

# Santander

## Building Powerful Brands – Long-term Marketing Excellence

### Executive Summary

In 2011, the outlook for banks was bleak, fuelled by the fall-out from the financial crisis. As a new-comer, Santander needed to breakthrough and challenge the power of the big four. To make it, we had to offer something new and different.

We started by changing the relationship a bank should have with its customers. We wanted to do things differently so we imagined a new proposition that was genuinely win-win, with products that rewarded both customers and the bank.

From this ambition came the 1|2|3 Credit Card and 1|2|3 Current Account. They offered cashback on a permanent basis, not just for promotional periods, on specific categories of spend so customers didn't have to change their behaviour to get the rewards. The 1|2|3 Current Account also challenged the distinction between savings and current accounts, with up to 3% interest on balances.

Developing innovative products was only half the battle – we then had to persuade customers to do something most of them dread; switch their bank.

To do this, we first won over financial journalists. We then launched advertising that told consumers they'd always be winning with a 1|2|3 product, whether they were spending or saving. Next we demonstrated just how much could be saved/earned with us using experiential activity and online calculators.

Our approach paid off:

- We have a uniquely famous product, and the highest awareness of any current account.
- We're seen as the bank with the most innovative products and services.
- We're number one for current account switching.
- We have sustained impressive growth in acquisitions and loyal customers.
- We've created some of the category's best liked communications.
- We've had 8 consecutive quarters of growth in operating income.
- We have an unprecedented increase in banking liability (close to £30bn).
- Our innovative products have created new peaks in customer satisfaction.

**(299 words)**

## Ground zero for 1|2|3

In 2011, we were just over a year old as a UK brand. Formed out of the acquisition of three ex-building societies, we wanted to be the major challenger to the traditional big four. The financial crisis had left the big four reeling: the timing looked good. But why should people believe that we were offering anything different?

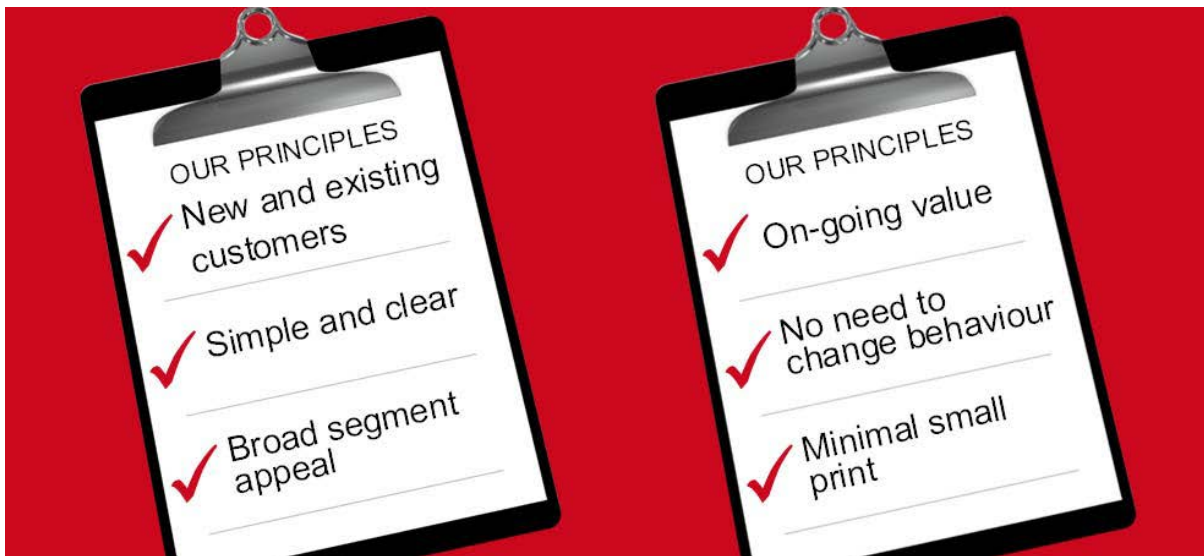
For us to breakthrough and attract the millions of unhappy customers who lingered with the big four, we needed to offer people something that was genuinely new and **different**.

So we started rethinking the deal between customers and their bank. We devised a strategy where the banking relationship with us meant a win-win position for our customers, colleagues, and our shareholders.

We built attractive and sustainable propositions, simple to understand for our customers and our people. We developed products which rewarded both the customer and the bank creating a partnership – working together to get the best from each other. We also made sure we delivered long term value to our customers. Customers were at the heart of our strategy, with a service provision tailored by segment and products designed with broad segment appeal; The 1|2|3 concept was born.

## Win-Win with 1|2|3

1|2|3 was born of a series of simple principles:



The first 1|2|3 product was the 1|2|3 Credit Card, launched in September 2011. It offered users cashback but in a way that was very different from the normal competitive offers:

- Cashback on a permanent basis, not just for a limited time.
- Tiered cashback – offering up to 3% for some categories of spend.
- Cashback for categories of spend (e.g. supermarket shopping) rather than through partnerships with specific retailers – so we rewarded **existing** behaviour, rather than making our customers change theirs.

This was followed in March 2012 with the launch of the revolutionary 1|2|3 Current Account.

For a £2 monthly fee, it offered customers a unique blend of cashback and high interest. The most important feature of the cashback was that we offered it on normal, everyday household bills, which people normally pay through their main banking relationship. This gave people a powerful incentive to make us their primary bank. At the same time, we offered tiered interest rates rising to 3% on balances between £3,000 and £20,000, giving the 1|2|3 Current Account the benefits of a savings/deposit account.

