



It's time to talk the walk
The financial services sector
and the problem of trust

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The financial services sector and the problem of trust

What is the big issue for financial services brands? When we conducted a straw poll among our clients and contacts in the industry, one word kept coming up: trust, or rather, the lack of it. Trust has taken a massive hit following the credit crunch and ensuing recession, but issues such as high pay, mis-selling, conflicts of interest and short-termism have a much longer history. If lack of trust in financial services companies is so widespread and deep-seated, is there anything individual brands can do about it?

In November 2011, BergHind Joseph reviewed research available online to find out what is known about the causes and consequences of the decline in trust in financial services, as the basis for our own analysis of what this means for individual financial services brands.

What is trust?

What do we mean when we talk about trust? Trust refers to our willingness to rely on other people, or on organisations – whose actions we cannot control – to act in our interest.

In a Guardian-ICM survey conducted in January 2010¹, respondents were asked: 'which words best describe your idea of trust?' The top three responses were:

1	Honesty	79%
2	Truthfulness	69%
3	Reliability	50%

What this suggests is that we are inclined to place our trust in institutions that we perceive as honest, truthful and reliable.

Why do we need trust?

According to Wikipedia: "Society needs trust because it increasingly finds itself operating at the edge between confidence in what is known from everyday experience, and contingency of new possibilities. Without trust, all contingent possibilities should be always considered, leading to a paralysis of inaction."

We can see the effect of this paralysis, for example, in the low uptake of private pensions in the UK. Among other factors, this has been attributed to a lack of trust resulting from mis-selling scandals, lack of transparency over charges, the collapse of company pension schemes and the failure of the once market-leading pension provider Equitable Life.

The more risk we need to take on, the more important trust becomes to us. Long-term savings products are among the riskiest for consumers because we will not be able to tell whether they have performed as expected for many years, and because we are taking a risk on the future solvency of the company to which we have entrusted our savings. But even short-term products such as bank accounts, we discover, now incorporate elements of risk: we feel we can no longer be sure of the solvency of even the largest banks.



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The continuing financial crisis has dragged what was seen as a boring sector into the spotlight and multiplied our awareness of risk. These days, most people can be counted on to have an opinion about banks and insurance companies – sometimes even hedge funds and private equity firms. And increasingly, their views are negative.

Research carried out by Interbrand² post-crash in the US found that the sector “has gone from being a low-involvement, inertia-driven category to one driven by emotional, brand-influenced criteria.” In this study, ‘trust and confidence’ rose from fourth position as a consumer selection criterion in 2007 (26% of respondents) to second position in 2009 (36%), after ‘convenience and location’ in first position and ahead of both ‘rates and fees’ and ‘service.’

The global picture

One of the most widely watched global surveys of trust is Edelman’s annual Trust Barometer. In 2011, Edelman researched levels of trust among 5,000 college-educated people in 23 countries³.

The study found a mixed picture globally, with overall levels of trust in business rising or holding steady in most countries compared to 2010 – the major exception being the US, where trust has fallen across the board. Overall levels of trust in US business have fallen from 59% in 2008 (the year the credit crunch began) to 46% in 2011.

On a global basis, trust in business was up compared to 2010 – but this was largely due to a more positive climate in emerging economies offsetting a neutral or negative one in Western nations. And within this average, there was bad news for the financial services industry, which remains the least trusted sector globally. This is a continuation of a longer-term trend that has been revealed by the Edelman survey over many years.



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In 2011, only 50% of respondents to Edelman’s survey were prepared to score banks, insurers and the broader financial services sub-sector within the upper half of a nine-point trust scale, where nine means ‘I trust them a great deal’ and one means ‘I do not trust them at all’. The implication is that half of us do not trust the financial services industry – a shockingly high proportion, although perhaps not a surprising result given all that we have seen since the 2008 crash.

1. Who do you trust? Guardian / ICM Survey 2010
2. Financial Services study: has the economic crisis changed customers’ perceptions and behaviour? Interbrand 2009
3. ‘2011 Edelman Trust Barometer Findings’

The 'feel good / feel bad' factor

Over the years, the Edelman study has found that overall levels of trust in business vary by country, with emerging economies currently experiencing higher levels of trust than developed nations. This suggests that there may be an economic 'feel-good factor' that partly accounts for country variations. The results also show that trust varies with the economic cycle, peaking and declining roughly in parallel with booms and busts. When booms come to a sudden end, business gets part of the blame (along with government).

