Selling Money

What we've learnt about direct mail for financial services

Drayton Bird Associates Ltd

direct and online marketing

Overview

We all spend time, effort and money putting together our mailings.

Pulling together different teams – product, pricing, marketing, compliance, database, creative – to mention just a few.

And the hours and hours of each of these working flat out to get it right – through focus groups, pricing considerations, concepts, assembling the pack, liaising with printers, testing…

Not to mention the considerable cost associated with each stage in the process.

Then comes the moment of truth.

Our mailings land on possibly hundreds of thousands of doormats – doormats bombarded with similar mailers selling similar things from other companies that want prospects to buy from them.

How is it possible to stand out and get noticed? More important, to get people to buy what is offered?

This paper doesn't promise definite answers. But it presents facts and reflections that will stimulate thoughts and ideas that could in turn lead to better results.

The first section looks at the state of the market, what the financial services industry should expect, and actually achieves with Direct Mail today.

To give the paper added weight, statistics from the Response Rate Survey 2005 compiled by the Direct Mail Information Service, are included. Their survey is based on the results of nearly 4,000 campaigns.

Figures supplied by Nielsen Media Research lend verifiable substance – within the financial and other sectors.

But what exactly lands on people's doorsteps? What prompts people to reply – or ignore?

As working examples, mailings from two highly regarded financial names are analysed. Every element of each is scrutinised – from the envelope, the letter heading, the intro – right through to the PS and reply mechanisms.

In the third section the paper analyses in the same way two highly successful mailings, one to consumers and one to professionals.

It goes on to give a checklist of principles and techniques that have almost invariably produced better results.

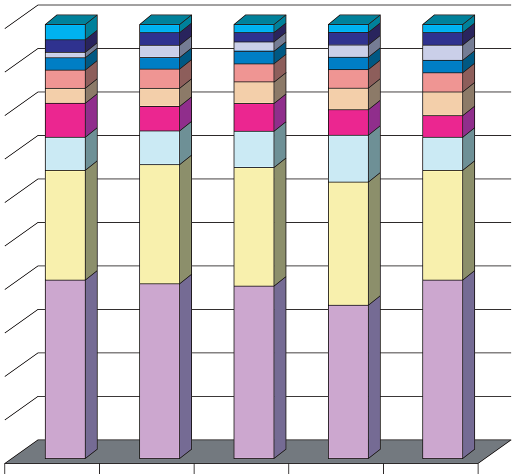
The paper also includes an appendix on one of the most painful subjects in financial services marketing: compliance.

Challenges facing the financial services industry

Figures supplied by Nielsen Media Research show that up until 31st August 2005 direct mail expenditure on financial services for the year was £398,648,710, the highest of all industry sectors.

Mail order was second with £334,117,373, while a distant third was government, social and political organisations with £141,003,611.

Top 10 direct mail spenders by industry



	2001	2002	2003	2004	2005*
BUSINESS & INDUSTRIAL	3%	2%	2%	2%	2%
PHARMACEUTICAL	2%	3%	2%	2%	3%
MOTORS	2%	3%	2%	3%	3%
TELECOMMS	3%	3%	3%	3%	3%
RETAIL	4%	4%	5%	4%	4%
TRAVEL & TRANSPORT	3%	4%	5%	5%	6%
ENTERTAINMENT & THE MEDIA	7%	6%	7%	7%	7%
GOVT, SOCIAL, POLITICAL ORGANISATIONS	8%	8%	8%	10%	12%
MAIL ORDER	26%	27%	28%	28%	28%
FINANCE	41%	41%	40%	36%	33%

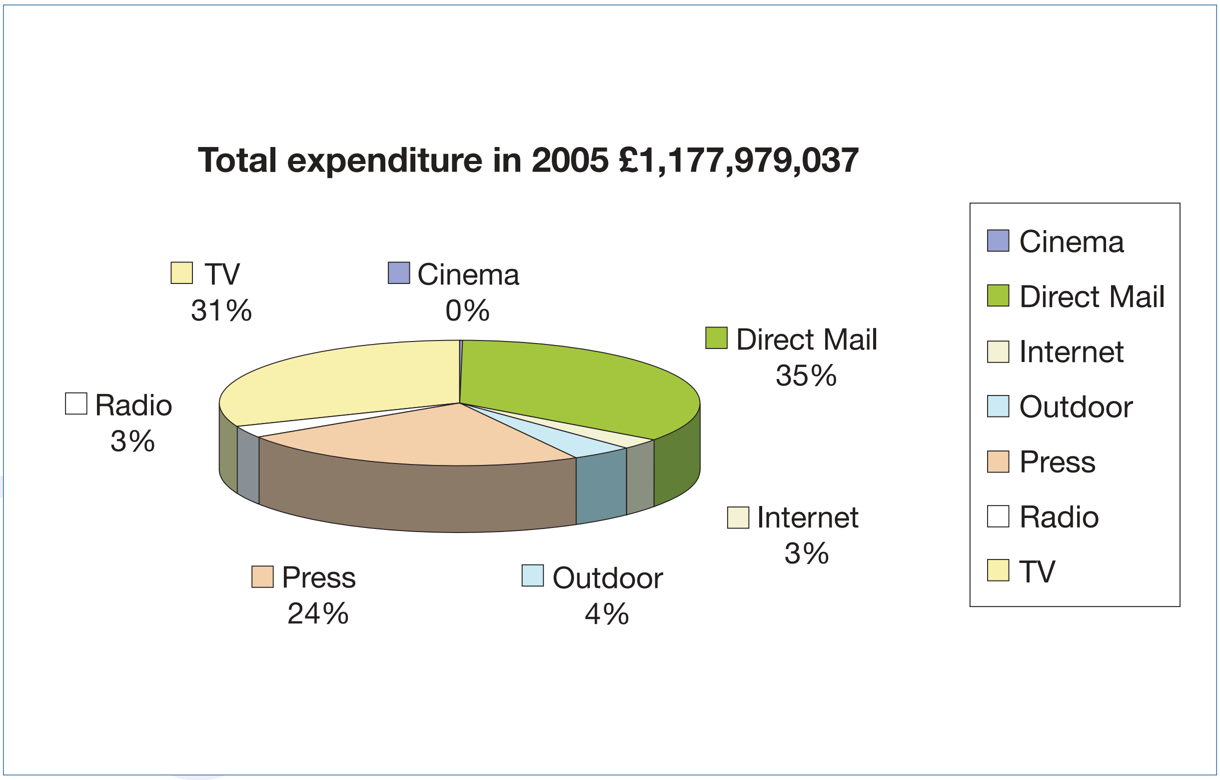
* Up until 31st August.