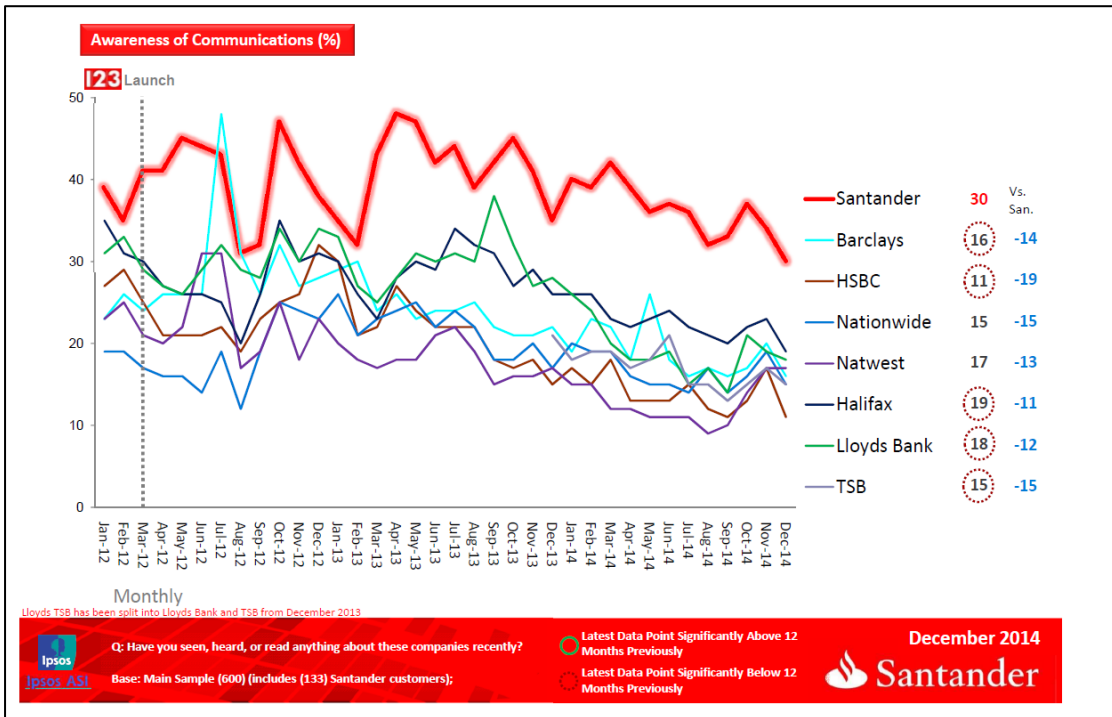
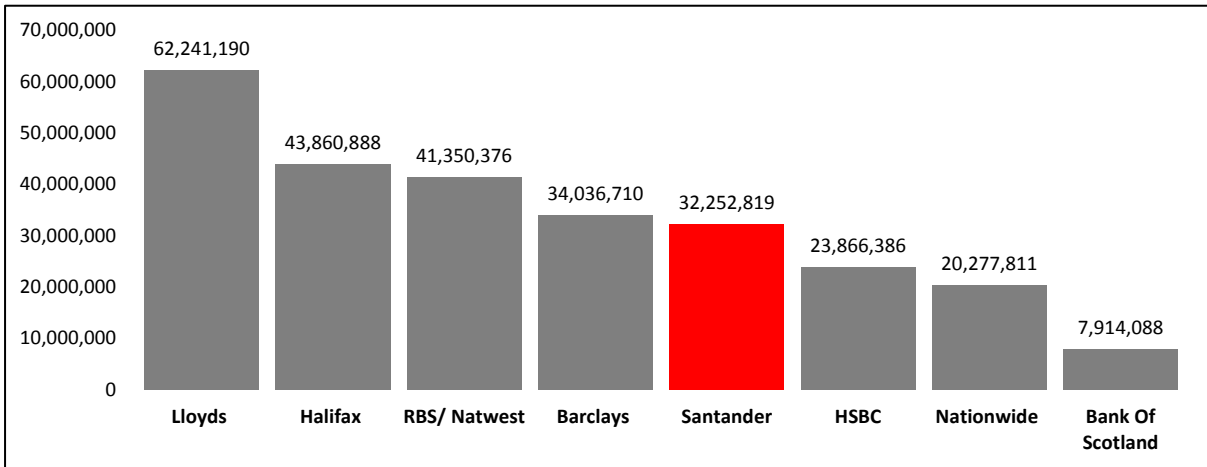
On paper it was a great offer that gave consumers the chance to make hundreds of pounds in extra interest and cashback a year. 'Free money' sounded like an irresistible offer, however, the perceived hassle of switching and the risk of our offer being brushed aside as 'too good to be true' were potential barriers to success.

A remarkable product and proposition and a strategy applied through a best in class communications approach was the only way we could break the mould of consumer expectations. We also simultaneously improved our service offer and reviewed all our processes to make things more simple, personal and fair to making customers' experience of dealing with us more rewarding and straightforward. This has been key in helping to overcome inertia in the market – not just great propositions and communications.

The scale and extent of our external communications created an unmissable spectacle for customers and staff alike. We painted the UK red, all with a smaller budget than our key competitors.



Financial category communications spend (Jan to Dec 2013 Nielsen data (Jan to Dec 2013))



## The start of the 1|2|3 revolution

Initial feedback was very positive with the sentiment of opinion and commentary across media outlets, industry commentators, blogs and social networks transformed by the launch of 1|2|3.

