



UK

Ethical brands and financial services

Ethical brands are now mainstream. Nevertheless there is still a lack of clarity about exactly what 'ethical' means to consumers. Furthermore, certainly in financial services, there is a view that an 'ethical stance' has no resonance.

GfK NOP has recently conducted a major study into ethical marketing and ethical brands (including financial services) and in this issue of *on the horizon* we touch on some of these findings, exploring how consumers understand and define 'ethical', how important ethical is to them in the financial services sector and our thoughts on the case for an ethical strategy in financial services.

Ethical brands – confusion and cynicism

'Ethical brands' and ethical claims are often met with a fair degree of consumer cynicism. In our study, 29% of respondents agreed that "ethical brands are just fashion statements". This cynicism is being driven by the consumer perception that a number of companies in many sectors are just jumping on the 'ethical bandwagon', with no real commitment.

Added to this there is also a certain amount of confusion about what ethical actually means in consumption terms. Ethical is an umbrella term which covers many different areas. In consumer terms, ethical seems to have three broad strands. One is about environmentalism, one about corporate ethical practice (in terms of use of third world labour and so on) and the final one is about treating customers (and, by extension, that normally means 'me') fairly and decently.

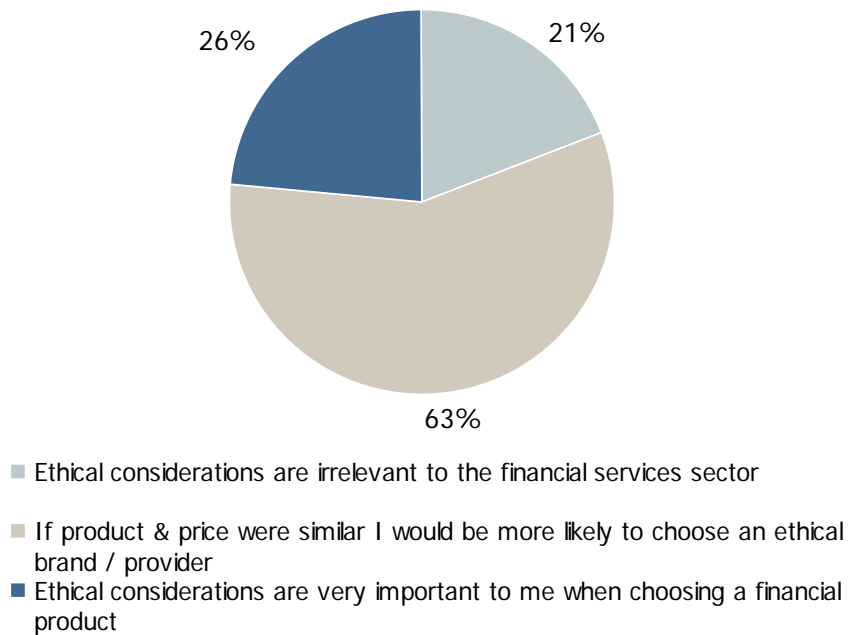
TOP 5 DEFINITIONS OF ETHICAL BRANDS IN THE UK:

Treats employees fairly	79%
Treats producers/suppliers fairly	79%
Uses a fair pricing policy	77%
Treats customers fairly	77%
Avoids harming and/or limits the impacts on the environment	74%

To compound this, there is also a strong disconnect between 'ethical' and the financial services sector. The purchase of financial products is infrequent but important and of high relative value. As such, ethical considerations can be less important when investing in this area, compared to other sectors. To illustrate; spending the extra money to support fair trade coffee is a minor and easily made choice, compared to arranging a mortgage, for example, where the financial investment becomes a far greater factor. Furthermore, the purchase of an ethical FMCG product or car can readily display one's 'ethical' credentials to others on a frequent and visible basis, compared to a far less visible and intangible financial service



product – so again, the consumers’ ‘reward’ for supporting ethical issues in FS investments is on a totally different scale to other markets. Added to this, the financial sector itself is regarded as the ‘epitome’ of big business and is generally perceived as putting profits before ethical values - and so, for many consumers, financial service providers seem counter-intuitive to the ethical movement.



Why should financial services providers concern themselves with ‘ethical’?

Given the uncertainty, cynicism and challenging consumer views on what an ‘ethical’ brand or stance actually is, on commercial grounds alone why should anyone, let alone a financial service provider, be thinking about making ethical a core part of their strategy? Well, despite the consumer cynicism of corporate ethical claims that exists in the marketplace, the majority still perceive ethical brands as a positive force for good. From our study, 42% of consumers agreed that ethical brands “make the world a better place” and 47% agreed that “ethical brands make businesses more accountable for their actions”.

More importantly though, ‘ethical’ can potentially serve to differentiate financial services brands, especially at a time when the category is often viewed negatively with little difference between brands. The brand-consumer relationship is often very rational and focussed on rate, features or inertia. A genuine ethical stance is a potential means by which financial services brands could differentiate themselves against ever increasing threat from existing competitors as well as the likes of ‘brand stretchers’ and price comparison sites. Indeed, when we asked consumers about ethics and financial services, our study points towards the potential reward of an ethical stance from treating customers fairly to demonstrating a commitment to the environment.



As the above chart shows, an ethical positioning alone is not powerful enough on its own to drive purchase. Only a small minority of consumers have 'ethical' as their major purchase criteria when it comes to financial investment and there are many mundane and practical choice considerations that most consumers must also consider. This is perhaps reflected in the more niche nature of existing ethical financial products (such as ethical investment products) and brands. Moreover, using 'ethical' as an acquisition tool without a very clear proposition backing it could possibly enhance consumer accusations of 'jumping on the bandwagon' and therefore backfire. To communicate 'ethical' effectively to consumers, FS brands will therefore have to display a real commitment and not an 'opportunistic positioning' or standalone product. If this can be achieved, then communicating ethical as a brand value has real power and value and can work as a tipping point. Bear in mind that ethical considerations are not the key driver of FS purchases, but, all else being equal, a firm ethical standing could tip the balance for many consumers.

This will involve positive and on-target messages of ethical behaviour by the provider, which our wider research study addresses in far more depth.

If you would like more details about our study on Financial Services and Ethical Brands then please contact:

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