Case Study

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The IDM Business Performance Awards 2003 gold medal winner, M&G Investments: It pays to tell the whole truth

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Problems of investment marketing

Abstract

In 2003 M&G, with Harrison Troughton Wunderman, won the gold medal in the IDM's Business Performance Awards for an integrated campaign leading all the way from market research to sales. This programme achieved all its objectives of improved response, increased sales, higher share of market, reduced promotional expenditure and improved brand awareness — on the back of a shrinking market.

Introduction

M&G Investments, supported by Harrison Troughton Wunderman, were the winners of the coveted gold medal at the IDM Business Performance Awards for 2003. Financial investment companies have been involved in direct marketing on a large scale for many years now, but they have rarely seemed to be at the cutting edge of creative endeavour. Understandable perhaps: the product does not exactly lend itself to visualisation, and the whole subject of investment is one regarded by large segments of the population with a mixture of fear and distrust at worst, or a quite inadequate level of understanding at best.

This paper tells the story of an integrated programme of market research, media choice, creative targeting and obtaining of qualified leads, all the way through to sales, using at all times an open, intelligible, warts-and-all approach which forms a refreshing contrast to traditional advertising in this field.

No mention is made here of relationship marketing, or the dreaded term CRM. Indeed it is not clear from what follows whether M&G, unlike most financial companies, yet has a total view of its market by customer, rather than the product-led view with which the industry has been stuck for so many years. But what is clear is that the company has grasped the underlying principle of relationship marketing — that it is the needs, wants and lifestyle of the customer that must come first and determine the nature of the marketing approach (and ultimately of the product itself).

Background

In autumn 2001, M&G was a declining brand with poor fund performance and dwindling responses to advertising. Moreover, it had endured two consecutive years of stock market decline, which looked set to continue

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M&G in a difficult,
and worsening
market**

(as in fact it did) for a third year, in which there was little obvious public enthusiasm for investment; for such investors as might be in the market, there was fierce competition.

Lack of enthusiasm, natural enough with share prices falling, had matured into widespread cynicism as a result of a series of very public financial scandals — Enron, Arthur Andersen, Equitable Life, pensions and endowment mortgage mis-selling.

Over 2001 M&G had raised its marketing expenditure by 48 per cent; despite this, spontaneous awareness of the firm actually dropped by 9 per cent. Awareness was not helped by the sameness of much promotional material: M&G and L&G in particular were issuing advertisements which, apart from their logos in one corner, were virtually indistinguishable.

Despite this, M&G still had some assets. It was a long-established company — indeed, the first UK company to launch a unit trust, in 1931; it still had considerable recognition in the marketplace; the performance of its funds in years not yet beyond the recall of older investors had been excellent; it had survived both ‘bull’ and ‘bear’ markets and had £112bn of customer assets under management.

With all these considerations in mind, there was a need to enter 2002 (especially the hectic season for selling ISAs in the closing months of the tax year) with a revitalised approach.

Objectives

- To improve total sales, and specifically sales of ISAs, by a substantial margin over 2001.
- To obtain an improved market share.
- To improve brand awareness, absolutely and relative to the competition, and to shift brand perceptions.
- To do all this on the back of a lower media spend than in 2001, and therefore to show a greatly improved cost per enquiry and per sale.

Strategy

Market research: The brand's position

M&G has two markets to address — consumers, and independent financial advisers (IFAs). Research in both markets revealed that both were looking for the following qualities from an investment company:

- expertise
- informativeness
- straightforwardness
- integrity
- durability.

Perceptions of M&G were found to include integrity and durability, and these formed the foundation of the strategy, while striving to exhibit the other three qualities also.

Trust emerged as the key brand benefit to be communicated, but was not used for the proposition as the very phrase ‘you can trust me’ could result

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and independent
financial advisors**

in customers asking for proof of this claim. Consumers were looking for an institution that told the truth, a company that gave the real facts and treated the customer like an adult. The time was right for a marketing campaign in which exaggeration and hype were refreshingly absent.

It was decided to demonstrate transparency through the content of the information provided, giving *all* the facts and not hiding things in the small print. This culminated in the brand idea of 'The truth about investing as we see it'.

Market research: The target audience

'Mass affluents'

Clearly the target consumer audience has to be defined as persons with 'spare cash' to invest — M&G defined it as people with assets of £30,000–£200,000 and/or an annual income of £30,000–£100,000, comprising 8.4 per cent of the adult population in late 2001, worth £500bn and expected to grow in numbers by 50 per cent by 2004.

'Affluent silvers'

But these 'mass affluents' included many people under 40 years of age, who were, as a group, difficult prospects for investment selling (35 per cent of under-35 ABs had no pension provision). The target market was therefore narrowed down to those over 45. These were named 'affluent silvers'; they formed a major part of the existing customer base of M&G; they take investing seriously, and invest large amounts; and they accounted for 80 per cent of UK financial wealth.

They were also known from qualitative research to be more money-management minded than their younger peers, more financially astute and confident, more analytical and less impulsive and to prefer informative advertising. There was also evidence that this group of consumers were fed up with hype and spin, whether from politicians or businesses.

The campaign plan

Three-stage campaign

It was decided to break the campaign in January 2002, a month earlier than in 2001 and ahead of the traditional ISA season.