Mail Online / This is Money - 5th March 2012

**FT Deal of the week**

**Is this Britain's best current account? Santander's new deal pays 3 per cent interest AND gives cashback on bills**

**Santander 123 current account**

**Deal of the week**

**What's the deal?** Santander is launching a new current account to instantly offering up to 3 per cent interest on money held, plus cashback on household bill payments.

**Is this good?** Cashback is better usually offered only on credit cards, which means that a small percentage of the bills that are paid from your account will be paid back in by Santander. Customers receive up to 3 per cent money back on gas, electricity, water, council tax and phone bills - if they are paid by direct debit. An interest rate of 3 per cent on credit balances will be available. Santander is also competing with the best value rate savings account from Chase's Building Society since 3.50 per cent - and 2.00 per cent of this is a temporary bonus. Santander says the cashback will amount to be worth around a year to customers. Some branches of Money Supermarket.com said the account offers to provide a Santander deal with no introductory incentive, and this innovation in the market is a new and big.

**What's the catch?** Account holders pay a £2 monthly fee. Customers must also have at least four direct debits paid from their account and credit a minimum of £100 a month. Overdrafts are extremely expensive, particularly for customers who go beyond their authorised limit. Arranged overdrafts cost £1 a day, subject to 25 days per month, limit £1000.

**Is this the best current account ever?**

**Cashback can make bills pay**

**A new weapon has been unveiled in the banking war, says Holly Thomas**

Santander Express - 4th March 2012

**Santander launches market-leading current account**

News by Rebecca Patel

Current Accounts | Login or register

**AOL Money & Finance**

The launch advertising built on this, supporting the core message that whatever you did with your 1|2|3 products – spending or saving, or both – you won.

**1|2|3 CURRENT ACCOUNT**

The **NEW** Current Account that gives you cashback and interest in one for just £2 a month.

- 1%** Cashback on water and council tax bills
- 2%** Cashback on gas and electricity bills
- 3%** Cashback on mobile, home phone, broadband and paid for TV packages

Save when you spend + Save when you don't

- 1%** Interest on balances from £1,000
- 2%** Interest on balances from £2,000
- 3%** Interest on balances from £3,000 up to a maximum of £20,000

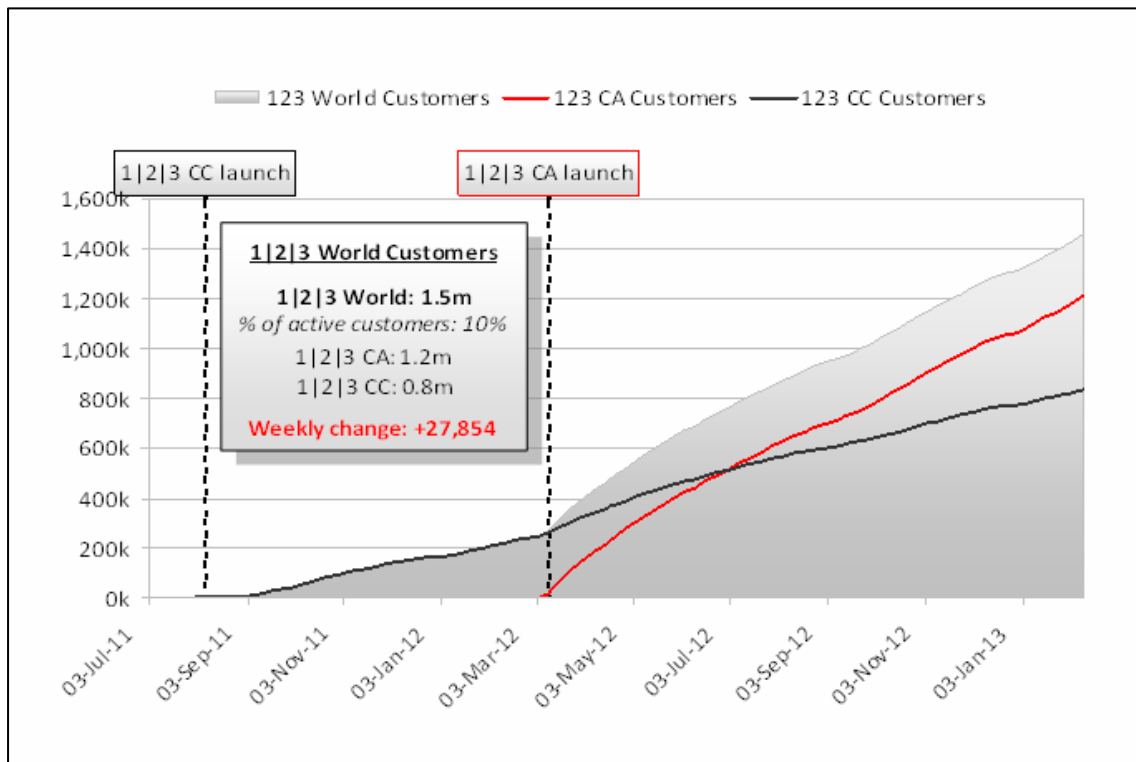
Find out how much you could save here or at [santander123.co.uk](http://santander123.co.uk)

**Santander**  
VALUE FROM IDEAS

[santander.co.uk](http://santander.co.uk)