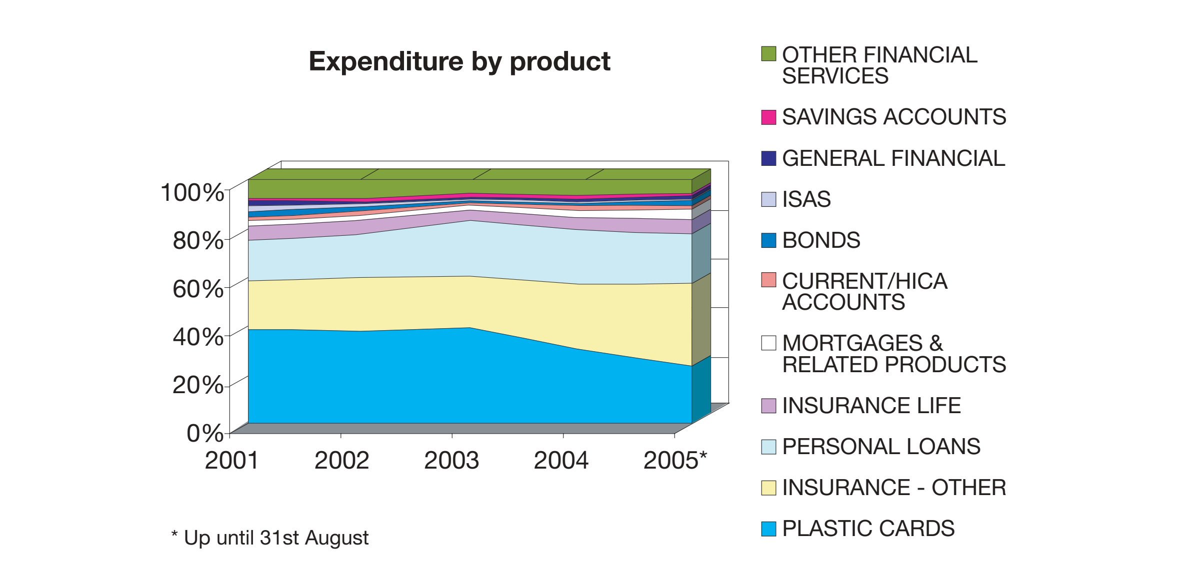
This is hardly surprising, since direct mail is the medium the finance sector spends most on, as the charts below show:

What products are more likely to be advertised?

Based on spend, the top five categories are: Plastic Cards of one kind or another, Insurance (other), Personal loans, Insurance (life) and Mortgages and related products. They account for the overwhelming majority of investment.

Yet one telling fact remains: response rates for the financial sector are among the lowest of all industries.





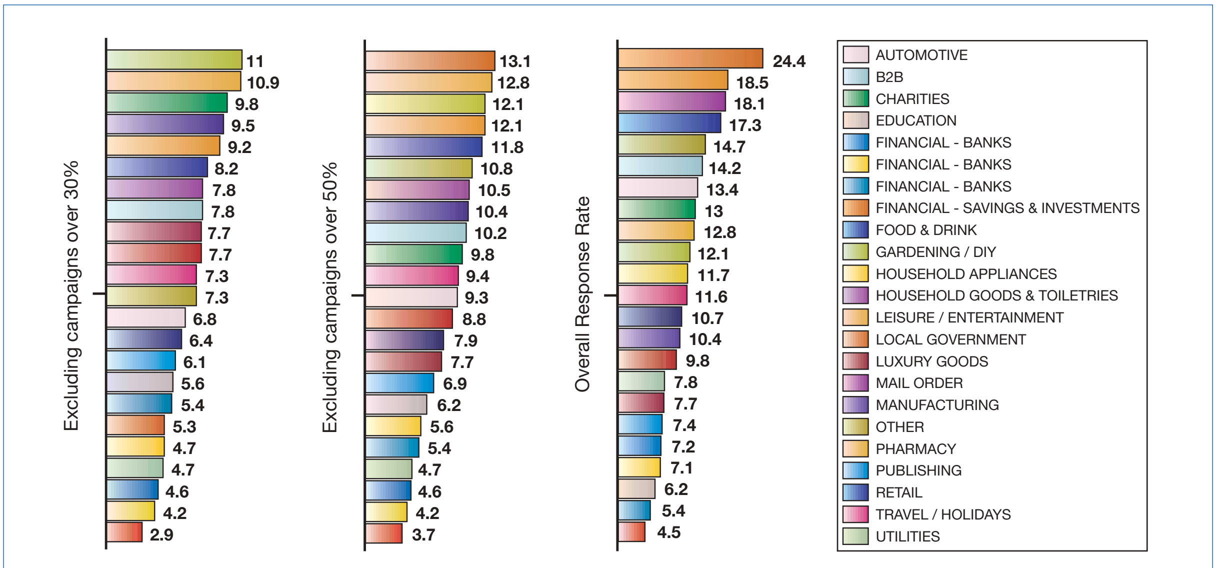
Figures from a Response Rates Survey 2005 compiled by the Direct Mail Information Service indicate how poorly the sector performs.

