RDR – Get up close and personal with your consumers

RDR has changed, and will continue to change, Financial Services business models. The withdrawal from mass market advice by Barclays and HSBC, Wealth Management firms declaring that they will be restricted advice only and some lowering of price by Asset Managers are just some of the headlines that have been attributed to the RDR. Rumours abound of retailers tying up with platforms and the development of smart phone and tablet finance apps such as PocketMoney and Allmyshares are just some of the new generation of financial services solutions that are in the pipeline. At the heart of all these changes is an understanding that not only are the regulations changing but the consumer is rewriting the engagement model to a way that suits him.

Our industry has for many years painted a veneer of consumer engagement activity over a psyche that looks inward first. In truth, financial services has not been a consumer centric industry but RDR and the empowerment that the consumer is experiencing in all other retail channels demand that we become one regardless of the distribution channel deployed.

How do we do this? Well certainly not by utilising old thinking and old techniques. We should learn from other industries that have understood the need to engage with consumers outside of a product sale and have embraced digital technology to create a relationship quickly and cost effectively. The consumer psyche has changed and declaring ourselves as 'different' from other sectors is no longer credible as the read across is growing. The top 20% by wealth in the UK are the most digitally active and savvy (source: Experian true touch) and it is therefore reasonable to assume that they have absorbed the psyche of the digital consumer, the zeitgeist traditional financial services companies ignore at their peril. There is a critical need to offer:

- true engagement
- useful information
- a dialogue
- evidence of listening

In short, financial services need to offer a valuable relationship not just products.

For organisations to do this, 5 broad key steps point the way for organisations to effect this change and deliver mission-critical reductions in costs:

1. Truly accept that the consumer is now in charge and the amount of financial information he/she wants is increasing. Not the technical product based information that the industry specialises in but outcome based information helping them understand what various options mean to them achieving their goal. All organisations talk this talk; so few can evidence changing their operational models and their culture to deliver it
2. Create an integrated view of your consumer engagement and distribution models. For years talk of the Martini model (any place, anywhere) belied rigid models. With consumers now in charge, they will dictate how they interact with brands and, guess

   what, they do not see themselves as direct customers or face to face customers they just want to choose how they do business on a case by case basis. Inflexibility is an anathema to the modern consumer and drives up cost. Look to create channel integration that reduces costly face to face interactions that do not produce a sale but most importantly are often not wanted by the consumer. The consumer will choose how they do business; you should offer sufficient options to accommodate them but influence consumer behaviour to use the cheapest options until 'the moment of truth' on purchase decisions
3. Understand your consumer base. T his means not only traditional CRM but requires looking at segmentation afresh incorporating some of the techniques in porting data-driven marketing online that consumer brands like Virgin Holidays and Orange have used so effectively over the past decade. The traditional segmentation needs to be expanded to include the 3D approaches successfully used elsewhere marrying demographics to behavioural and motivation data. It is not insignificant that there are well-established non-financial services brands using these techniques and increasing brand consideration by 11%, and average purchase frequency by 3%.
4. Move away from offer-based acquisition/conversion to trust building initiatives. If clients want open access to information then if you do not give it to them the web is full of organisations that will. Consistently look to offer value to consumers trading their time for the insight and targeted support you offer.
5. Choose your tools with care as they are at the heart of your offer. If offering or using planning or risk tools then it is critical that they are fit for purpose in supporting your brand offer, your target client needs and are consumer engaging and accessible rather than just fit for purpose for the financial services professional. Many organisations choose tools with a muddled criteria set divorced from the avowed customer centric

drivers. The market for tools is very busy and requires a structure approach to ensure that the technical and/or internal demands do not drive out the consumer offer led selection

These are just the basics of achieving a successful long term customer engagement model that is cost sensitive and there is no suggestion that it is simple to deliver. However at least identifying the need to migrate to such a model is a major step forward which should be followed by a critical assessment of the journey required to achieve it. In this way quick wins can be identified to provide momentum and an achievable path to the desired model put in place.

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