



TSB: The power of purpose

Giving the people of Britain the kind of banking they want and deserve.

Category: Purpose driven brands

JOINT
JOINT

Introduction

‘Purpose’ is an idea whose time has come.

It should come as no surprise; the economic crisis of 2008 taught us that society pays a heavy price for the pursuit of profit maximisation at any cost.

Consequently, people are demanding that businesses have a positive impact on society.

The concept of ‘purpose’ has evolved far beyond its CSR beginnings, which saw companies attempting to mitigate activities back in the supply chain, or link up with big charities to manage reputation.

‘Doing good’ simply meant offsetting the ‘bad’ that was an inevitable consequence of doing business.

Purpose today needs to mean something different.

Businesses should profit and grow as a result of being a force for good.

And a brand purpose should be the driving force behind that, guiding everything a business does, across the whole customer experience, ensuring it’s working for consumers and society as well as business owners and shareholders. Purpose and profit needn’t work in opposition.

TSB is one of these brands, and this is the story of how our purpose has driven our success.

TSB: Britain’s biggest purpose driven start-up

TSB had been created as a direct response to the banking crisis - a ‘mini-me’ bank divested out of Lloyds Banking Group, born complete with 631 branches, 4.6 million customers and a mandate to shake up the sector.

As Britain’s biggest challenger bank, we knew TSB had to be different from the other banks. In fact, being driven by a clear purpose was our only real differentiation at launch.

Our purpose:

We exist to help create a Britain where people, and the communities they live in, can thrive together.

We do this by being an economic force for good, fuelling growth in local communities throughout Britain.

Our mission:

To bring more competition to UK banking and ultimately make banking better for all UK consumers.

At TSB the cause is the business, and the business is the cause.

Our brand purpose informs all decisions taken right across the business.

We don't do City banking. Or banking for bankers.

We do...

Local banking for Britain

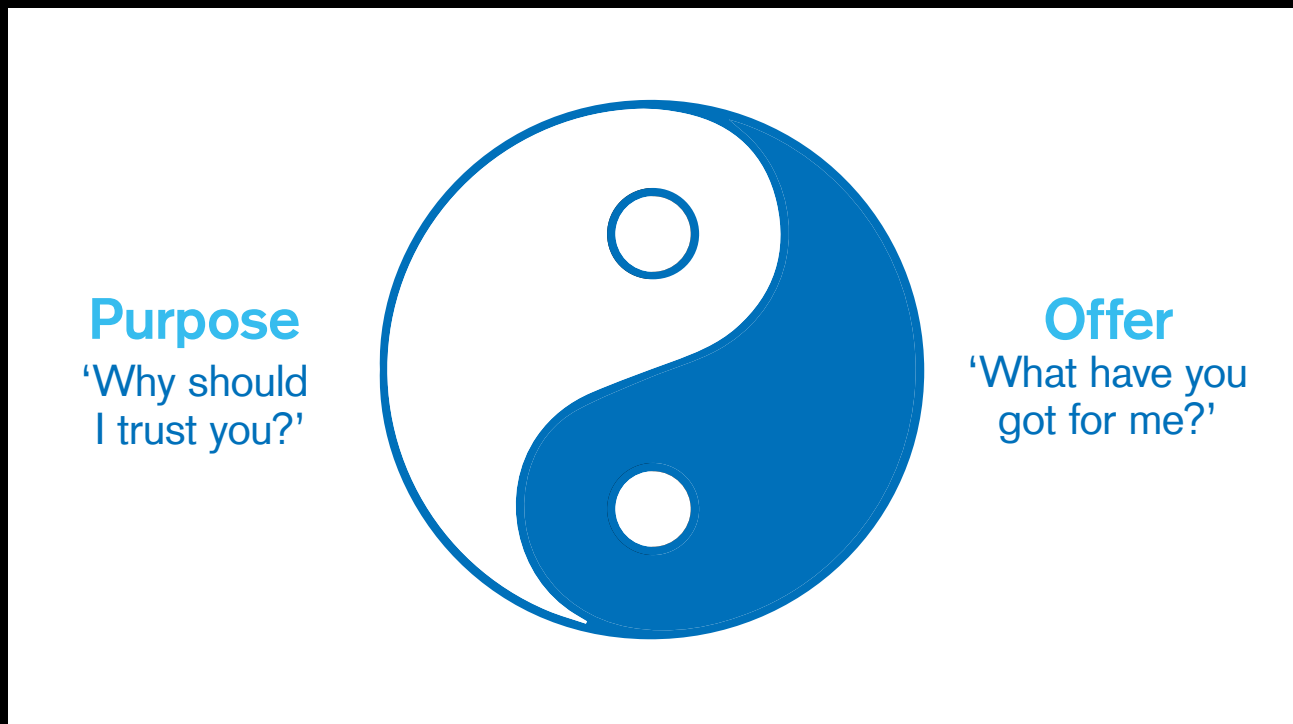


Making a purpose powerful

A purpose means nothing if it's not demonstrated and proven, especially in banking.

People don't trust banks. But, people do know they need them.

Early on, research told us people need answers to two big questions if we were to properly set ourselves apart from the others:



When it came to banking, there was a clear assumption that they had to choose one or the other.

The people you trust to have your best interests at heart wouldn't be savvy enough to help you financially.

But big banks that were smart financially would use that against you, and offer things that looked tempting, but with an inevitable price to pay later.

We developed a 'yin/yang' strategy, showing how TSB offered both.

Purpose messaging (the 'yin'):



Why working in partnership works well for everyone.

Unusual as it may seem, we believe it is possible for a bank to profit with, not just from its customers, it's not complicated.

We know that the happier our customers are the more they'll want to carry on banking with us.