These figures may well flatter the direct mail industry – as the industry provides them. But comparatively, within consumer direct mail response rates for financial products occupy 4 of the 5 bottom places among all sectors:

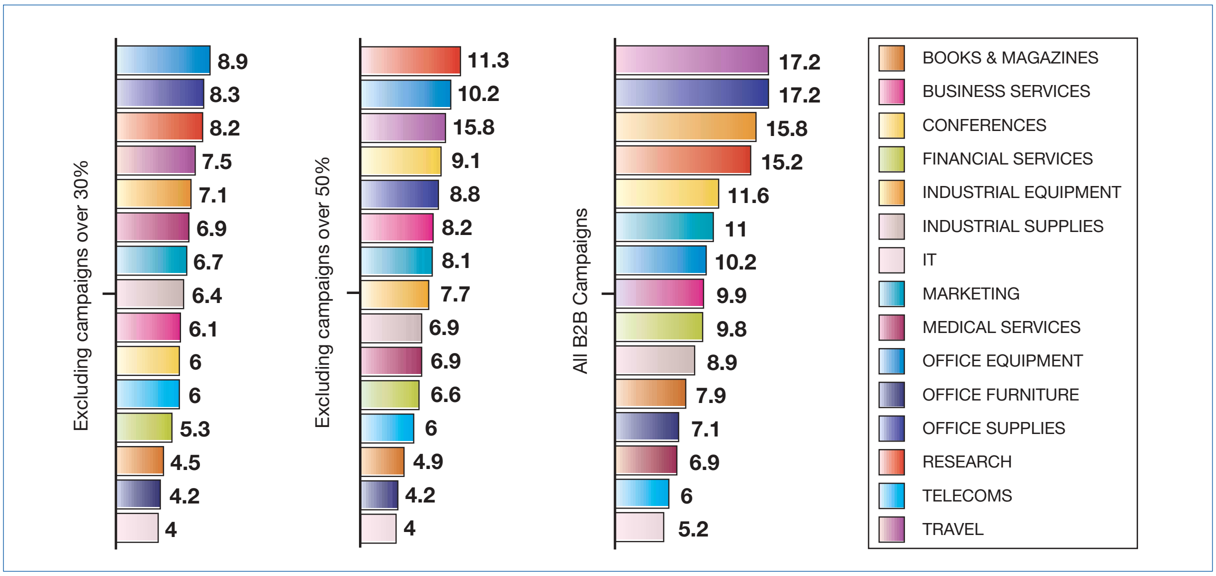
Financial:

- Savings and investments – 4.5%
- Loans – 5.4%
- Insurance – 7.1%
- Banks – 7.2%

Contrast this with the top performer, local government – 24.4%.



Within the business-to-business arena, the figures are higher, but still slightly below average. Financial Services have a response rate of 9.8%; but compare this to Travel and Entertainment at 17.2%.



Volume is a factor. And within the financial sector, high volumes are very common.

Observe what happens to response rates in the consumer arena as volumes rise:

• Small volumes (under 1,000) provide an average response rate of 19.7%. When the number rises to 200,000-500,000 the figure slips to just 5.9%.

The trend continues with B2B mailings:

• Under 1,000 = 14.8% response rate.

• 200,000-500,000 = 5.9% response rate.

It is logical to assume a simple reason for this: the larger volume mailings are mostly to prospects; the smaller to customers. The variance in response rates fits in with what we know about the likelihood of customers as opposed to prospects responding.

Statistics and response rates fluctuate slightly each year, but one fact is indisputable: financial services providers must try much harder – if for no other reason than that there is more competition within the sector.

UK households receive an average of 15 direct mail pieces per week, according to the Royal Mail. If expenditure is indicative, 41% of those 15 pieces – 6.15 – are selling a financial product and about 5 selling a credit card, insurance policy or loan.

Suppose the consumer is actually thinking of getting a loan, and therefore actually looks at the mailings received. Which loan will they choose? Which mailing will they reply to? How do you differentiate your offering?

Could it be the one offering the best price? Failing that (rates do not usually differ much) the one that stands out from the crowd. Not by being odd or bizarre, but by being relevant - recognising the consumer's need and giving a persuasive, convincing argument.

Is financial direct mail providing consumers with these elements? Let's take a look.

AN ANALYSIS OF THREE TYPICAL MAILINGS

Bank of Scotland Personal Loan

The outer envelope reveals that it is from Bank of Scotland with no indication of what's on offer.

Inside it is clear they're having a loan sale. The word "sale" has been shown to stimulate response. The rate of 6.9% is prominent but the rate prior to the "sale" is not mentioned. What kind of a sale has no saving?

And the "limited period" is not specified, so the limit has no meaning. Why should any reader act now?

