Marketing financial services used to be easy. Back in the old days, banks would simply dangle a shiny new toaster in front of a potential new depositor and they had themselves a customer for life. And employees were just as loyal as the customers - high-performing stockbrokers and sales professionals almost never left their parent company to join a competing firm. Everything was so much simpler then; the entire financial services industry operated like an “old boys” network where multi-million dollar deals were cheerily negotiated on the golf course or over a couple of cold beers.

Today, competition in financial services is fierce; success or failure can hinge on a few basis points, a friendlier voice on the phone, or a more user-friendly Web site. And not only has competition become intense, the industry has also undergone enormous structural changes - the old laws and business practices that once separated investment banks from commercial banks, and insurance companies from mutual fund companies, have disappeared. Now everyone is competing for the same business segments. Retirement services, for example, are now offered by banks, brokerages, mutual fund companies, insurance companies, and independent financial advisors.

Plus, it’s not just the customers that are up for grabs. Today’s financial services industry is an employment free-for-all, where top sales producers act like pro baseball players, jumping around from company to company, and demanding salaries and signing bonuses that often exceed those of top CEOs.

But even as the financial industry has undergone momentous structural change, financial services marketing has remained more or less what it’s always been - passive, conservative and relatively undisciplined. With rare exceptions, financial services professionals are still using old and often ineffective methods of acquiring and retaining both customers and sales professionals. As a result, many large firms and independent practitioners are finding it next to impossible these days to improve profitability, attract and retain high-value clients, and maintain brand equity.

Where should financial services professionals turn for contemporary sales and marketing advice in this unprecedented period of change and uncertainty? Well, for starters, there’s The Financial Services Marketing Handbook.
The Financial Services Marketing Handbook, by industry experts Evelyn Ehrlich and Duke Fanelli, is a practical and engaging guide to all aspects of financial services marketing. It provides a step-by-step overview of the basic marketing functions, including segmentation, positioning, branding, tactical planning and advertising. In doing so, it offers information you need to target, attract and retain profitable customers, and create loyal employees.

**Why Marketing Money Is Different**

Anyone who makes a living by persuading other people to buy something needs to have a basic understanding of marketing. For the purposes of their book, Ehrlich and Fanelli define “marketing” as “the process of planning who you are selling to, what you are selling to them, and then choosing the tactics that will best achieve your goals.” Tactics can range from personal sales calls, seminar selling, direct mail, e-mail, or inviting clients to a dinner or golf outing.

Not surprisingly, marketing techniques tend to differ greatly from service to service. Marketing a vacation resort, for example, will involve a different set of variables and tactics than marketing a law firm. So it is too with financial services, which have their own unique set of circumstances. This is because, when it comes right down to it, financial services marketing is about money, and for most people money carries a lot of psychological baggage.

“People’s attitudes toward money tend to be highly emotional,” writes Ehrlich and Fanelli. “This may matter less for business-to-business transactions, but for the consumer marketer, hitting the right emotional notes can be critical.”

Because money is so personal, relationships are critically important in most areas of financial services - particularly investments, retirement planning and insurance. In these areas, according to Ehrlich and Fanelli, consumers don’t necessarily buy a brand (e.g. National Bank) so much as they buy an individual (their stockbroker).

For financial services marketers, the fact that customers tend to have strong relationships with their individual financial planners can be a double-edged sword. On one hand, customer loyalty can be very high. But on the other hand, today’s Salomon Smith Barney’s sales executive may be tomorrow’s Merrill Lynch sales executive - and his or her clients will probably follow along. Thus, the marketer’s role is as much about finding profitable customers as it is about holding onto top-performing sales professionals.

**Market Segmentation**

Very few companies can afford to be everything to everyone anymore. Even companies that specialize in mass market products (like basic checking accounts) must segment their markets so they can focus their limited marketing dollars on the most profitable segments - e.g. retirees, young professionals, Hispanics, etc.

With that in mind, the authors argue that mass advertising is usually a waste of money. For example, a thirty-second spot on the Super Bowl can cost upwards of $2 million for airtime, plus a few million more in production costs. So if you’re advertising an online brokerage when only about half the viewers transact their business...
online, a good chunk of your investment is missing the mark. Unfortunately, this is something that many companies didn’t learn until it was too late.