And that a good way to make sure those customers are happy is by working in partnership. Not just with each other but with them too.

That's why we call all our staff Partners and reward them when they do as much as they can to actively help people, not when they just tell them things.

Because doing as much as we can to help people right across the country there's what's at the heart of local banking for Britain.

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Local banking for Britain **TSB**

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"In 1810, the Reverend Henry Duncan wanted to do something of real and lasting value. He built a bank whose sole purpose was to help hard working local people."



tsb.co.uk/theory

Welcome to your new bank. It's 200 years old.

Welcome back to local banking | **TSB**



We work better when we work together.

At TSB we believe in working in partnership. We're proud that our values attract like-minded people to come and work with us.

Over a third of our executive team, over a third of our top 150 Partners and just under half of our managers are female.

We are working to create an inclusive culture that lasts for the long term, not just for now.

This isn't just better for the workplace though, it's better for business. Because working together works well for everyone.

And that's a good thing for us all, male and female alike.

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Simultaneous offer messaging (the yang):



Borrow well with a Fix and Flex loan. 2.9% APR representative.

One of the best rates you can get, fixed for up to five years.

And the freedom to pay more whenever you want, or even take a break if you like.

No bank offers a better loan.

And you don't have to bank with us to get it.

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On personal loans from £2500 to £16,000 between 1 to 5 years.

Subject to status and lending criteria. 20% and 25% interest. Up to five repayment holidays a year, which are subject to approval. Early settlement charges could apply. The bank offers a better loan. Based on package starting 10 December 2013.

Local banking for Britain **TSB**



The Plus account. Now with added plusness.

Our Plus account has always been generous.

And we've just made it more so.

It all gives you 5% AER* interest on balances up to £2000.

Plus now you get 5% cashback on your first £100 of contactless payments every month.

Plus you can get access to a monthly savings account that gives you another 5% AER* interest.

We like to think it's the pleasant bank account around.

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Local banking for Britain **TSB**



The Fix and Flex mortgage. A new way to borrow well.

The ten year fixed rate mortgage that you're free to leave after five. Come in and find out more.

Local banking for Britain **TSB**

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.

5% plus 5% plus 5% plus no monthly fee.

Start on the Plus account and get 5% AER* interest on balances up to £2000.

Plus the interest on your first £100 of contactless payments every month.

Plus the interest on your first £100 of contactless payments every month.

Plus the interest on your first £100 of contactless payments every month.

tap | click | call | visit

Local banking for Britain **TSB**

How our purpose manifests itself

1. Authentic leadership

Our purpose is not a marketing confection. CEO Paul Pester championed the power of purpose in driving the business forward right from the start.



Pester and the original Board even signed a copy of the TSB purpose.

And Pester's ongoing engagement with the CMA (responsible for strengthening competition in UK banking), influencing and pushing the regulatory body to take more radical initiatives to open up the competition in banking.

TSB Competition Matters Report



“We’re here for one very clear reason. We’re here to bring more competition to the UK banking market and hopefully better banking for all UK consumers.”



His call to arms was echoed by other members of the Executive Committee, with TSB CMO Nigel Gilbert a powerful champion of TSB’s purpose within the bank and beyond.

“The covenant of trust when I started out has been broken completely in banks. There’s no trust that hasn’t got to be earned.”



2. Rewarding the right behaviour

We knew our purpose had to be understood and adopted at all levels of the bank.

To create the kind of culture we needed, sales targets were removed, and TSB Partners are instead rewarded when they actively help people, not just when they sell them things. This enshrined our purpose into everyday behaviours.



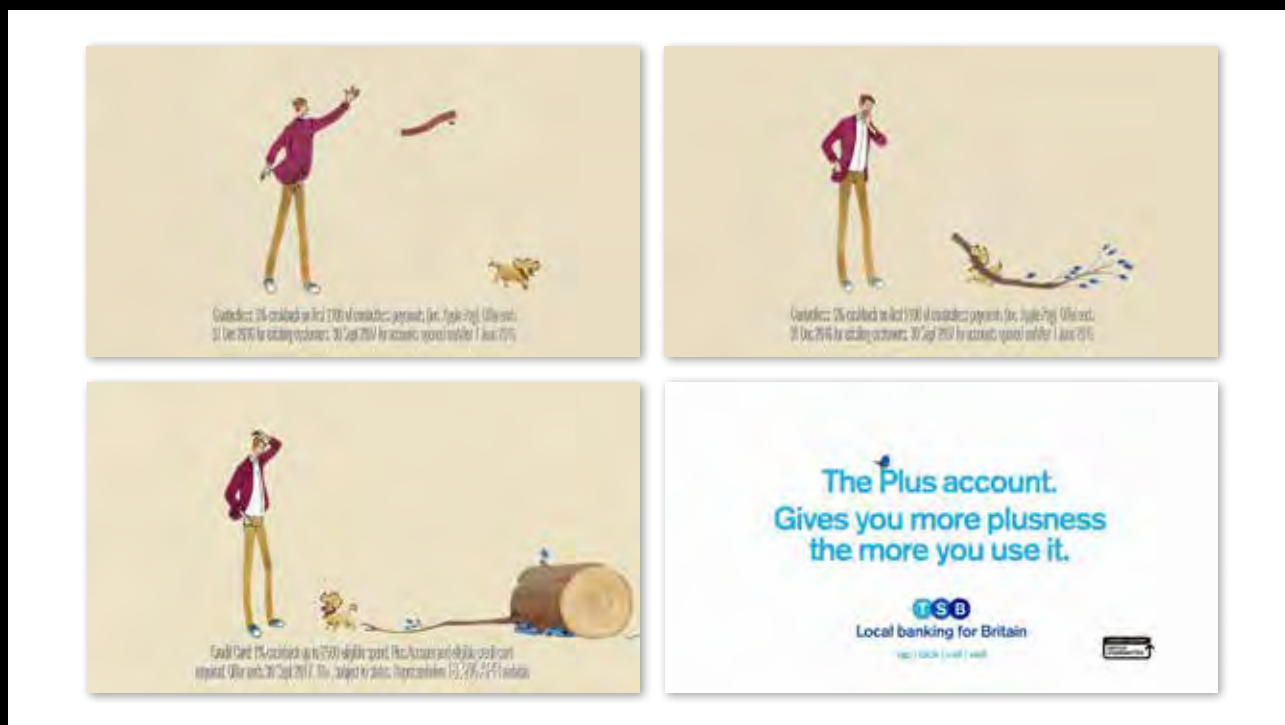
But it's not just Partners whose behaviour we seek to reward in the right ways. We always seek to act in our customers' interests and on their terms.