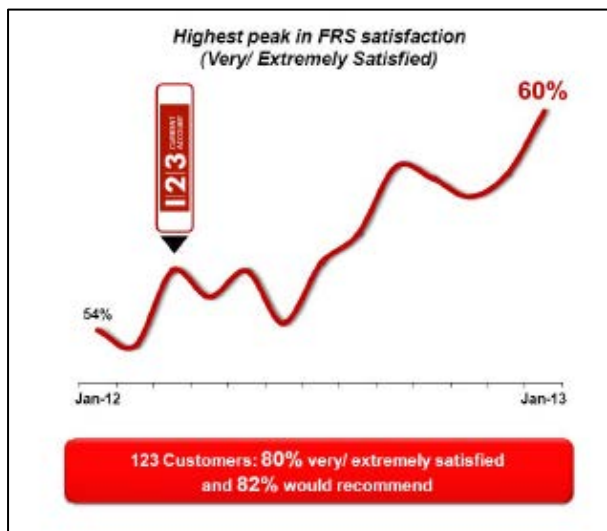
To benefit from the 123 Current Account, pay a monthly account fee of £2, fund the account with £500 a month (a minimum balance of £1,000 is required to receive interest) and set up a minimum of two Direct Debits. To benefit from cashback, household bills must be paid by Direct Debit.

Year one performance showed that we had reached an enthusiastic consumer and total sales of 1|2|3 products reached over 1.4m:

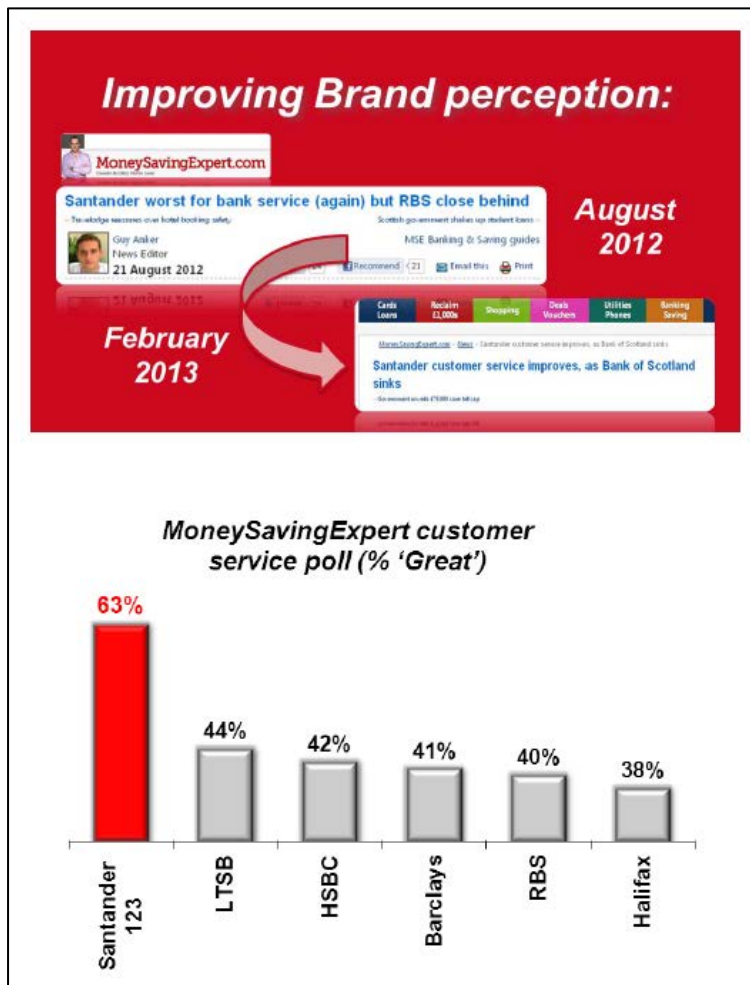


We saw over 250,000 new customers switching their main banking relationships to Santander, and succeeded in moving the proportion of customers paying a monthly banking fee from 8% to 50%. True to the win-win ethos, Santander 1|2|3 customers also saw over £100m in cashback and interest returned to them through 1|2|3 products.

No wonder the first year saw outstanding levels of customer satisfaction:



Our efforts to reward service were rewarded by the movement in Martin Lewis's current account customer service rating – a survey done every six months:



### Sustaining success

The initial launch campaign had focussed on the simple win-win proposition. Subsequent communications explored ways in which this could be made real for people. In a world of percentages and terms and conditions, it was so important people understood the scale of the benefits on offer – and how easy it was to get them.

In our live “experiment” we took over the town of Shrewsbury for a weekend. Our staff talked to the people of Shrewsbury directly to show them how 1|2|3 could create over £1m in value for the people of just one town.



We created a simple, personalised calculator which could be used by branch staff on a tablet to show individuals how much they could earn in cashback and interest. This on-screen demonstration was a fantastic visual aid in conveying to potential customers the value our 1|2|3 products could deliver for them.



We beat our £1 million target in Shrewsbury, hitting £1,067,905.

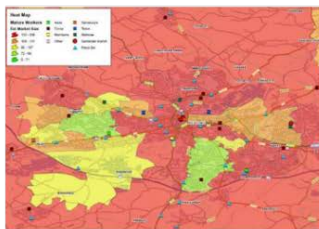
In 2013 we embarked on a new style of advertising – using our three brand ambassadors – Jessica Ennis-Hill, Rory McIlroy and Jenson Button – to deliver the message that everyday behaviour could generate exceptional returns into customers lives. Through simple interactions between the ambassadors and ordinary people, the campaign underlined that whether making a mobile call, or cooking, or even by taking a hot bath – Santander created opportunities for people to gain from their ordinary, everyday behaviour.