These overall variations affect levels of trust in financial services companies as they do business in general, and it is no surprise that banks have suffered a decline in confidence and reputation since 2008. In the US, trust in banks has collapsed, according to Edelman. In 2008, banks were in third position in the sector trust rankings at 71%; by 2011 they had fallen to second from bottom at 25%. In the UK, trust in banks fell a full 30 percentage points from 46% to 16% over the same period, while in Ireland, trust in banks reached an all-time low at 6%.

Other researchers have come to similar conclusions. A March 2010 study⁴ of 1,000 respondents in Germany by GfK Marktforschung, the country's largest market research organisation, found that confidence in banks and insurers has been severely affected by the credit crunch and recession. GfK noted "clear evidence of a deep-rooted scepticism towards the banking and insurance system in Germany". Just 17% of all respondents to the survey said that they still have complete confidence in banks in general, and only 13% in insurance companies.

Insurers: a longer-term trust problem

Mistrust of insurers pre-dates the current crisis. Looking back to Edelman's 2007 results, when banks were flying high in third position in the US, insurers were down at a lowly

11th position. Europeans rated banks less favourably than Americans in 2007, ranking them in 10th position, and insurers were also lower in their esteem in 13th position. Insurers appear to have a longer-term trust problem that is not just to do with the current financial crisis.

Analysts say this is because people see their relationship with their insurers as intrinsically adversarial. Consumers tell researchers that they expect insurance companies to contrive reasons to reject their claims. And when they have not made a claim over a long period despite paying their premiums on time, consumers sometimes feel that their insurer 'owes' them, as if they were paying into a savings account, rather than an insurance pool. This line of reasoning is often used by consumers to justify misleading statements and non-disclosure of information when filling in insurance proposal forms, and the 'padding' of claims in order to recoup what they believe is due to them.



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In a study⁵ carried out in 2007 – i.e. before the credit crunch – among 2,400 insurance customers in six European countries, the IBM Institute for Business and Switzerland's University of St Gallen found that only 42% of respondents agreed that 'insurance companies can be completely trusted,' a situation the researchers characterised as "a severe animosity." (A follow-up study⁶ carried out in the US in August 2008 found that 41% of American respondents felt likewise).

The IBM / St Gallen study concluded that there is no such thing as 'the' typical insurance customer: levels of trust in insurers were found to vary widely across Europe and by customer group. The researchers identified five different customer-groups for whom trust may be more or less important, depending on what they are looking for from their insurers. Trust will not be much of an issue for consumers who select car insurance purely on price using online comparison sites; but for those seeking tailored advice on long-term savings and investment products, trust will be vital.

The study puts these differences down to cultural factors, including communitarian versus individualistic tendencies in different European countries. French, Dutch and Danish consumers are more likely to be service- and trust-oriented than their British counterparts, who tend to be more price-driven, the researchers found.

For price-oriented consumers, transparency appears to be more important than trust: "It is about clear language, knowing what value they will receive and an open and transparent relationship," says the study. But if information provided by the insurer is perceived to misrepresent what is on offer, trust would then come into play – trust will be undermined, and the consumer is likely to look elsewhere when their policy comes up for renewal. "Honesty, trust and transparency turn out to be the key value-drivers that influence customer expectations towards insurers," the study concluded.

Trust depends on personal and local factors

People discriminate between their own (usually local) providers and the financial services industry as a whole. Where direct human relationships come into play, consumers can make their own judgements about the trustworthiness of institutions; and surveys have shown that 'personalised' trust in financial services is much higher than 'generalised' trust.



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A 2009 CII / YouGov survey⁷ of 2,000 people in the UK carried out for the Chartered Insurance Institute found that the most trusted financial services category was 'your bank' (40% of respondents trusted these a great deal/quite a lot), while 'retail banks' came lower down in the rankings (17%), and 'commercial and investment banks' were second from bottom (8%).

Other studies have shown similar results. The GfK survey referred to above found that German consumers had almost four times more confidence in their own financial services providers than in the industry as a whole.

Similarly, the Interbrand survey referred to above found that in the wake of the financial crisis, 27% of respondents said that they trusted their own financial services provider, versus 59% who distrusted providers that they did not deal with personally.

4. GfK Marktforschung press release, 2010: 'Customers trust their own banks and insurance companies, but distrust the industry as a whole.'
5. 'Trust, transparency and technology – European customers' perspectives on insurance and innovation,' IBM Global Business Services with the University of St Gallen, 2008
6. 'Growing trust, transparency and technology – insurance customers' perspectives in a global context,' IBM Global Business Services with the University of St Gallen, 2008
7. 'How much trust do you have in financial and regulatory institutions?' Chartered Insurance Institute / You Gov survey, 2009

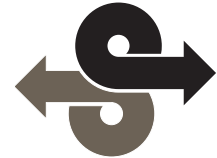
What does the trust deficit mean for financial services brands?