We encourage them to use tools we offer to help them stay in control of their money and avoid nasty surprises.



And we ensure that the more customers put into our relationship, the more they get back in return.



3. Products that solve problems

Spending, saving and borrowing are three fundamental elements of a thriving economy, and all are vital if our purpose is to be realised.

Throughout the 3 year lifespan of TSB's flagship PCA, the Plus account, it has rewarded and encouraged all three elements.



5% plus 5% plus 5%.

The Plus account.
With no monthly fee.

TSB
Local banking for Britain

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CURRENT ACCOUNT
SWITCH GUARANTEE

TSB

And it's not just current accounts. With TSB Fix & Flex loans and mortgages, we don't just lend people money, we enable them to 'Borrow well'.





The Fix and Flex mortgage.
A new way to borrow well.

The ten year fixed rate mortgage that you're free to leave after five. Come in and find out more.

Local banking for Britain **TSB**

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.



Borrow well with a Fix and Flex loan.
2.9% APR representative.

One of the best rates you can get and the freedom to pay more whenever you want, or take a break if you like. And you don't even have to bank with us to get it.

Local banking for Britain **TSB**

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On personal loans from £2500 to £25,000 between 1 to 5 years. Subject to status and lending criteria. UK and IE residents. Up to 48 repayment holidays a year, which are subject to approval. Early settlement charges could apply. TSB Bank plc, Registered Office: Henry Duncan House, 300 George Street, Edinburgh EH2 4JL. Registered in Scotland No. SC282572. Authorised by the Financial Prudential Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority (Registration No. 101045).

4. An authentic brand promise

We know our purpose is utterly authentic. But we needed to convince a wary public that we were really different.

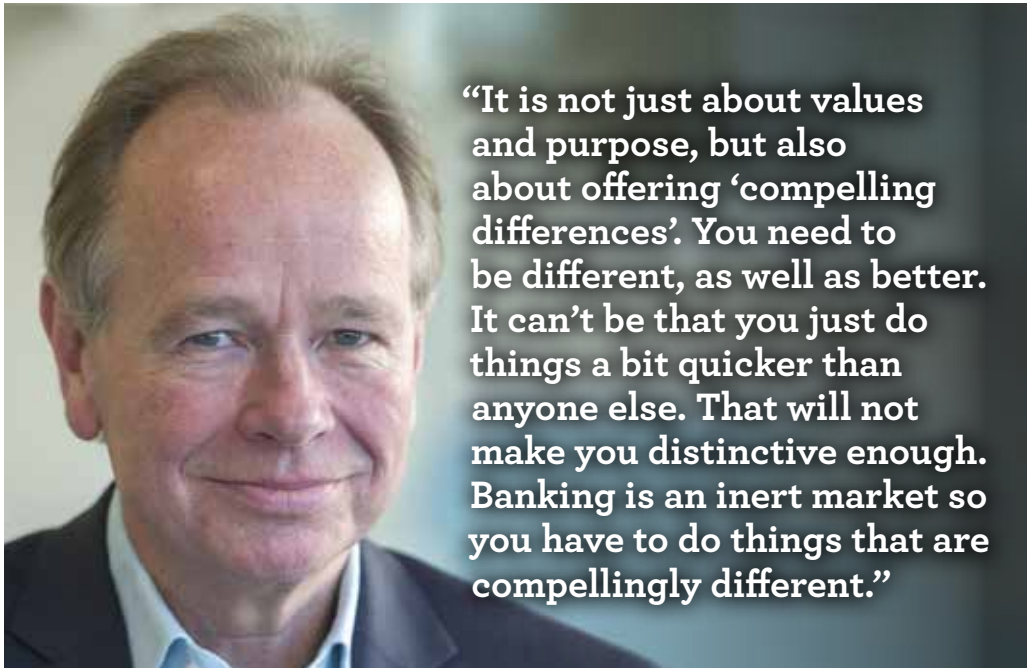
So we explained our different model of banking, driven by our purpose, that focuses exclusively on making ordinary, hard working local people across Britain to thrive.



We demonstrated that difference through radically transparent Truth and Banking content.



But in fact, our purpose informs far more than just our comms.



So as well as big product initiatives, we did things like putting umbrellas in branches, that are free for people to take, so that they can continue fuelling their local economy, even when it's raining.

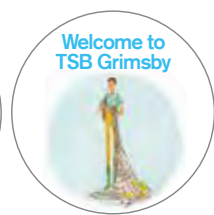
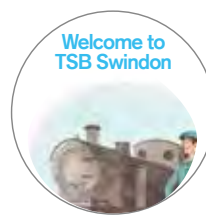


5. Sweating the details

Sometimes it's the small things that best indicate our commitment to our purpose.

