and country. The Social Equity index is made up of 6 factors, which are in turn made of from 14 consumer attributes. In short, it's where CSR meets Marketing ...

The UK banks and building societies' results for GBSEI [2] are revealing, to say the least.



SOCIAL EQUITY PERFORMANCE – BANKS AND BUILDING SOCIETIES

The Co-operative Bank is currently the leading UK Bank on the Social Equity Index

The Co-operative Bank is the clear leader on social equity, although both Triodos and Nationwide (which has consistently stressed its mutual status, with no external shareholders) also perform well above the UK company average. RBS and, perhaps, unsurprisingly, Northern Rock, have low scores. The middle pack is led by NatWest, but none of the traditional big retail banks appears to stand out. In short, with one major exception, no large UK bank or building society appears yet to be fully in tune with the new values of its consumers.

But, from the singular perspective of commercial success, does this matter? GBSEI looks at the correlation between social equity and two key business performance measures that are commonly viewed as performance drivers in financial services – quality, and recommendation. Again, the results are startling.

On quality, social equity now explains 77% of quality for UK banks – more than for any other UK category except dairy. Increasingly when considering banks, social responsibility and quality are seen by consumers as one and the same thing (see next page).

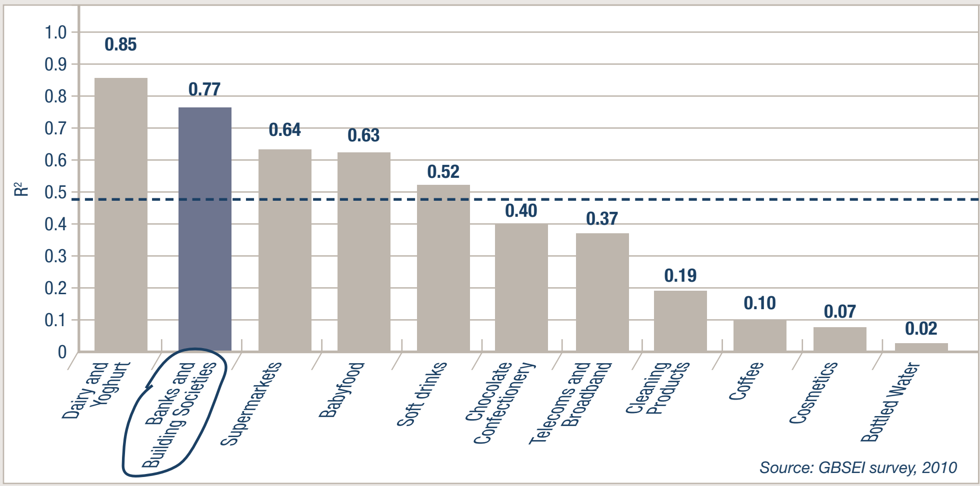
Social equity is a key driver of perceived quality...

Similar is also true for recommendation – social equity explains 54% of likelihood to recommend amongst UK banks. Increasingly, if you are not seen as responsible, your customers will no longer promote you to others.

... and plays an important role in driving customer recommendation.

The conclusions are clear (and, incidentally, are not wholly unique to banks):

1. With one or two notable exceptions, most retail banks and building societies are not leading in social equity;
2. However, those few banks that are investing in their social responsibility are getting positive results on their quality and recommendation scores as a direct result.



CORRELATION OF QUALITY WITH SOCIAL EQUITY: ALL CATEGORIES (UK)

Social Equity correlates more closely with quality for banks and building societies than for any other category except dairy.

It should come as little surprise to hear then, that The Co-operative Bank is reaping the commercial benefits from its social equity performance, with operating profits up almost 18% in 2009 and current account openings up 79% [3] as consumers become increasingly attracted by "the co-operative difference".

But what can other financial services brands – particularly those without a co-operative or mutual heritage to draw on – do to compete for brand trust in the post-crisis consumer landscape? In simple terms, GBSEI suggests that banks need to re-discover their historic roots as an enabler in the economic and social fabric of the societies and communities they serve.

Successful brands need to create "shared value".

Across almost all consumer sectors, the brands that are winning on social responsibility are those that recognize that shareholder success, consumer success, and social responsibility do not need to be "traded off" but can actually can go hand in hand. As eminent management thinker Michael Porter put it in his Harvard Business Review article in January [4], "companies must take the lead in bringing business and society back together". The solution lies in creating what Porter describes as "shared value", which involves creating economic value in a way that also creates value for society by addressing its needs and challenges.

The financial sector has a unique opportunity to play an enabling role in this new shared value agenda, by re-connecting savers and borrowers for both social and economic benefit. For example, retail banks that can show savers how the funds that they are stewarding are will be put to positive economic and social use are more likely to raise deposits: imagine the attention that would be generated by a "shared value savings account" for example. And, on the other side of the coin, companies that can demonstrate both an economic and a social return should be more attractive for "shared value bank finance". In short, retail banks have a unique opportunity to become key intermediaries in the process of shared value creation, and – if Porter is to be believed – those that grasp this opportunity will be handsomely rewarded by their customers in the long-term.

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Goodbrand partners with SEMPORA in Europe.

Notes
1: GBSEI UK, Dec 2010
2: Dec 2010
3: The Co-operative Group, Annual Report & Accounts 20010
4: "Creating Shared Value: how to reinvent capitalism—and unleash a wave of innovation and growth", Michael E. Porter and Mark R. Kramer, Harvard Business Review Jan-Feb 2011