That’s why it’s so vitally important to target effectively. Targeting is all about picking the actual market segments you want to go after and allocating your resources accordingly. For example, targeting can help you identify the media that best reach your target segments. When you’ve identified a particular segment (for example, young professionals just starting out in their careers), you can more easily determine the media that best reach these markets (for example, law or medical school alumni magazines).

Effective market segmentation can also help you to build referral business. It’s a fact of human nature that, in general, people tend to affiliate with people who are similar in interests, economic background or other demographics. They’re also likely to refer business to their friends and follow each other’s purchasing patterns.

Targeting specific market segments also increases the potential return of your marketing dollars. It might seem obvious that when you buy a mailing list, you should limit your use of it to people who have the ability to buy your product. Yet, according to Ehrlich and Fanelli, direct marketing mishaps are still far too common. For example, at least one national bank, having failed to cross-analyze its own customer list, sent a solicitation for renters’ insurance to homeowners who already had mortgages with the bank!

By correctly identifying target segments up front, you can avoid wasting money offering the wrong services to your existing customers, and incorrectly targeting prospects who will never buy, or never be profitable.

Effective market segmentation can help you narrow the focus of your message, making it more likely that the prospect will respond. Although the average direct mail offer today gets less than a 2 percent response, when the list, the offer, and the message are narrowly targeted, the response rate can exceed 10 percent.

Lastly, market segmentation also enables organizations to build products designed for target segments and to avoid market segments for whom they have no appropriate products. For example, an investment company that specializes in fixed-income funds is probably not going to have much to offer day traders looking for fast profits and shouldn’t waste its money seeking them. However, if a target segment, such as retirees, is looking for a related product, like annuities, it may be sensible to investigate offering such products.

Branding

Segmentation and branding are the two most basic strategies of marketing and apply to every single product and service. If you don’t know who your prospects are, you can’t go after them. But on the flip side, if you don’t know who you are - or who you want to be - your customers won’t go after you either. Simply put, branding is about determining how you want others to view your company, product or service. “Branding,” writes Ehlich and Fanelli, “defines who you are, what values you
communicate and how you’re different from your competitors.”

Companies are wise to invest time and money into a solid branding strategy. A brand image provides a shorthand way of letting your customers, and your employees, learn about your company. A brand has a personality, and a perceived level of quality associated with it. It’s much cheaper to introduce a new product by way of a brand-extension by leveraging a familiar brand name.

Most of all, a brand name is unique. It is the one characteristic of your product or service that can never be copied by your competitors. When thinking about your brand image, the most important factor is consistency. Both tangibles, such as brochures and letters, and intangibles, such as customer service, should always conform to the brand image. There must be consistency across all channels of communication, including external communications with customers, internal communications with employees and investors, your online presence, as well as the bricks-and-mortar “feel” of your offices (e.g. signage).

Even if you’re already the gold standard in your particular market segment, Ehrlich and Fanelli still recommend you take a closer look at the consistency of your company’s image. That’s what Goldman Sachs decided to do in 1999 when it went forward with its Initial Public Offering. Goldman Sachs knew it already had a reputation as being the best in the business of investment banking. But nevertheless, management went to great lengths to make sure the look and tone of its printed and online materials projected a consistent image across all of its products and markets. In the end, all facets of corporate communications worked together to make the company’s already great story even better.

Positioning

As you develop your corporate brand, one of the easiest ways to define who you are is by comparing yourself with your competitors. What does your competition stand for? What do they offer their markets? Do you offer the same or different qualities? This exercise is called “differentiation,” or determining how you are unlike your competitors.

Ehrlich and Fanelli offer consumer banking as an example. Until fairly recently, they say, there were essentially two kinds of consumer banks - large banks with lots of branches but impersonal service, and small banks with personal service but few branches. Then some marketing genius came along and thought, “Why not combine personal service with lots of branches?” The result was a new wave of consumer-friendly banks like Commerce Bank and Washington Mutual. These businesses positioned themselves against their competitors to come up with a new and better bank.

There are literally thousands of ways to differentiate yourself. Some obvious points of differentiation are tangible: price, selection, terms, and delivery time. Some other points are more intangible, such as quality of service, expertise, image, value, and status. Also, some points of differentiation are inherent in your product or service, and the key in those cases is to recognize them. For example, mutual funds compete largely on the basis of investment return. If your fund is consistently beating
its peers, and you get that message out there effectively, you'll get more business.