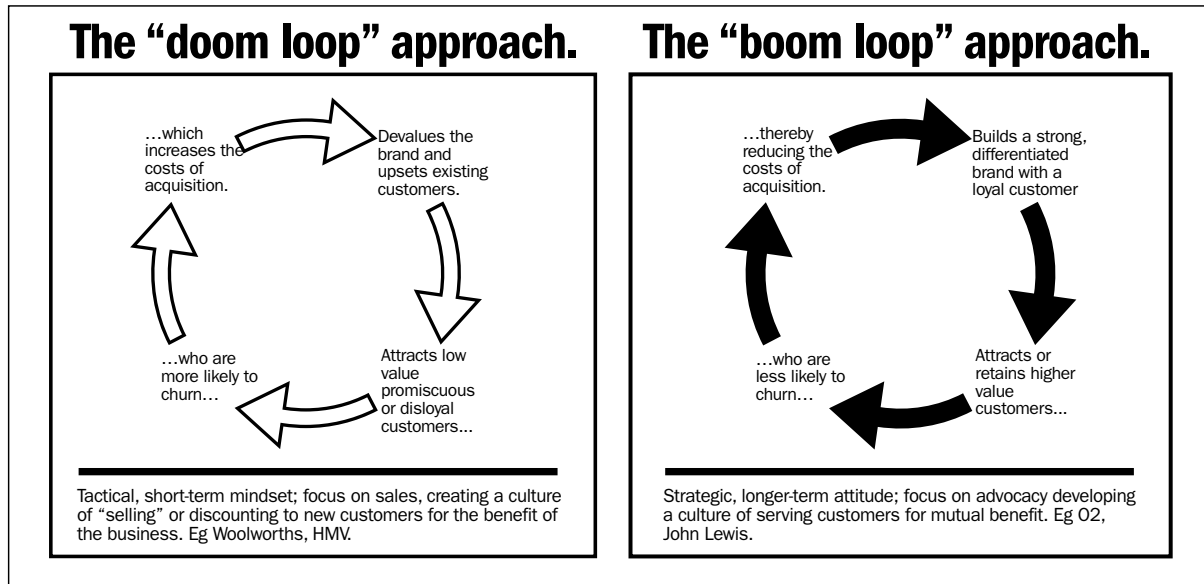
Like local icons in TSB branch, chosen by Partners to represent the area.

And our continued investment in training Partners, and in the branch network (against the trend in banking) to ensure our purpose feels tangible on High Streets across Britain.



6. Deeper customer relationships

Customer advocacy forms the most fundamental part of our strategy. We seek to drive 'boom loop' behaviour.



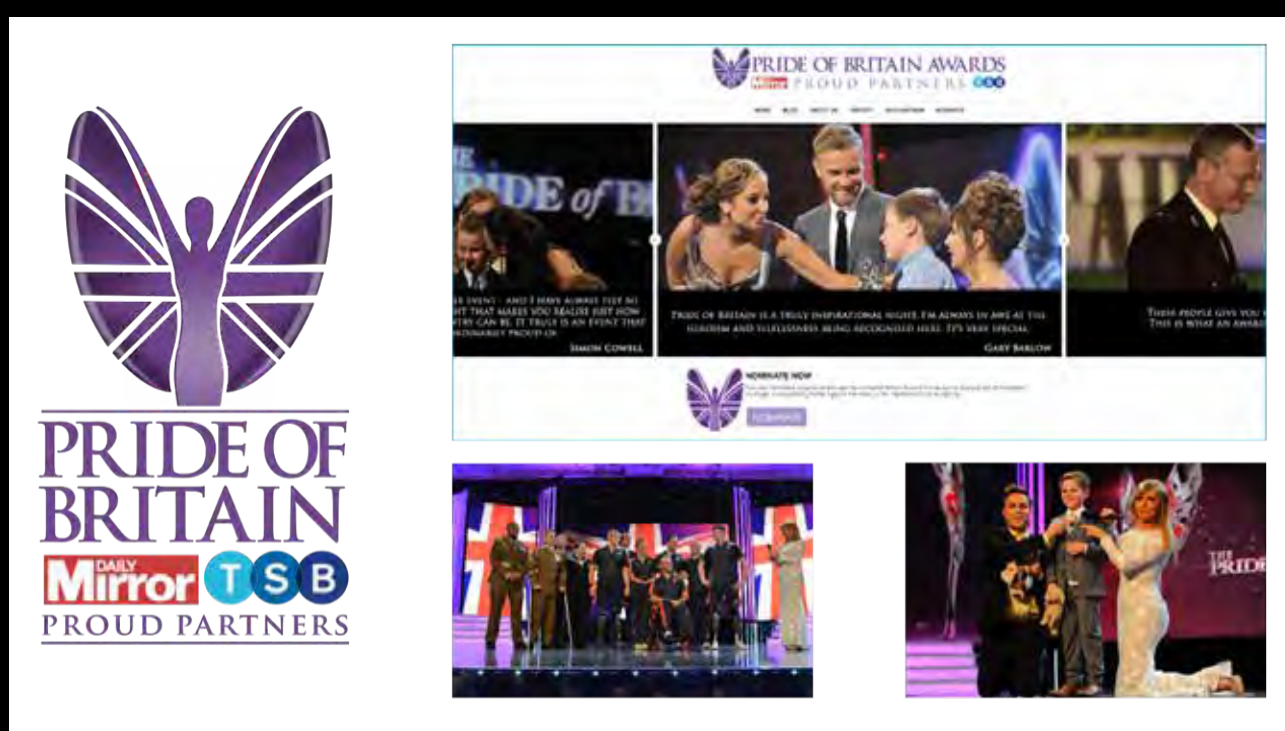
That's why, unlike other banks, NPS is the key measure of success for everyone who works at TSB. And it's how Partners are rewarded through the TSB Award.