This was reinforced by contextual digital and outdoor advertising, underlining the many ways and opportunities to earn cashback and interest:

### Geo-Targeting



Placing Outdoor posters in the highest traffic/footfall areas

### Contextual-Targeting



Making the message more relevant to the location/context

### Testimonials



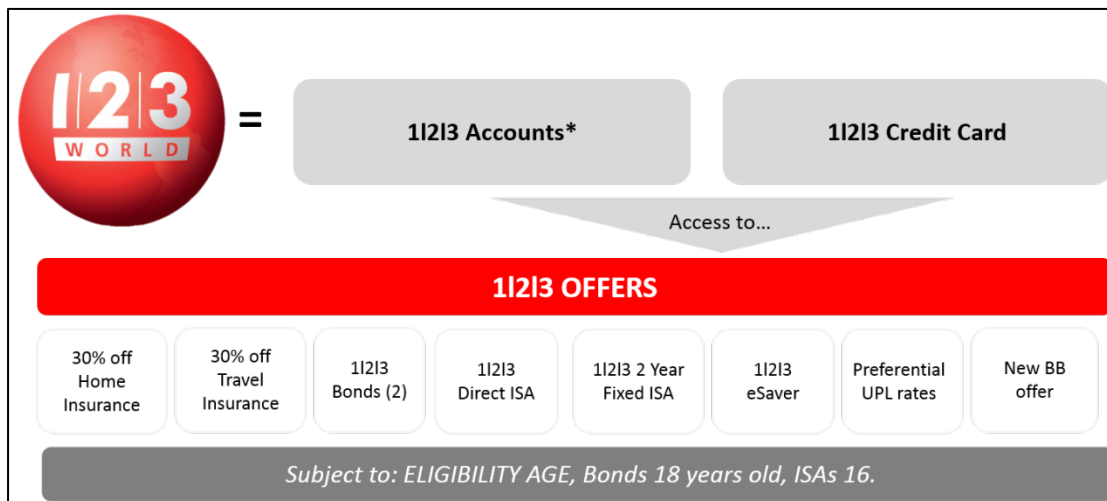
Real consumers with real stories, advocating the product and bringing to life the benefits

The 1|2|3 calculator, used so successfully in Shrewsbury, became a key element in both our digital media engagement and branch sales process. It allowed consumers to quickly see the ongoing value of the 1|2|3 products - personalised to them.

## Keeping 1|2|3 fresh

One of the outstanding successes of the 1|2|3 products has been the creation of high levels of customer satisfaction. The ongoing value earned by customers through their 1|2|3 accounts is a key driver of this. Customers are able to see the financial benefits of their 1|2|3 products as soon as they log in to online banking and in their monthly statements. This reinforces the ongoing value and helps drive advocacy.

This in turn led us to look at how we could offer our 1|2|3 customers other products which shared the same win-win ethos. We've now created a 1|2|3 World family of products uniquely available to 1|2|3 card or 1|2|3 Current Account holders. This has continued to expand, but currently includes ISAs, mortgages, youth, student and insurance products.



This has created extra reasons for non-customers to switch to 1|2|3, and given more reasons for customers to trust us with more of their business.

September 2013 saw the banking industry launch a Switcher Guarantee designed to make it much easier for customers to change their current account relationship. Potentially this offered Santander a big opportunity but also encouraged our rivals (led by Lloyds) to offer new products with headline-grabbing interest rates or cashback offers. These headlines were dangerous – our competitors' offers were full of terms and conditions and most couldn't offer anything like the value of the 1|2|3 Current Account.

We responded by evolving our communications to let consumers know the rewards we offered were real and they didn't have to meet lots of conditions. This also challenged the opportunism of our competitors.

The "Switcher War" could have seen our growth seriously dented but instead effective marketing meant that we emerged the clear winner. We gained the most in net switching, and we're the choice of one in four of all those switching.

## Launching Simple Personal Fair

We made the basic philosophy behind 1|2|3 much more obvious through the launch of the brand aspiration, Simple Personal Fair in early 2014. We knew from consumers they wanted to redefine their relationship with the bank and discovered they were happiest when we treated them in a way that was either simple, personal or fair.

Although this had much broader significance across the whole of our business, it specifically underlined the benefits of 1|2|3 products that were Simple (no need to change supermarkets or utility suppliers to benefit, for example), Personal (each person benefits in a way that's unique to them and their habits) and Fair (this is an enduring benefit, not a promotional offer).