The intro says that "now the summer is almost over it's a good time to review your finances". No reasons are given why. The rate and limited period are repeated - but again not the deadline. So the shaky credibility is further undermined.

Then the letter tells what you could do – clear your overdraft or card balances, simplify your finances or treat yourself. A list you might find in any such mailing. The rest of the body copy states you don't have to repay anything for 3 months, you can borrow from £7,000 to £25,000 for any reason and for between 1 and 7 years – all standard features.

It closes with the phone number and website address, but no strong call for action – and once again, no indication as to how long the limited sale period runs.

Summary:

Apart from the 'sale' theme there is no differentiation, but this – which could have been used well, is poorly exploited.

Amazingly, there is a limit to the sale; but it's not mentioned in the letter - the most read part of most mailings. It's carefully buried in the legal paragraphs – probably the least read part.

The letter gives a scattered series of features with no particularly logical order – there are no visual emphases, no real incentive or strong call to action. The accompanying leaflets contain a helpful repayment table, with the main message repeated.

One cannot but wonder whether marketers assume prospects are stupid.

Might not a moderately intelligent reader ask the sort of questions raised by the observations above?

'Hurry: Loan Sale..' – When does the sale end? Why should I hurry?
6.9% – What was the previous rate if this is a sale?
Don't miss… limited period only – How limited?
Now the summer's over… – Why is it a good time to review my finances?
6.9% – Is this a good rate? Compared to what?
Just think… – Haven't I seen all this a thousand times before? And do I need to be told why I might need money?
With a Bank… – The body of the letter hardly covers this at all.
Enjoy any special treats. – Is this not just waffle?
Loan amounts…for almost any purpose – So what?
Take… while they last – Again, for how long?

Abbey Personal Loan

The outer envelope reveals it is from Abbey; but does the 'stereo' picture on the reverse give any enticing clue or good reason to open and read?

Inside, a 'new rate' of 6.9% for loans of £5,000 is flagged with a definite end date – but the old rate is not mentioned.

The intro elaborates in a rather far-fetched analogy with the stereo and leads theme, suggesting how confusing they can be. The copy contrasts this with the simplicity of getting a loan from Abbey – after which they somewhat spoil things by rather ominously mentioning that they check out your credit record.

The rest of the body copy is brief but standard: the rate on £5,000 or more (not mentioning the much higher rate if you borrow less), choice of term and a plug for payment protector. The letter closes with the phone number, and restates how uncomplicated it is. That's it.

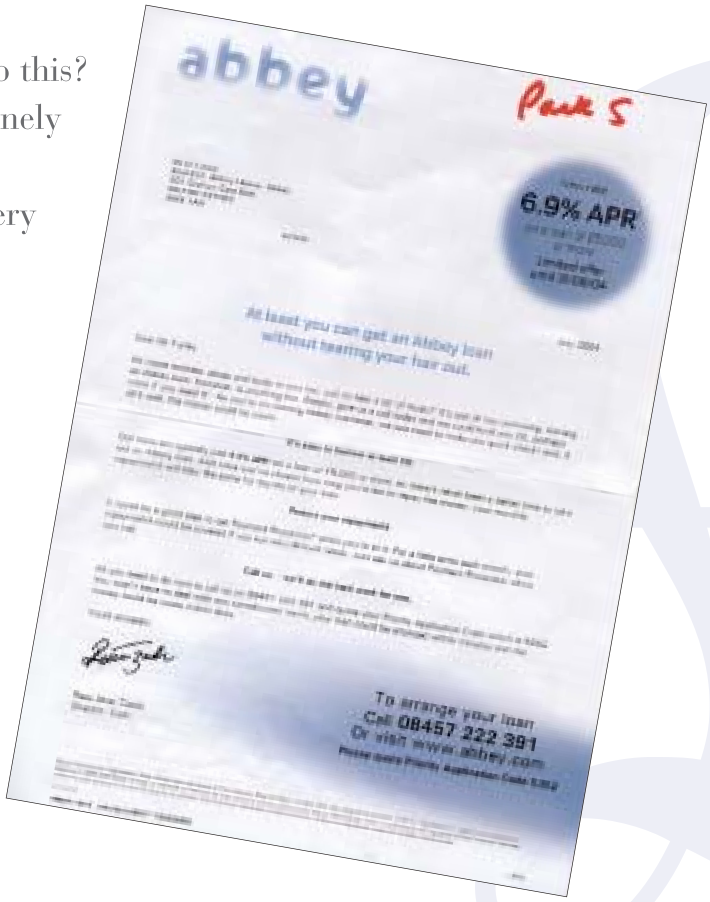
Summary:

The stereo equipment theme is a far-fetched analogy. It touches on the negative without clearly conveying an uncomplicated procedure.

In any case, how is the procedure uncomplicated? In what way is it quicker or easier? And subsequently the letter says little of substance. The 6.9% rate is just for loans of £5k and above – below that, they soar to 12.2% and up. Misdirection, one might say. There is no other mention of the limited offer or what it is – and overall, there is no differentiation whatsoever.

What might a moderately intelligent reader ask?

New rate – What's the old one?
At least... – Do other loans make you do this?
All those sockets... – How is this genuinely relevant?
...need to make one quick check... – Very off-putting just as I was getting vaguely interested.
...if all's well... – What do you mean? Am I a suspect? Or a prospect?
Our rates... – Nothing new here.
run into difficult times... Like what? Could you be more precise?
All you need... – No sense of urgency.
Beneath the title – No PS. Research shows a PS is what readers recall most, on average, in a letter. A missed opportunity.