7. Collaborating for scale

In 2016, TSB partnered with Trinity Mirror for the Pride of Britain Awards, broadcast on ITV. This collaboration allowed us to communicate, and demonstrate, TSB's purpose in a new way that the British public could really get behind.

Our programme of activity included TSB Partners and customers, and helped people understand our unique point of view: that when people help people, we all thrive together.

The partnership drove significant value for the TSB brand. The total value for media coverage from launch to year end was £10m, and consideration levels increased by 89% amongst those who were aware of the partnership between TSB and Pride of Britain.



8. Leaders at all levels

The devolution of power and responsibility to Partners at all levels of the bank is something that's been at the heart of our success. It's why we chose to call our staff Partners in the first place.

Each of our branches choose the local charity they are going to support each year.

Partners were put in charge of TSB's social media during the Pride of Britain awards, tweeting on behalf of the bank.

We even carried out our own 'Pride of TSB' awards internally, rewarding Partners who had done extraordinary things to help other people, either within TSB or in the wider community. We received over 300 nominations by Partners from across the business.

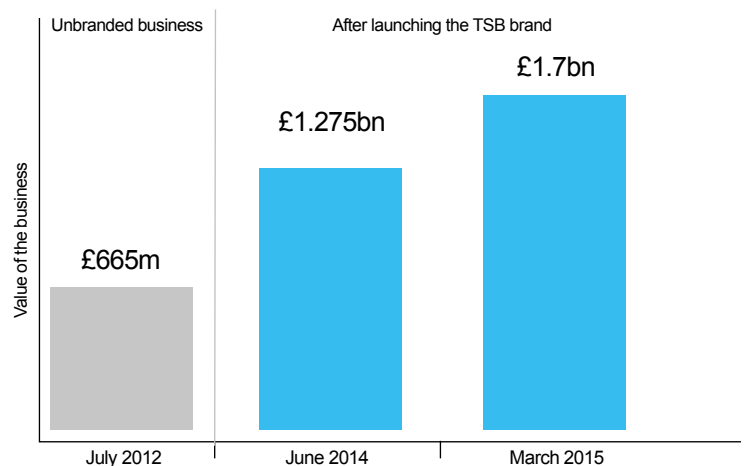
The Results: commercial

1. The business grew in value

We're in a unique position of being able to compare the value of the business at three points: the unbranded business as part of Project Verde; and then the branded business at both IPO and trade sale.

The business itself was the same at each point. The difference: we'd built a brand driven by a purpose, manifested wherever we could throughout the customer experience; and increased customers as a result.

The business has grown in value by over a billion pounds



1. NBNK was offering £630m vs £700m from the Co-Operative. 2. Mid point of IPO price range. 3. Acquisition bid by Sabadell.

In July 2012, the value of the un-branded TSB was around £665m.

Two years later, by the time of IPO in June 2014 the value of the TSB business had risen £610m to £1.275bn. Building value continued, and by the time of the sale to Sabadell in March 2015 the business was valued at £1.7bn, an additional £425m or £47m per month since IPO.

And the business has grown from strength to strength since then too.

In 2015 we made a management profit of over £105m, and in 2016 saw profits grow by 68% to just shy of £178m, as well as welcoming our 5 millionth customer.

2. The brand grew in value

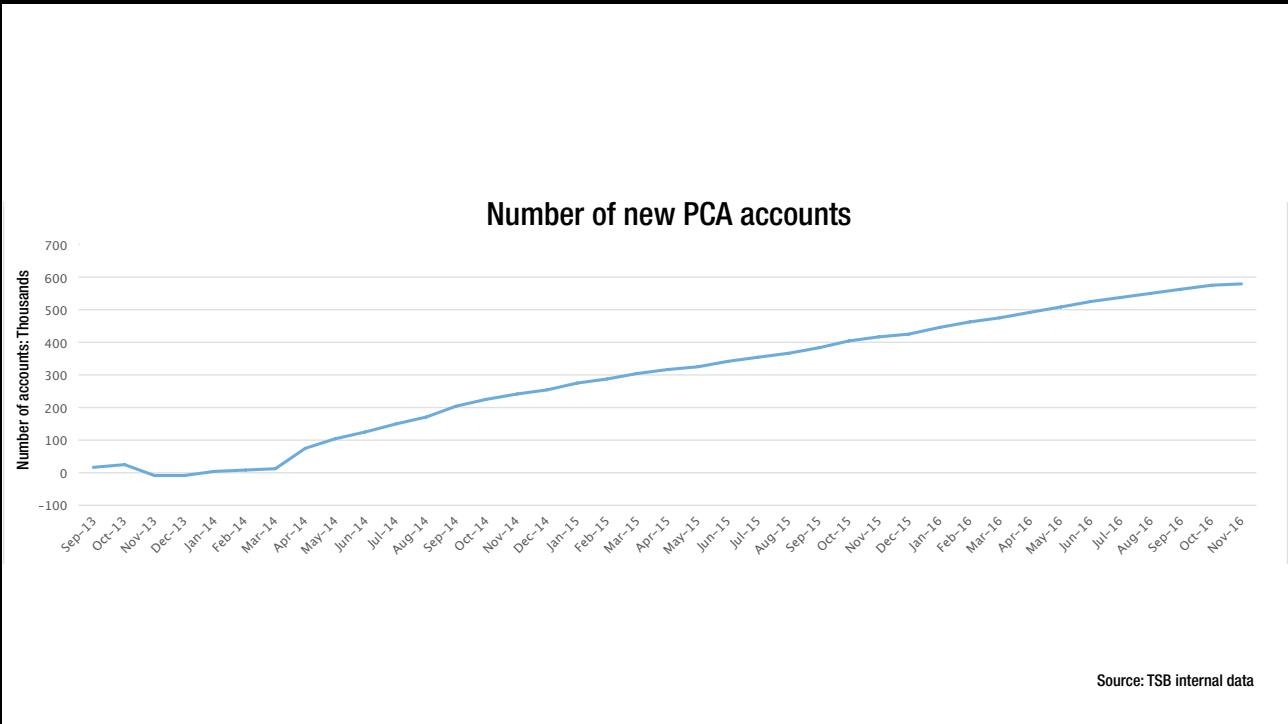
In 2014 Brand Finance valued the TSB brand at £507m, the highest growth of any UK banking brand. Brand Finance told Marketing Week “its recent marketing strategy had been key to its success”.