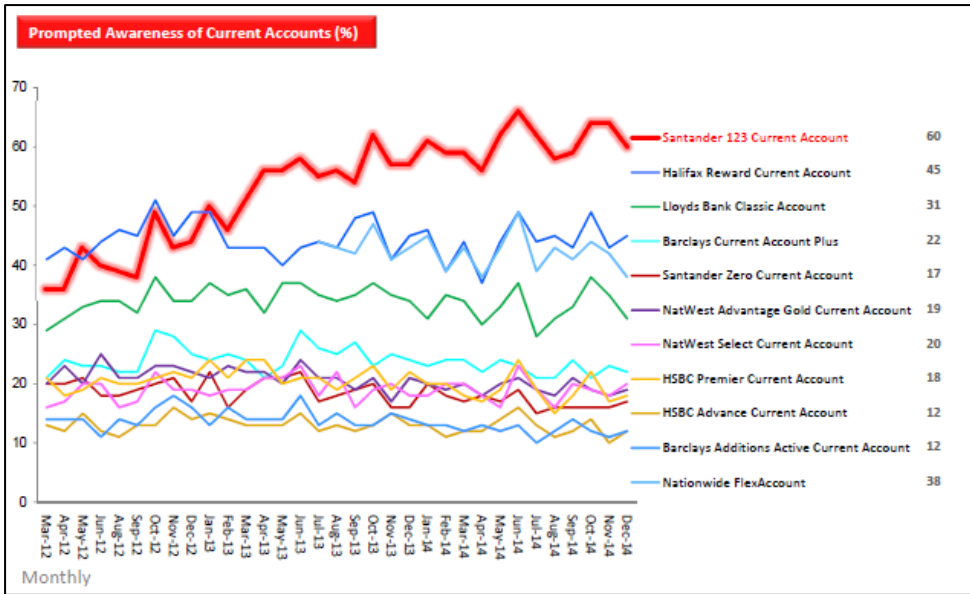


To make sure these values were embedded throughout the organisation, we established a Simple Personal Fair guide which we now use across all communications. We created stylebooks and trained 'language champions' across the business to spearhead this. Why? Because we didn't just want to tell our customers about our values, we wanted to demonstrate them in every single communication.

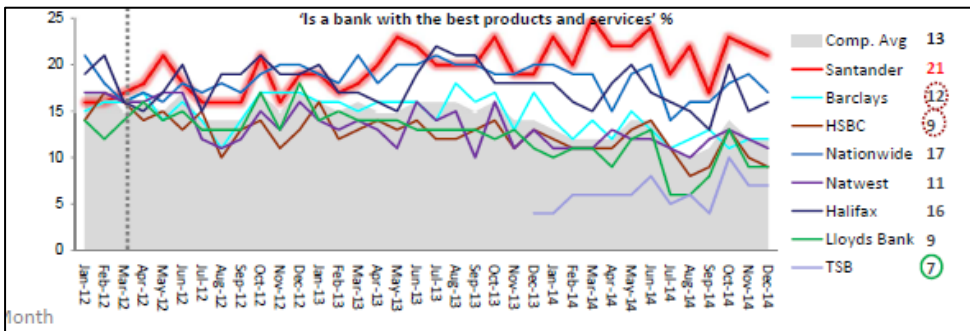
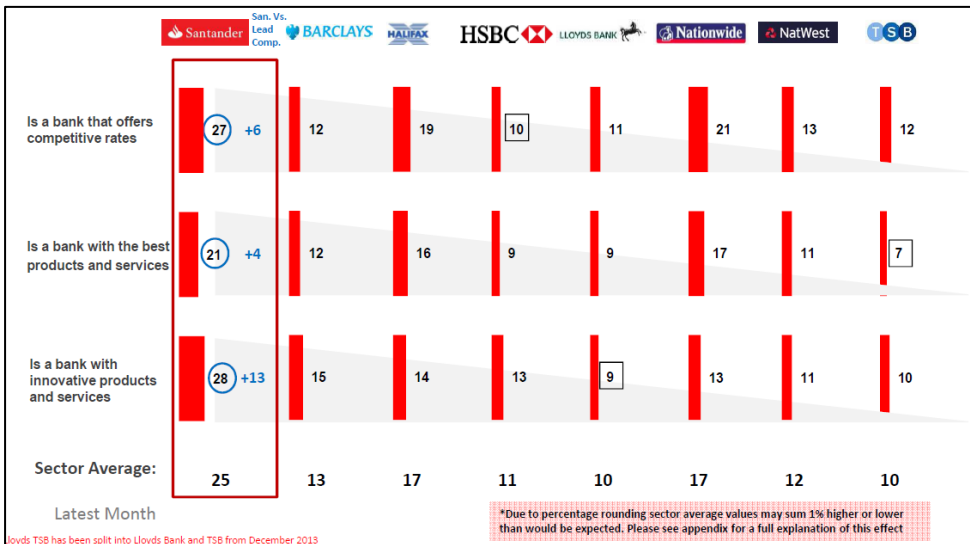
## Long-term effectiveness

So far we've touched on the impact of effective marketing of 1|2|3 in the three and a quarter years since it was launched. It's now time to pull together the full picture. We believe marketing has had ten key impacts.

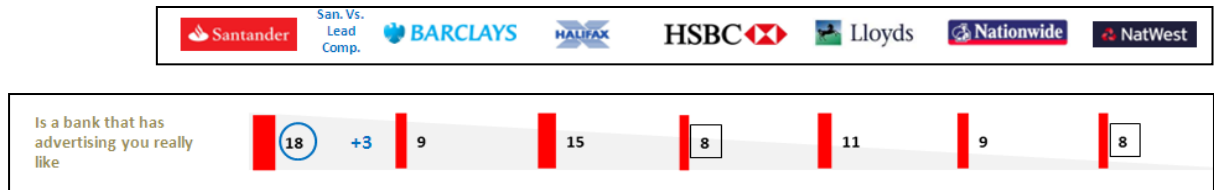
1. We've created a uniquely famous product in a generic category:



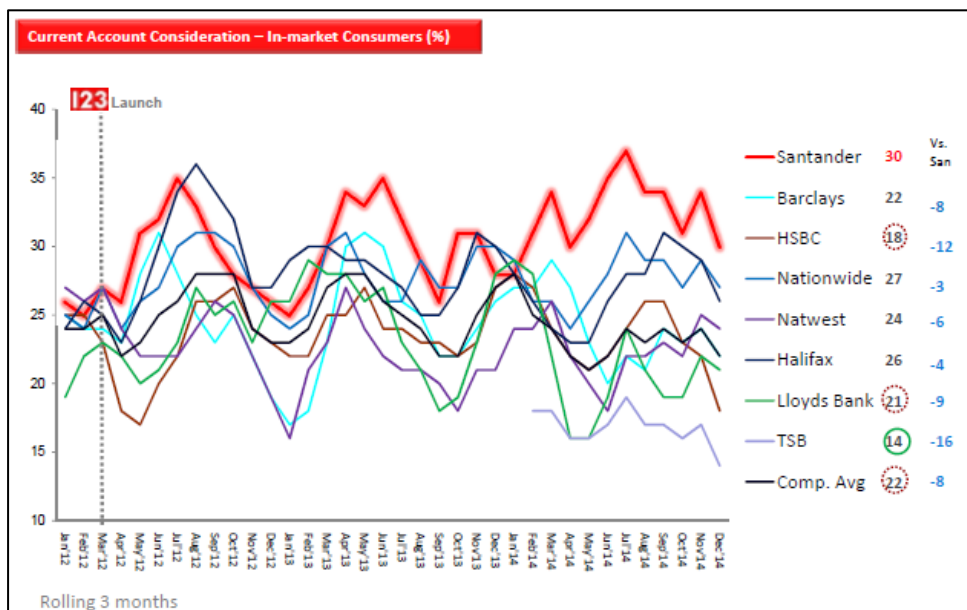
2. This has taken us to a position where we lead the market on innovation:



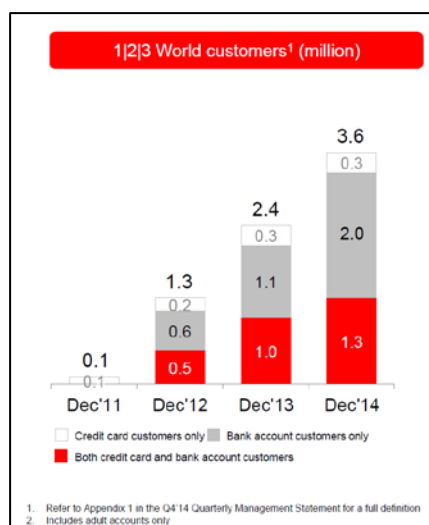
3. We've created some of the category's best liked communications (we were in either first or second place from Sep 2013 to Dec 2014):



4. Despite competitive pressure we've kept the 1|2|3 Current Account at the forefront of consumers' minds when they're thinking about changing their bank:



5. This has translated into sustained growth in the number of customers choosing 1|2|3 products:



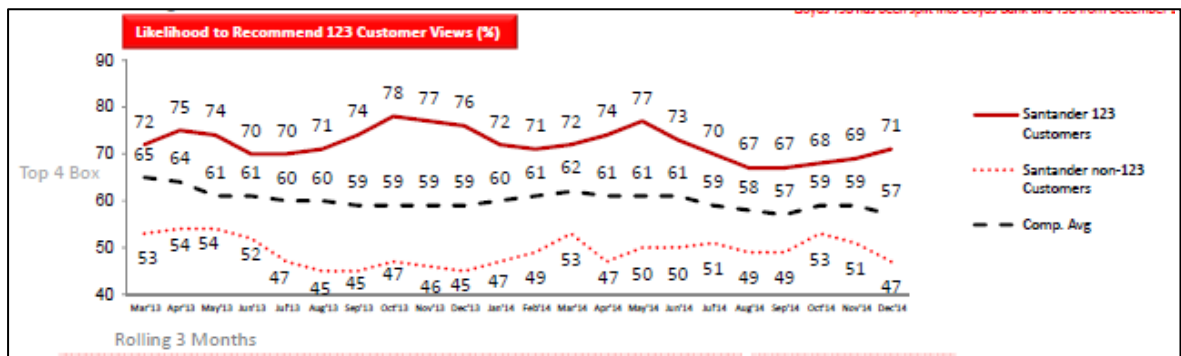
6. Since the introduction of the Switcher Guarantee our marketing activity has made sure we've been the major gainer.