Nationwide Loan

The outer envelope clearly states it is from Nationwide, who are offering a loan at 6.7%. Inside, a card is attached with the number and the rate.

The heading urges you to try Nationwide first and the intro suggests why you might want a loan – the same reasons, incidentally, as many other letters. They urge you to consider their offering first.

The body copy stresses their rates are lower than the main four banks' – and a table shows they are. Further on, they mention loan protection and list 5 reasons for choosing a Nationwide loan. However, these reasons are not competitive advantages, or unique – they are not independently verified or proven claims - or better than everyone offers.

The letter closes with the phone number and a reminder to keep hold of the card if you're not yet ready. And a reminder to talk to Nationwide first if you want to save money.

Summary:

This mailing tries to pre-empt the competition by urging you to talk to Nationwide before considering the big four banks.

At first glance, maybe they offer a better rate, but this assumes the competition don't have an offer (which they often do). And how do Nationwide compare with the hundreds of other providers? Apart from their 'talk to us first' theme, there is nothing that differentiates them from other loan providers.

Do prospects have a mental "databank" of all the many, many loan rates they see every day? This is highly improbable; so most if not all of the rate figures quoted in so many mailings must be pretty meaningless unless there are comparisons.

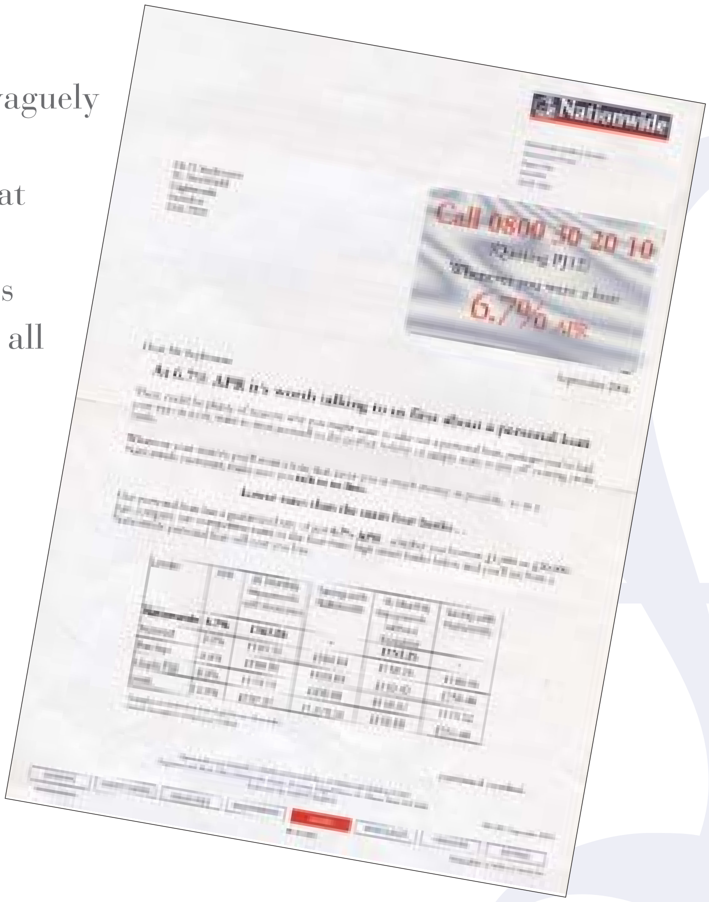
That makes the rate table a wise idea. But many, if not most prospects must know the banks are not the only possible loan source. If so, the table may be self-defeating to a degree; it may prompt the intelligent reader (there are a few) to ask three questions.

1. What are the other rates?
2. Why did they miss them out?
3. Do they think I am stupid?

As David Ogilvy famously remarked,
"***The consumer is not a moron. She is your wife***"

What might a moderately intelligent reader ask?

...Plenty of reasons... – Isn't that list vaguely familiar?
...Talk to us first. – Why, exactly? What will you do for me if I do?
Lower rates than... – But are the banks the only providers? I get offers like this all the time – in the papers, on TV, on the internet – and through the post. What about the hundreds of other offers?
The table – These figures assume the main four have no special offers (they frequently do).
Nobody can predict... – So why choose cover?
5 reasons... – Could be offered by anyone and are. Not competitive.
Applying is easy... – Why should it be difficult? How is it easy, exactly?
We'll give you a decision... – But how soon can I get my money?
Whatever you're planning... – Vague, no sense of urgency.
No PS. – Again, a missed opportunity.


Nationwide
Call 0800 30 20 10
6.7%

Worrying similarities

These three letters, selected at random, follow a fairly similar formula. The focus is on the interest rate. A discount of some type is the reason to reply immediately.

But the discount is neither justified nor logically linked to that reason for urgency. There is no genuine attempt to give a rationale for the offers, or for acting now.

One could reasonably argue that focus on price, while it may be a good tactic, may not be the most viable or sustainable strategy. And surely it cannot work equally well for everyone.

This leads to a more pressing issue: which loan should the recipient choose, bearing in mind the context of these mailings?

None of them acknowledges in any way that the recipient may have received very similar offers from different providers. What if these three packs landed on the same doorstep the same day - trying to sell the same product on almost exactly the same terms?

And one thing is certain: these people will have seen press ads and commercials, also offering loans.

That is why it seems a shame there is no attempt to say, "We're different, and here's why".

Experience suggests that positioning is critical to success in marketing. Apart from a different visual look, there seems no real attempt to position the brands here. The language is virtually indistinguishable; the offers are alike; the reasons to buy much of a muchness.