That success continued, the brand value rising a further 19% to over £603m in the latest Brand Finance report.



3. We recruited more PCA customers than our target

We have exceeded our 6% share of flow target, averaging 7.6% per quarter since launch, which has resulted in massive growth in new current accounts.



Product alone can't account for this growth: we were middle ranking in best buy tables.

Product wasn't the difference

73% say there's either no difference between products, or the difference is so complicated that they can't work it out.

Source: YouGov survey conducted for TSB, 2014.

TSB	Offers 5% interest
Nationwide	Offers 5% interest
Halifax	Offers £5 cashback each month
Santander	Gives up to £592 pa and that's just interest, not including the cash back also available on the account

And we offered joining incentives only 10% of the time, and then only on two aggregator sites. Our highest share of flow peaks came at times when we had no incentive running.

Many others offer incentives to drive consideration



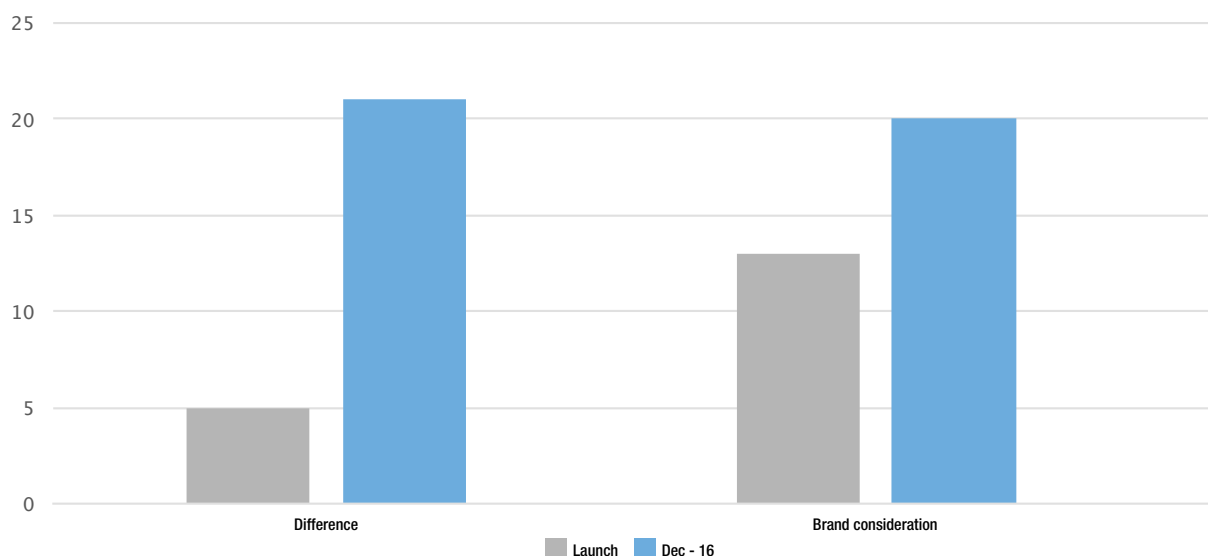
The long standing trend amongst others (Halifax, Nationwide, First Direct, M&S, HSBC) has been to offer incentives at a much broader level to drive consideration, not just to tactically drive conversion.

They also tend to offer incentives through any channel ie branch, digital, telephony.

In fact, it was understanding of our brand purpose that was key to our PCA growth.

Since the launch of our purpose in 2013, non-customers are more likely to understand that we're different, consider us, and say we're their first choice.

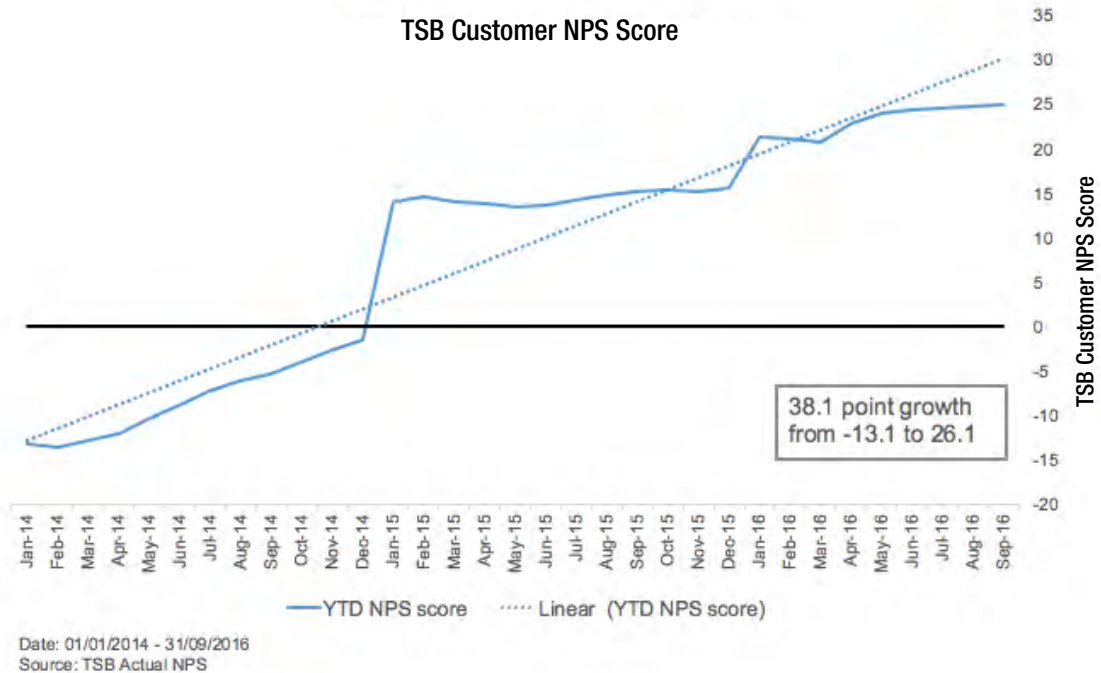
Rise in difference and brand consideration amongst non-customers