**Branding And Positioning For The Financial Advisor**

One company cannot be all things to all people and neither can an individual salesperson or broker. And so branding and positioning techniques are equally important at the individual level.

To illustrate this point, Ehrlich and Fanelli tell the story of Gene Inez, a high-performing broker who decided early in her career to focus on meeting the needs of women entrepreneurs. She established and began marketing herself accordingly. She created brochures geared specifically toward women, held seminars on topics important to local women business owners, and co-ordinated business card exchanges to help women in her area network. She also became active in chapters of local women’s organizations. Her involvement helped her grow her business, and at the same time, positioned her and the companies she was affiliated with as positive role models in the community.

Even if you work for a large multi-national with a strong brand image, you still need to develop a look or image of your own (recognizing, of course, that you still need to fit within your firm, and the firm’s overall market). For example, Ron, a mutual fund salesperson interviewed by Ehrlich and Fanelli, consistently heard from brokers he dealt with that the company he works for tended to be too bureaucratic, and took too long to answer inquiries or create proposals. So Ron developed a positioning strategy that involved countering the negatives of his parent company with his own exceptional level of service. He developed a mission statement that said, among other things, that he will be reachable by phone or pager 24/7; that he will return all e-mails within 24 hours or less; and all clients will receive a weekly status update. Most importantly, Ron is faithful to these statements, which sets him apart from others in his firm and enables him to standout as a star performer.

While Ron is just one example, there’s no one right way to differentiate yourself and your business. What’s crucial is that you find a way to do it, and do it fast.

**Marketing Tactics**

Let’s now take a closer look at actual tactics. Given the large number of potential marketing tactics - including print and radio advertising, direct mail, and the Internet - how does a marketer decide which ones to use?

From a strategic standpoint, Ehrlich and Fanilli argue that the answer should be based on a thoughtful analysis of the following:

Your selected client segments. What do they read, watch, do for entertainment? What is the most effective way to reach them? How do they like to be contacted (mail, phone, in-person, Internet)?

Opportunities in the marketplace. Are there special events that lend themselves to a sponsorship? Is there a trade show coming up where you might give a presentation?

Competitive behavior. Are your competitors advertising heavily? Have competitors
entered or exited your markets?

Short- and long-term objectives. Are you trying to generate leads for your sales force or outright sales? Are you trying to build brand awareness for the long term or generate a “quick hit”?

Your budget. Although marketing dollars and staff resources shouldn't be the first consideration in tactical planning, budget will certainly have a major impact on what you can do. But bear in mind that no budget ever seems big enough. Planning and creativity can be more important than dollars. And even with the identical budgets, two companies will likely come up with different tactical marketing plans.

What follows is an overview of a few of the more common marketing tactics.

**Media Advertising And Public Relations**

To many people, media advertising is marketing. It's often the first tactic to come to mind when a company is looking to boost its sales. But media advertising is just one arrow in a financial services marketer’s quiver. According to the authors, it's also rarely the best choice to use if the objective is building sales (largely due to production and advertising costs). Nevertheless, in their view, there are still many good non-sales related reasons to use media advertising, including branding, customer relations, maintaining market share, and improving employee morale.

When deciding whether media advertising is right for your company, ask yourself the following questions: How much of the financial services advertising that you see or read each day do you act upon? The answer is probably none. And when was the last time you discussed a financial ad with a friend or colleague? It’s probably been awhile. Now, consider your reaction to a recent news story concerning the financial industry. How much of your attention did it receive? Did you discuss it with a friend or colleague?

It's likely you spent more time thinking about, and discussing, the news story than the advertisement. That's why your focus should be on public relations, and not direct media advertising.

Unfortunately, too many marketers, particularly in financial services, give short shrift to public relations as a tactic for building up their company and generating sales. Yet public relations can be one of the most effective means of shaping attitudes, and building credibility for you and your company.

What is public relations? If you asked a group of consumers, or even industry professionals, to define public relations, invariably you’d hear the words “free advertising.” But PR isn't advertising, and it isn't free. Getting press coverage can be expensive, but the perceived third-party endorsements that come along with it can be worth their weight in gold.