Is there another way?

An example that worked – and why

It is legitimate to wonder how would response rates be affected if the focus of the mailing were shifted from price to other deciding factors.

What if the creators were to bear in mind that the reader does not receive mailings in a vacuum, but amongst many letters, some offering a very similar deal?

Here is a Personal Loan mailing that produced a very significant uplift indeed in response against the control mailing.

Liverpool Victoria Personal Loan letter

Immediately, a cheque showing through the envelope suggests what's on offer.

The letter heading indicates straight away how soon the money can be obtained (a week), how long it will take to find out (10 minutes) and the mechanism (a free phone call).

The intro rushes in, not offering a well-worn list of why readers may want a loan (it assumes they will know), but the phone number and a sense of urgency.

The body copy continues by positioning Liverpool Victoria as a good loan provider, especially for members – who happen to be the readers here.

The rate is prominent and compares favourably not just to the big four high street banks, but smaller, more competitive providers.

Honesty is used, assuming the readers are intelligent and admitting that Liverpool Victoria may not be the very cheapest (but definitely one of them).

The argument is sensible: why waste your life looking for a better deal? And the close is definite and forceful with a sense of urgency.

The opportunity to use the PS is utilised (twice), repeating the rate and the timeframe, and promoting speed of action.

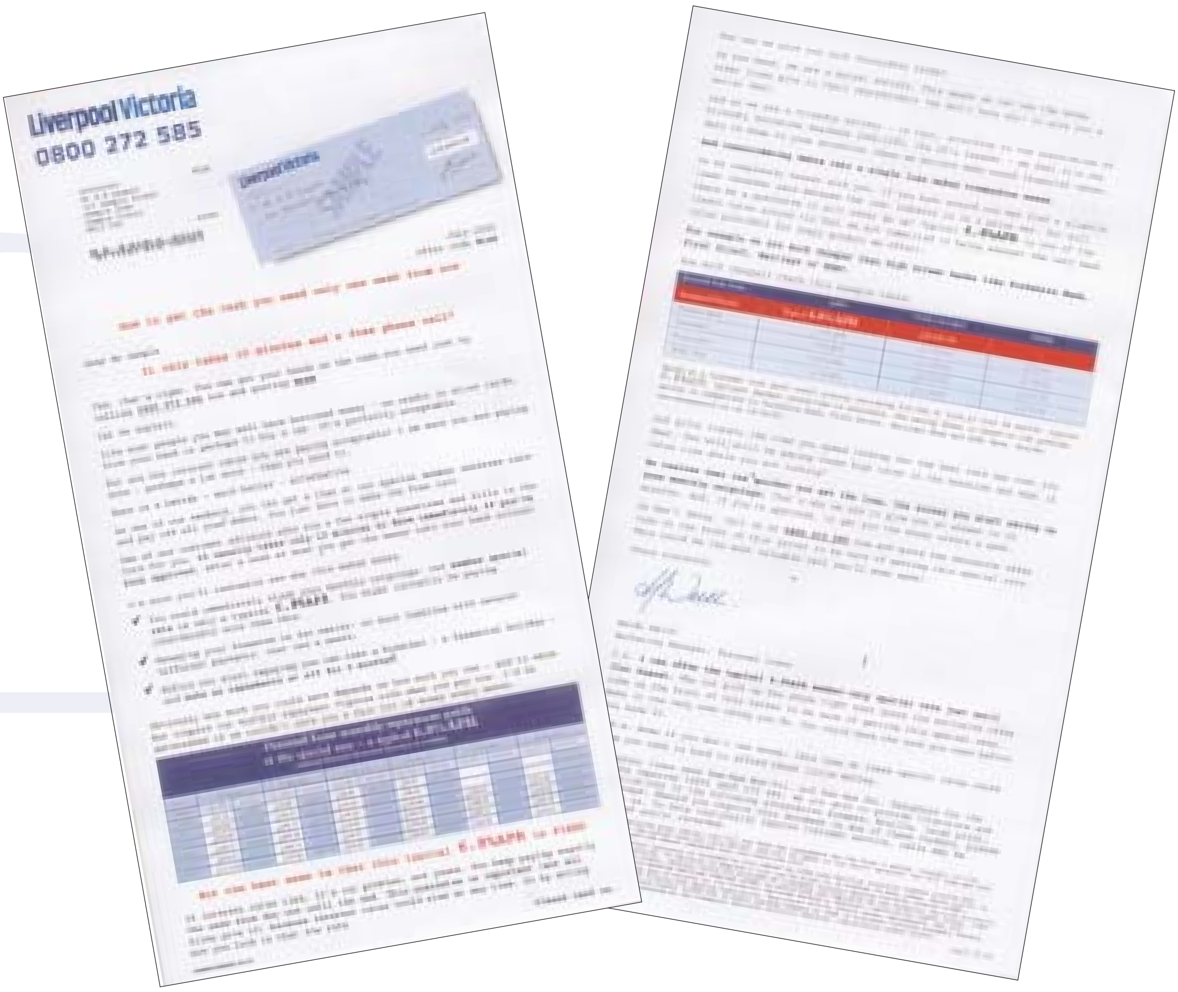
Summary:

While the content is practical, relevant and gets to the point the tone is accessible and without industry jargon. No opportunity is wasted to offer the rate – and request quick action.

The use of a traditional typeface (Courier – which in one test increased results by over 60%), devices like the cheque, and emboldening where important, aid differentiation without detracting from the main message.