Date range: 2013 – 2016
Source: Ipsos Mori Online Brand Tracking 3 month rolled data (n=c800 min per quarter) UK banking representative sample

4. We grew NPS

Our turnaround in Bank NPS has continued. We're now in a remarkably positive position.



According to Which? we're the top high street bank for customer satisfaction and KPMG/Nunwood say we're the top high street bank for customer experience.

In fact we're now Britain's most recommended high street bank according to the BDRC.



TSB is now Britain's most recommended high street bank.

We couldn't be prouder.
Or more grateful to our customers and Partners.
You've proved that working in partnership really works.

tap | click | call | visit

Local banking
for Britain

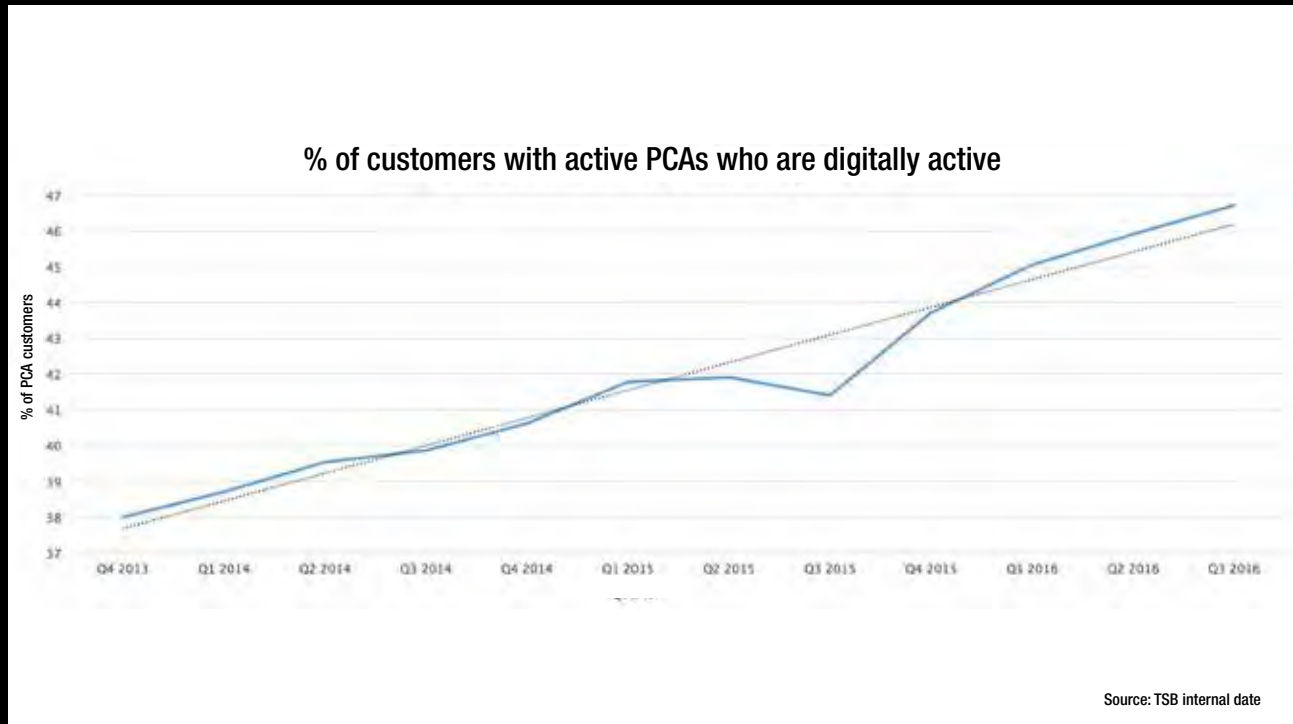
T S B

BSIC Continental Customer Advocacy (NPS) Benchmark. Based on 15,000 consumers surveyed in March 2016.
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and the Prudential Regulation Authority under registration number 200001. Deposit also covered by the Financial Services Compensation Scheme and the Financial Guarantee Scheme.

5. We now have more valuable multi-platform customers

Customers who use more of our mobile and digital services as well as branch tend to be happier and more valuable customers.