The financial tsunami that struck the global economy in 2008 has created a huge trust problem for the financial services industry. Even the best-regarded firms have been caught in the backwash. While the crisis continues – and probably for a long time after the hoped-for recovery begins – the sector will be affected by a generalised climate of mistrust. And there are other long-term trust issues, unconnected with those that have arisen from the current crisis, that affect levels of trust in major segments such as insurance, pensions and private equity.

But there are steps that individual brands can take to help them stand out from the crowd. Drawing on research into the 'trust deficit' in financial services and on our own experience of working with clients in the industry, we propose the following:

1.

Show them you're really different



The financial services industry will remain contaminated by the financial crisis for the foreseeable future. It can be taken for granted that consumers will apply a 'mistrust discount' to all financial services branding, marketing and communication claims. It will be up to organisations to prove – through their attitudes, behaviour and performance – that they are not 'just like all the rest'. As far as individual financial services brands are concerned, it's all about differentiation – now more than ever.



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This sounds obvious, but it's still not happening. How often do we, as consumers, see and feel a difference in the way financial services brands position themselves? This also applies to those segments that have long-term trust problems that are not just a by-product of the current crisis. For example, B2C insurance brands need to prove that they can be trusted to deliver what was promised when called on; and in the B2B markets, private equity firms must show that they really do build robust businesses with long-term prospects.

2.

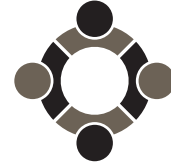


Get up close and personal

According to psychologists, when we are making decisions, we overweight our personal experience in comparison with external sources of information. So it's not surprising that we trust personal and local providers (of which we have first-hand knowledge) far more than we do the industry as a whole (we know it only indirectly, through marketing communications or the media). Financial services brands need to build trust by making use of this psychological trait. To the greatest extent possible, they must seek personal contact with customers and provide them with the expected and promised level of service. And whenever that vital contact is mediated – for example by the telephone – the experience must be as human, attentive and helpful as it can be.

Brands must also discriminate – in the positive sense – between customer groups, making allowances for national, cultural and personal preferences. There is no such thing as 'the' customer, and all distinct customer groups need special attention. Trust will not be the big issue for all of them: when financial products start to become commodities (for example: car insurance), price is the main driver of choice. Commodities are, by definition, not susceptible to branding variables, such as levels of trust. But if financial services companies strip away service and the personal touch in pursuit of cost savings, they will in the end commoditise their brand portfolios, whether they intend to or not.

3.



Don't walk the talk – talk the walk

Transparency is no longer a matter of choice – it is a necessity. Easy access to the internet and social media mean that currents of information flow more freely than ever before, bypassing the former corporate gatekeepers – the internal heads of brand, marketing and communication. Customers can broadcast their experiences in online forums. Employees can blog to the outside world. Campaigning websites show up on the same Google searches as official company sites (and sometimes higher up in the search results).

This means that financial services brands are taking a risk if they attempt to position themselves in a way that does not square with reality. It's no use pretending that self-constructed brand values are 'aspirational': consumers and stakeholders are focused on the here and now, and will quickly spot the difference. The resulting dissonance will further undermine already low levels of trust.

To reverse the cliché, financial services brands now need to 'talk the walk'. Invented brand values and superficial image-building will fool no-one. Customers and stakeholders want proof, including product performance in line with promises, high standards of service, and exemplary behaviour at the corporate level. And more authentic brand values will win the trust of employees as well as customers, helping to eliminate the cynicism that can kill internal brand allegiance.

In other words, in order to improve the brand, first improve the business. Or as Socrates said: "The way to gain a good reputation is to endeavour to be what you desire to appear." ■

About BergHind Joseph

BergHind Joseph is a leading B2B creative communications agency. Our work includes branding, employee engagement, stakeholder communications, corporate websites, events and research-led consultancy. To every project, we contribute creative design and our knowledge of the challenges facing business and society's changing demands.

To learn more about us visit www.berghindjoseph.com

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Roger's experience includes branding, thought leadership, investor relations, business development, corporate communications and culture-change projects. He has worked with organisations operating in all major sectors, and in a number of European countries. Before forming Headfirst, Roger was a Director of Pauffley. Previously, he worked in public relations and was a financial markets reporter. He is a graduate of the London School of Economics.