Perhaps most telling is the urgent tone – "don't delay", "call now", "make it the very next thing you do". Having spent the time and effort getting people to read this far, go all out for the sale. Few do.

In short, this mailing does a complete selling job, gives reasons for the claims advanced, and employs tested direct marketing methods which often seem forgotten now.



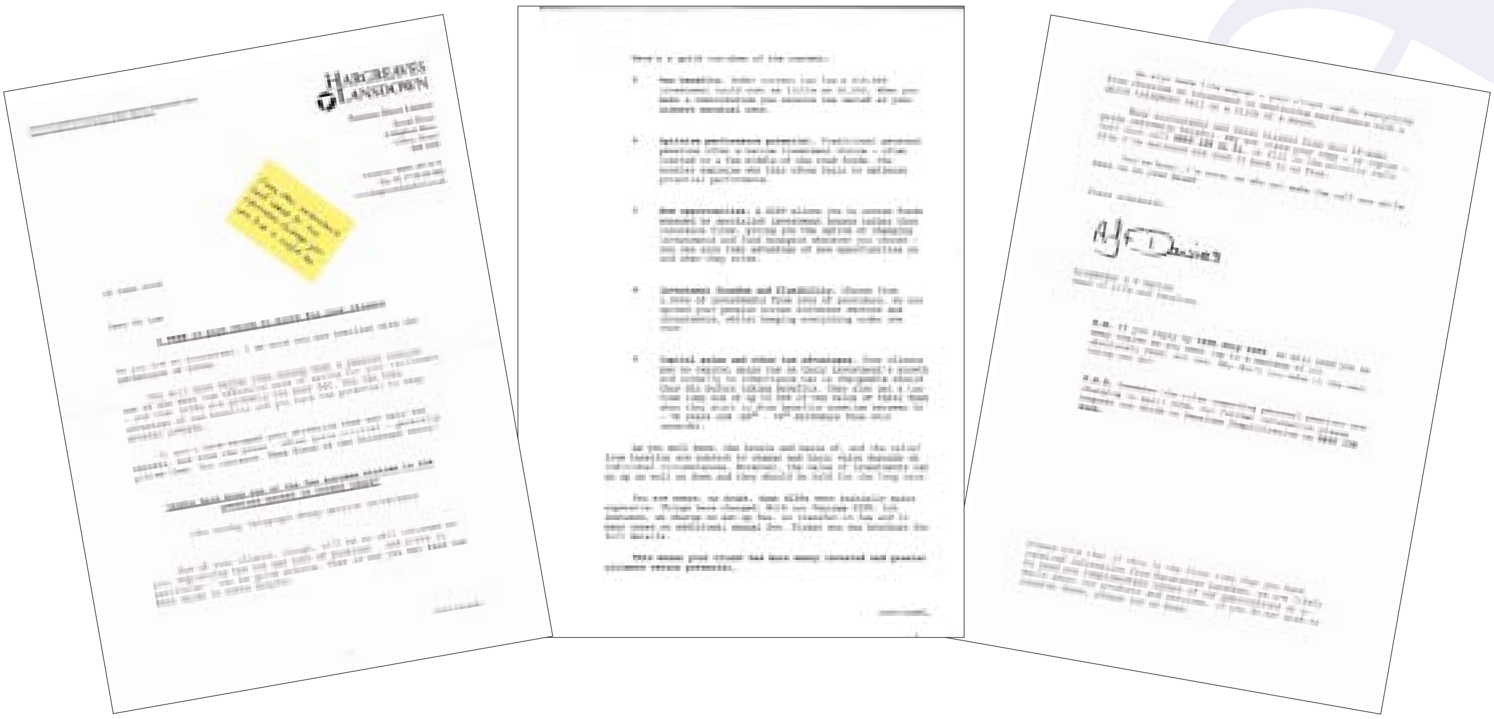
A similar approach for a more complex product

This letter was sent to a cold list of accountants by Hargreaves Lansdown, the UK's leading Independent Financial Adviser.

The audience is professional and very familiar with the world of financial services, but basic direct response thinking as employed for Liverpool Victoria also works here – because the principles are sound and proven to work for mailings in all areas.

The two factors shown to work best in direct mail openings are flattery and appeal to greed. Both are applied here.

The response rate was way ahead of the average in the top performing sector of the financial services industry (Banks – which is 7.2%). In fact it was the highest ever achieved by this firm.



Hargreaves Lansdown Pension Letter

Immediately the Post-it note attracts attention, and emphasises that others in the trade value the information. This is a variant on the old, tested headline, "Who else …?"

An incentive is offered straight away in the headline.

The intro recognises their position and flatters their expertise.

The flattery continues in the next paragraph and also highlights the benefits of pensions, and specifically, SIPPs.

A testimonial from a reputable source adds credibility. Why the guide? It explains the ins and outs of SIPPs: a relevant, time-saving benefit. The content run-down is not just a list, but offers competitive advantages.

Honesty is used again, admitting that SIPPs were expensive initially, but also stating how much they have changed since.

At the close, it forcefully asks for a reply.

In the PS a sense of urgency is created and an incentive to act by the date mentioned. And again, a reply is forcefully asked for.

Summary:

Although the audience differs from the mass market Liverpool Victoria letter, the tone is still accessible and doesn't use industry jargon. Most importantly, the content and offer are relevant to accountants. Who wouldn't want a free guide that makes their job easier?

The typeface Courier is again used for clarity and the Post-it note not only attracts attention, but imparts a powerful "me, too" message. Throughout, also, emboldening is only used where it is important.