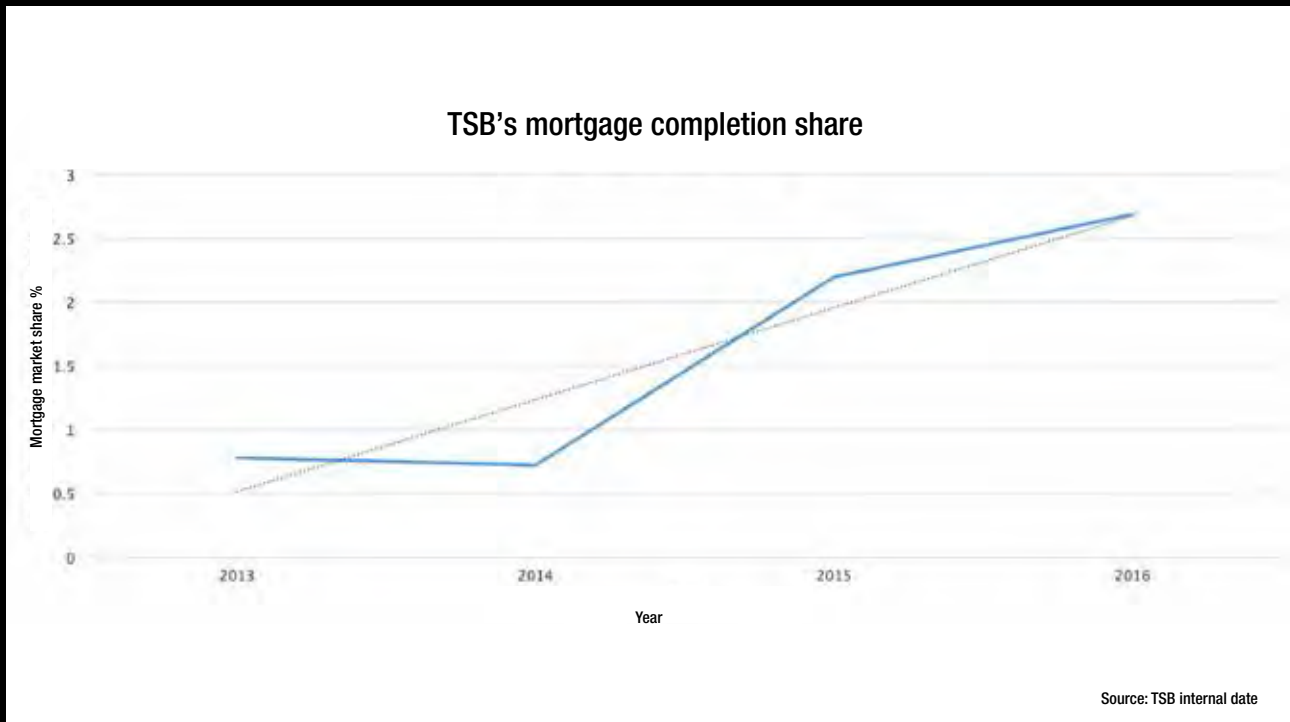
So increasing the percentage of customers who are digitally active is a valuable thing.



6. Mortgage sales have grown significantly too

2015 saw us gain £7.5 billion worth of mortgage applications.

In 2016, we helped a customer buy or own their home through our mortgages once every 3 minutes.



In fact, we've already beaten our 5 year targets in both PCA and borrowing.

7. TSB Partners feel incredibly proud and positive

Partners understand the purpose and values that make TSB different

91%
agree

“ I fully understand my role in delivering our customers the experience they want and deserve. ”

91%
agree

“ I am committed to achieving the goals of my job. ”

90%
agree

“ I know the TSB values and I understand how to live those values in my role. ”

Source: TSB Quantitative Partner experience survey

This success could never be achieved without Partners delivering the banking experience the people of Britain want and deserve.

So it's important that Partners feel engaged and proud to be part of TSB.

8. Non-customers understand our difference, trust us and consider us more

Since launch in 2013, our comms activity has had a positive impact on our brand.

We already beat the big established banks on non-customer consideration, and we're closing in on the leaders who have been around building their strong brands for years.

Of those people looking to open a new PCA in the next 6 months, 38% would consider TSB, which is higher than Natwest, Lloyd's and Barclay's.

The payback has been shared with Partners too.

“ I'm delighted that we were able to share that success with our Partners in 2016. The way we do this is through our TSB award, which is a flat payment from the CEO right through to the frontline Partners, and in 2016 we paid out £28m - or 12.5% of base salary - which is about 6 and a half week's pay, in recognition of the fantastic service they have delivered to TSB customers. ”

Source: Paul Pester, TSB 2016 Financial Results.

Societal impact

So we've generated more happy customers.

More people thriving – spending, saving and borrowing well.

We've got more Partners feeling proud and positive about their role in that, and sharing the success that has resulted from that.

And we've supported local communities through Pride of Britain and local charity partnerships across the country.

All of which starts helping local economies thrive and all of us to be better off.

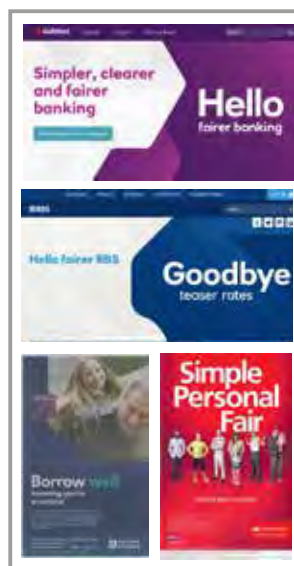
We've also worked hard to challenge the entire industry, for instance through Paul Pester's work with the CMA.

And where we've led, others have followed.

BEFORE



AFTER



Summary and Learnings

Our story is a great example of purpose not simply being a CSR addition, but the driving force behind a brand that grows and profits as a result.

This is all the more impressive in a sector like financial services, where people assume banks act in their own interests, rather than their customers’.

Throughout the entire customer experience, we have proved that being driven by a clear purpose is not only valuable to a business, but also to a society.

Entry word count: 1994

Executive summary word count: 186