The campaign was to be in three stages. The first stage was to be a press and poster campaign to obtain leads, using a variety of creative material. Targeting, interestingly, was not so much through choice of media as through the creative approach.

The second stage was planned to send full-scale material by direct mail to responders, with each pack being related to the particular advertisement that had created the response.

The third stage aimed to divide names into those who responded to the second stage by buying (these entered M&G's customer marketing programme for fulfilment and for communications directed towards retention and cross/up-sell activities) and non-responders, who were to be kept as warm prospects for future mailings.

Campaign execution

Brand response advertising

Full-page ads appeared in the main news sections of national newspapers (not in the financial pages alongside the competition). Each ad contained a visual component deliberately designed to hook into the memory banks

of the older consumer — see Figure 1 (Percy Thrower, not Alan Titchmarsh; Emile Zatopek, not Colin Jackson). Each ad contained long, straightforward and informative text, either on investing in the stock market generally, or on bonds, which demystified the subject matter. The call to action was a coupon (coded to show execution and media source) requesting further information. Forty-eight-sheet cross-track posters were prepared for railway and tube stations (where it was reckoned travellers would have plenty of reading time). The call to action in this case featured a telephone number, specific to each execution.

Direct mail

Simple, credible direct mail material

Although the packs that were sent to responders inevitably contained application forms needing much filling in, the accompanying explanatory material was designed to be empathetic, easy to read, straightforward and credible.

Sample ads

The figure displays four full-page advertisements for M&G Investments, arranged in a 2x2 grid. Each advertisement is designed to educate and persuade potential investors.

- Top-left ad:** Titled "How do you protect yourself against a volatile market? Invest in it more often." It features a photograph of a man in a suit and a coupon at the bottom for requesting more information.
- Top-right ad:** Titled "Some say the secret of playing the stockmarket is knowing when to get out. Actually, it's knowing when to stay in." It includes a photograph of a man in a suit and a coupon at the bottom.
- Bottom-left ad:** Titled "The truth about ISAs. (Or 992 words about a product that doesn't exist.)" It features a photograph of a man in a suit and a coupon at the bottom.
- Bottom-right ad:** Titled "If you've had enough excitement in your life already, you may want to consider investing in bonds." It includes a photograph of a man in a suit and a coupon at the bottom.

Each advertisement contains a coupon at the bottom for requesting more information, with a telephone number and a website address.

Figure 1: Full-page brand response ads that appeared in national daily and weekend papers, January–March 2002

Tracking and measurement

Responses at all stages were closely monitored and related back to campaign codes, whether on first-stage ads or on mail packs. This not only made it possible to analyse after the event what had worked best, but also to control and adapt the media schedule during the campaign itself.

Results

Advertising expenditure and response

Expenditure down . . .

As can be seen in Figure 2, expenditure in 2002 was at a higher level in January and February than it had been in 2001, due to the decision to kick off a month earlier; this situation reversed dramatically in March through to May. By June 2002 expenditure for the half year was some £1.5m less than in 2001 — down by 31.7 per cent.

. . . response up

Response, on the other hand, which had never exceeded 3,000 a month in 2001, started in January 2002 at well over 4,000, rose to 7,000 in February and was still at almost 4,000 in March before subsiding. Total response for the six months was slightly under 20,000, representing an increase of 32.5 per cent. As a result, cost per enquiry was down by 53.9 per cent.

Sales

Sales up

In the vital January to April period, total sales increased by 15.3 per cent over 2001, and ISA sales by 19 per cent. (Internet sales grew by 38 per cent.) The most outstanding success was a particular pack mailed in February which required for breakeven a purchase by 0.28 per cent of those mailed. It achieved 2.7 per cent, or 864 per cent above breakeven.

Total costs of acquiring a customer, as a percentage of sales, were down by 35 per cent.

Market share

Market share up

By the end of April 2002, M&G's total market share was up by 14.3 per cent on 2001, with its market share in ISAs and PEPs alone being up by 24.8 per cent.

These results were achieved in a rapidly shrinking market: in the first half of 2002 industry sales direct to the consumer were down by 30 per cent, and sales through IFAs were down by the same amount.

Figure 2: M&G advertising spend versus response — Total brand and acquisition

Figure 3: M&G's brand awareness compared to that of competitors

Redemptions

Redemptions down

It is also the case that, no doubt as a by-product of this campaign, M&G's customer redemptions during this period were 19 per cent down on 2001, at a time when the market as a whole was seeing an increase of 20–25 per cent in redemptions.

Brand awareness

Awareness up

M&G also tracked prompted brand awareness against competitors during this period, and recorded an increase from 16 per cent to 18 per cent (with a brief rise to 19 per cent in February) for itself compared with a steady 15–16 per cent among the competition (Figure 3).

Learning outcomes

- The importance of defining and reaching a clear target audience.
- The value of customer trust, and the place of truth-telling in obtaining it.
- The need for a distinctive, not a me-too, approach to media choice and creative treatment.
- The ongoing impact of direct marketing, beyond immediate response.
- The need for careful measurement of brand effects as well as response rates and sales.
- The importance of telling the customer, in clear language, what he/she wants to know, not what the product manager wants to say.