The main body highlights at a glance what the free guide offers, not in list fashion, but as compelling reasons why it should be requested. The reader is left in no doubt of the advantages of offering them to their clients: they save money and make the most of new opportunities.

To sum up, this letter makes a relevant offer to its audience, backs it up with fact-based persuasion and completes the selling job by making the guide a must-have for both accountants and their clients. Everyone wins.

What we have learned – 10 things that often work

As mentioned in the introduction, this White Paper does not claim to give definite answers, but just to stimulate thoughts and ideas within the industry on the subject that certainly strikes a chord with everyone: better results.

This checklist shows some principles and techniques that tests have proven to deliver just that: better results.

1. Be serious – not funny. Money is a serious business. People's livelihoods and futures depend on it.

2. Be honest. The best policy. If you offer a cheap rate, say why. If it's better than only most high street providers, don't say all.

3. Don't talk down to current or potential customers. They sit next to you and live with you and are often as smart as you.

4. Remember, money is not boring. Don't assume that any communications you send out have to be particularly staid or unengaging.

5. Don't rely on a 'creative idea'. Important messages get lost. Think of a compelling argument and say everything you possibly can to communicate it. Give any reason to buy and overcome any possible objection.

6. Answer the question: why should they choose you? If you don't have the answer you know you need to find something that sets you apart and above your competition. If you cannot find a significant difference in your product or service, just say more – it's almost as valuable. For instance, if nobody else is saying you can get a quote in three minutes, and you do, up goes your response, even if you are not the only one who gives a quote in three minutes.

7. Work with compliance, not against them. More often than not they just want to be involved. If you leave them out of the process until the last moment and then expect them to bend over backwards, you will be disappointed.

8. Offer a specific benefit. Find out your product's best attribute, promote it heavily by repeating it – at least three times. Don't dilute its importance by burying it in with average features.

9. Make your message relevant. Put the information you hold about your customers to good use.

10. Ask forcefully for a reply. If you don't, potential customers dither and you could very likely lose the sale.

Conclusion

While there are many challenges facing the financial services industry within the direct mail sector, there are also tremendous opportunities.

It's true that the direct mail spend of the financial sector is the highest of all sectors and the response rates are lowest of all industries.

Yet therein lies the challenge and the opportunity.

As shown throughout this paper, despite the general decrease in response rates, better results can be achieved.

Often it is just a case of applying and following simple rules. Of course, it's never that simple. External factors such as timing, accurate data and a relevant offer are always critical.

But what we offer is a complete armoury at your disposal to give you that extra edge. We give you competitive advantages with the knowledge, tools and verifiable means to increase response rates.

Just ask.

Appendix: Dealing with Compliance

Compliance is considered a necessary evil. Perhaps, even within the compliance department.

Dealing with them often means:

- An endless stream of changes.
- Sentences in "legalese" dropped into the body of the communication without thought, or even worse, at the end of the communication, when getting a reply should be a priority.

There is a struggle between the need to get a definite reply and the need to prevent being fined.

This impasse is usually solved in one of these three ways:

1. Say very little

The easy way out. Nothing of substance is stated from the outset, so there is no risk, but also, none of the benefits are communicated or expanded upon. This route avoids confrontation and steers away from any dangerous ground.

What this means

While it is the safest route, all that results is a diluted message and it reads and looks like many other staid communications. Even worse, it never expands on the details that differentiate the product from others in the market.

2. Bend over backwards

This is the "non-belligerent" way. After you write the initial drafts, you then accept suggestions that compliance make – without discussion.

What this means

A communication is produced that makes no sense to anyone – except compliance. Needless to say, it won't sell anything.

3. Befriend the enemy

The preferred way, especially in consideration of the forthcoming changes suggested by the FSA.

Involve compliance early and discuss everything until you reach an agreement. Overcome the linguistic barriers and fight your corner for the customer. And don't give up until then.

What does this mean?

A message that is compliant and keeps its commercial edge. Without doubt, the strongest contender.

What normally goes wrong?

Lack of communication. Whether from the beginning or the very last step of the process.

What works for us

- Working in compliance is like being a parking attendant – a tough job, often looked at with hostility, but someone has to do it
- We find it pays to sit down with the compliance team, talk to them, and discuss the options
- For one job this reduced 102 confusing e-mails to two pleasant, fairly brief meetings

5 survival tips

- Don't treat compliance like your enemy
- Try to understand the reasons behind their requirements
- Negotiate: make several suggestions
- Don't give up until both parties are happy
- When you incorporate compliance warnings, remember you are talking to real people, not actuaries

An example of a liaison that went well

Step 1 – Original line:

"Now your acceptance is guaranteed with no medical required… and you can get a cash payout of £X,XXX for £14 a month"

Step 2 – Compliance suggests:

"Now your acceptance is guaranteed with no medical required… and you can get *on death* a cash payout of £X,XXX for £14 a month"

Step 3 – Line agreed (after 10 minutes of discussion and several suggestions):

"Now guaranteed:
✔Your acceptance with no medical required
✔A £x,xxx life cover for £14 a month - ***to leave behind for those you love*****"**

Why compliance is your ally

It makes you do what you should do anyhow:

- Deal with the shortcomings of what you offer, as well as its benefits
- Be precise – if you say you are better, how much better? Compared to what?
- Don't hide anything or be evasive. Be honest: it's more convincing

Compliance is not just about avoiding a fine. It's about putting the prospect in the position of making a better decision.

And this is what marketing should be about. We don't want to con people into buying, we want to give them the elements to choose us.

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