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# THE KEY TO CHANGE

## ROGER PEVERELLI AND ISOLDE SCHRAM

**For banks and insurance companies alike one thing has top priority: how do we restore consumer trust?**

**The real consequence of the credit crisis is the fact that the attitude and behaviour of consumers towards financial services has undergone a definite change. Consumers have grown up quickly and have learned a few tough lessons. This is why they are increasingly taking control themselves. And allowing themselves to be led by ethics.**

The government and central banks have contributed greatly to the restoration of confidence in the financial system. The next necessary step is to convince consumers to place their trust once again in individual banks and insurance companies. Trust has reached an all-time bottom. People are sincerely questioning the morality of this sector.

Banks and insurance companies are very much aware of the fact that they must regain consumer trust. Whereas governments and regulatory bodies are focusing on the financial system and the financial market, the real, intrinsic change is taking place from within two other markets: the consumer market and the labour market.

Ethics is one of the most important consumer trends. It is evident in the debates on norms and values that are held in every country, the almost mythical worshiping of Nelson Mandela and the increasing popularity of religion in many countries.

Present-day consumers make their choices based on what they know about a . Increasingly, reputation and social responsibility are considered of importance. Openness and honesty are prerequisites for ethical behaviour. In the case of financial services, transparency is sought

in terms of: is the cost structure fair, in what do the companies invest, and what does the financial service provider see as its societal role? The concept of socially responsible business has acquired new meaning. It is no longer a matter of doing something for charity, or doing something else on the side. It is about always keeping the greater purpose in mind: the 's role in society, serving society.

The credit crisis has also had an impact on the position of financial service companies on the labour market. Particularly in the services sector, people make a difference. Ethics is the key to finding and keeping the best people. Also here, the confidence of the people must be recaptured. Candidates want to work for companies of which they can be proud. They want to see their norms and values reflected in the . Talented people not only want to grow on a personal level, they want to be involved in matters that are relevant. On the 'Fortune 100 best companies to work for'-list, you will not find a single large financial service provider. The relatively small Quicken Loans occupies 2nd place, and the reason for this is that it has never had anything to do with matters such as sub-prime mortgages. And this is appreciated by top-notch candidates.

Ethics as a guiding issue on the labour market is not one-way: financial service providers must also take into account moral standards when selecting new employees.

Financial service providers are going to distinguish themselves in the ethical and moral choices they make. Some banks will proudly proclaim that they have never offered dubious products. Others will distance themselves from the so-called 'hit and run' culture. Some insurance companies will have taken a particular stance when it comes to, for instance, DNA-profiles, or the use of stem cells – or perhaps they will advertise their adherence to the solidarity principle. And yet other companies will focus on sustainability, or support some other social issue, such as education.

Over the last few months we have been invited by the board of directors of many banks and insurance companies to discuss the future in financial centres in Europe, Asia and the United States. They are convinced that ethics is the key to restoring consumer trust. But they are still in the midst of figuring it all out; what does this entail, and how do we go about it?

A Swiss private bank indicated that over the past years it had realised a profit of 25 to 30 percent. At a certain point, people think this is 'normal'. The board is now aware of the fact that, of course, it isn't all that normal. But what is normal? 20 percent? 15 percent? 10 percent? What is ethical?

A French asset manager wondered how you combine ethics with hard business objectives. Investment funds must perform at least as well, if not better, than their competition. What if this isn't achievable with 'sustainability'? Say, you won't invest in American government bonds, because they are directly or indirectly used to finance the arms industry, as a consequence of which your yield is lower...

A British banker expressed his cynical suspicion that a couple of years down the road the collective memories of shareholders and companies will probably have forgotten the current crisis. By that time, we will be back to all sorts of structured products in order to boost the quarterly results, to please the shareholders. He was disappointed at the thought already.



### Isolde Schram

Isolde Schram works for VODW Marketing as managing consultant, and specialises in sustainability, branding and innovation.

An Italian insurer expressed his fear that ethics would become the new cosmetic; prominently communicated, whereby intrinsically, in heart and soul, there is no change. He was afraid this might constitute a missed opportunity for the sector.

Using ethics as a guiding principle requires a lot more than cleaning up what you have on offer, based on ethical grounds: do we or do we not invest in this, is this in our clients' long-term interest or not. It is more about viewing the societal role as a source of inspiration: where can we contribute? Which assets and skills do we have to help out on specific social issues? How do we implement ethics into our DNA?

Grupo Santander's BancoReal (one of the largest banks in Brazil) is an example of this. Its motto is 'a new bank for a new society'. Taking this as its premise, it views its products as a way to make a positive change in society. Based on this approach and an excellent financial performance, it has been granted the FinancialTimes Sustainability Award.

This is how you recapture confidence among both consumers and employees. And how you lay a basis for the future.