**The winners and the losers**

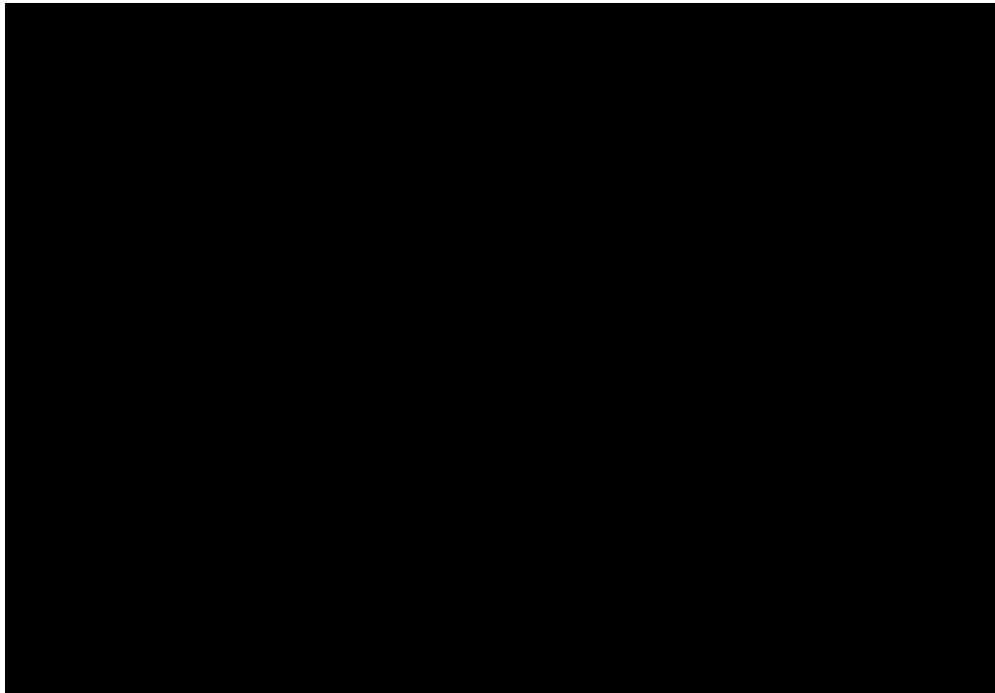
| Brand   | Gains  | Losses | Net gains |
|---|--------|--------|-----------|
| Santander   | 78,734 | 18,812 | 59,922    |
| Halifax   | 40,794 | 25,669 | 15,125    |
| Nationwide  | 25,243 | 10,383 | 14,860    |
| Low volume participants (C Hoare & Co, Virgin Money, Cumberland Building Society, Reliance Bank and Tesco Bank) | 689    | 499    | 190       |
| Bank of Scotland  | 3,790  | 4,093  | -303      |
| Danske Bank   | 541    | 910    | -369      |
| Bank of Ireland (UK) - includes Post Office   | 333    | 820    | -487      |
| AIB Group (UK) p.l.c - includes First Trust Bank and Allied Irish Bank  | 159    | 956    | -797      |
| Ulster Bank   | 180    | 1,515  | -1,335    |
| Lloyds Bank   | 53,019 | 59,335 | -6,316    |
| Clydesdale Bank - includes Yorkshire Bank   | 1,117  | 8,955  | -7,838    |
| RBS   | 2,735  | 11,258 | -8,523    |
| HSBC - includes First Direct and Marks & Spencer  | 18,949 | 30,082 | -11,133   |
| NatWest   | 12,674 | 27,542 | -14,868   |
| Co-operative Bank - includes Smile  | 4,508  | 23,611 | -19,103   |
| Barclays  | 9,455  | 31,574 | -22,119   |

Source: paymentscouncil.org.uk. The figures only include the customers who used the switching guarantee service.

7. The real experience of 1|2|3 among existing customers has created levels of advocacy substantially higher than for our competitors:



8. That real experience has also encouraged 1|2|3 account holders to seize more opportunities to gain from holding other 1|2|3 World products – we've created a mindset of ***cross-buying*** among our customers:

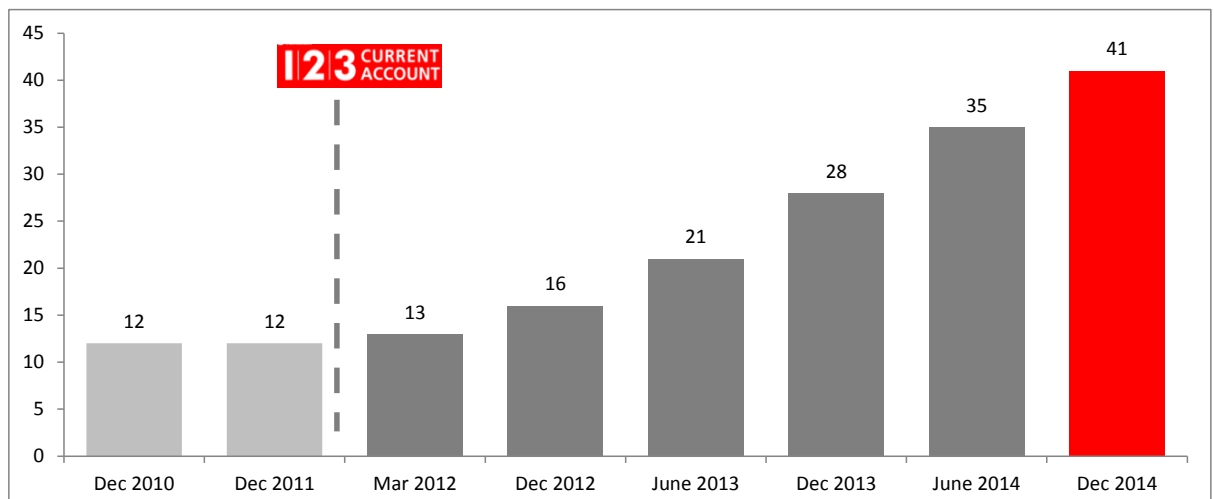


**\*\*This is sensitive data, please do not publish\*\***

9. The success of 1|2|3 has had a transformational effect on the bank's UK business performance:

- Loyal customers from 1.6m in 2011 to 3.3m 2014.
- Profit before tax up 11% 2011 to 2014.
- 8 consecutive quarter growth in operating income.
- Unprecedented increase in Banking liability- 123 proposition delivered significant liability growth since launch (c+£30bn).

Banking Liability Dec 2010 – Dec 2014



10. Despite the competitor response we've created a product which remains widely regarded as the best on the market – for example, we're already Moneysavingexpert's 2015 best overall current account provider.

We've taken a credit card and current account and built products that have attracted millions of new customers, generated record levels of advocacy and transformed our business. We're sustaining this too. Four years ago, the market would never have believed this was possible, yet we've achieved exactly that with the 1|2|3 product family.

We believe this is just the start.

***(1869 words)***