With a little creativity and lots of time, effective PR can be achieved on any budget. But when these two inputs are in short supply, the authors suggest you consider retaining the services of a PR agency to spread the good word about you and/or your firm.
A good PR firm can open doors to reporters and editors and give you access to local circles of influence that may be closed to the average financial advisor. Professional PR executives invest a lot of time and energy developing relationships with the media and the local business community - relationships that you can leverage. It might be worth taking a closer look at what a PR firm can offer.

The Internet

Many customers now do their initial financial service research online. As part of a broader marketing campaign, the Internet can therefore be a useful awareness-building tool, serving as an adjunct to other media advertising by giving potential customers a chance to explore your products and services in more depth. The Internet can work wonders for your marketing strategy when it's fully integrated with a broader advertising campaign.

Another effective use of the online channel is through joint marketing with other groups, such as realtors, home insurers and moving companies. For example, Ohio-based Provident Bank relies on a network of online partners to increase its presence on other companies' Web sites where prospective buyers may be looking for a mortgage lender. In some cases, Provident Bank also bundles its lending services with the other services offered by its online partners, which has the advantage of making it more difficult for buyers to make direct apples-to-apples comparisons with other lenders. Borrowing cost therefore becomes less important as the driver of the mortgage selection decision.

Relationship Marketing

Speaking of relationships, it's no secret that marketing financial products and services has always been about relationship building. As with most services, the most common factor in selecting a financial advisor is word-of-mouth referral. This isn't surprising, since most people don't have an objective way of judging the quality of financial advice, or indeed other types of services. When seeking the services of a stockbroker, pension adviser, private bank, or hedge fund manager, both institutional and consumer buyers rely heavily on the advice of their peers.

But the process of courting and serving new clients is not nearly as sexy as the ad agencies make it seem. No matter how many sailboats, moonlight beaches, or mansions your advertising agency plasters in print and on the airways, the fact is that selling financial services and products makes prospects and clients deal with issues that many of them are uncomfortable with. "Top performing companies and sales professionals," write Ehrlich and Fanelli, “must find ways to bridge that gap, and establish a relationship of trust with their clients.” Trust can be established through simple, yet sincere steps, such as regular and proactive contact with your clients (call them every few months at least), sending personalized holiday cards and thank-you notes from time-to-time, passing along articles of interest about specific securities in their portfolios, and personally handling all questions and inquiries - not delegating them to an assistant.

The value of loyal customers is huge: they buy more, buy more often, are cheaper
to serve, have higher retention rates, and are more profitable than newly acquired customers.

Marketers have discovered that it's possible to influence the level of customer loyalty through two methods: recruit the right kind of customers to begin with, and then treat them very well once acquired.

For Ehrlich and Fanelli, the key to successful relationship marketing lies in recognizing that all customers aren't alike. Some customer service advocates say, “We will give super service to all of our customers.” This is a lofty sentiment, say the authors, but ultimately a bad idea. Companies are increasingly learning that they must not treat all customers alike, simply because all customers are not alike. Some are loyal and put all their trust in your firm. Others are indifferent, and spend most of their money elsewhere. Worse still, many customers are not only unprofitable, they cost you money, and will never be profitable.

To be successful in customer relationship management, you must learn to segment and discriminate. And in order to do that, your company needs a strong information management system. The customer service department has to have access to your customer-marketing database. They have to know what each customer has bought in the past, and their profitability. They need to have a record of past complaints and compliments.

In addition, the customer service and sales teams need to be empowered. If customer service personnel are just message takers, they won't be effective. Customer service personnel have to represent your firm. They have to be able to do what the owner of your firm would do.

“Lots of financial services companies pay lip service to the benefits of customer relationship management,” write Ehrlich and Fanelli. The key lies in putting your money where your mouth is, and taking the steps to make it happen.

**Conclusion**

Anyone in the financial services industry can benefit from improving their knowledge of basic marketing concepts and techniques - from commercial bankers, to financial advisors, salespeople and entrepreneurs. The Financial Services Marketing Handbook gives sales professionals the basic tools they need to survive and thrive, whether they are independent entrepreneurs or work within commercial banks, investment banks, hedge funds, mutual funds, insurance firms, and other financial institutions.