INDUSTRY OVERVIEW: BANKING IN LATIN AMERICA
AN ONLINE PERSPECTIVE
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The banking sector in LATAM has experienced much of the global upheaval seen in the rest of the world over the last couple of years. With such change, comes opportunity for brands which are brave in understanding the consumer changes this upheaval brings and capitalising on them through 2011 and beyond.

The media landscape for retail banking in LATAM is seeing a larger role that digital channels are playing for consumers. While overall levels of online activity in retail banking is not as high, when compared to Europe and North America, there is a sizeable and growing population of consumers who are increasingly using digital channels to drive preference and maintain loyalty.

Digital channels are here to stay and will play a growing level of importance for brands in this sector in the coming years. The reality is few are truly capitalising on the benefits of digital, preferring ad hoc and point-in-time campaign activity as opposed to driving ongoing brand engagement via more consistent communication.

Similarly, integration between channels must be improved for the true benefits of digital communication to be realised. The days of separate digital communications are over. Like brands in more developed markets, retail banks in LATAM must develop and deliver consistent, integrated and ongoing digital activity to attract new and retain current customers.

This insight document will provide an overview of the retail banking space across LATAM. It will examine both macro and micro trends across the region relevant to retail banking and examine in more detail consumer and media realities to explore where opportunities for enhanced digital communication exists. It will suggest a broad way forward for brands to approach digital media in retail banking strategically.
EXECUTIVE SUMMARY

MARKET
GDP growth of 6% in 2010 and forecast 4.2% in 2011 across LATAM will fuel increased marketing spending within the retail banking sector.

While inflation has remained ‘acceptable’ across LATAM in 2009 and 2010 at approximately 6%, recent commodity and fuel increases, if continued, may lead to consumer unwillingness to save. Interest rate rises will need to be looked at carefully as while rises are an incentive to save, they place downward pressure on overall economic activity.

COMPETITION
Increasing regional and international competition will force all players to increase efficiency in media spending. Pan-Regional buys of media will offer a clear advantage as maintaining Share of Voice (SOV) will become difficult.

CONSUMER
With only 48% of LATAM customer holding bank accounts, the possibilities for customer acquisition as the economy grows must be capitalised on. Media can be used to reinstate long lost trust in financial institutions and ultimately increase a bank’s customer base.

Trust, eroded greatly since the financial crisis, is being rebuilt. Any communication strategy must deeply understand how to rebuild trust with consumers for it to be successful.

MEDIA
There is severe underinvestment in digital across the retail banking sector in LATAM, highlighting a key opportunity for brands to take the lead through increased and appropriate investment across digital channels.

As digital channels become more endemic, traditional digital channels like search and display must be developed strategically to encompass both continuity and campaign specific activity. Social and mobile channels in particular will be key channels to build loyalty and consideration in the coming years, while serving as a hook to provide service to the large unbanked population. Beginning and integrating activities via mobile and digital today is paramount for brands not to be left behind.
INNOVATION

Socially driven financial spaces online offer a range of communication benefits for retail banking brands. A leading trend in North America, opportunities for partnerships/development of these in LATAM are encouraged. Pan-regional media offers wide opportunities to establish these partnerships.

There is a real opportunity for a competitive lead to be capitalised by brands in the sector via digital. The question is, who will take the lead?

SUMMARY

Market reality

The last three years have seen monumental upheaval within the banking sector globally. Besides the relative stability of the Australian banking system, few regions were spared some level of economic and social adjustment which came from the crisis of 2008. LATAM, while initially cushioned from direct effects compared to European and US financial institutions, has over the last year and a half seen downstream effects due to globally decreased capital flows and decreases in aggregate global demand which are now bottoming out. GDP growth of 6% in 2010 and forecast 4.2% in 2011 will see robust recovery in the region which is likely to fuel increased media activity by retail financial services companies.

A year ago, inflationary pressures, in a recovering economy may have been expected, however these have become a more noticeable factor to think about in Q1 2011. Inflation increasing at above IMF forecasts of 5.8% for the region in 2011 may be likely. This may cause a disincentive to save. Counterbalancing inflation with interest rates in a recovering global economy however is not overly desirable. The interplay of both these factors will need to be looked at carefully in the coming year.

Competitive reality

LATAM is one of the key competitive regions for financial services and retail banking globally. Increased domestic and international competition over the last decade has contributed to increased media spend in the sector and this is only likely to increase. With increased spend comes the risk of decreasing media effectiveness as SOV is lessened. To maintain media effectiveness in an increasingly competitive market, digital is a key area for investment as, in general, digital channels have seen underinvestment within retail banking across the region. There is competitive advantage to be gained through strategic investment in digital which should not be overlooked.
Consumer and digital reality

With only 48% of LATAM consumers having bank accounts, there is a real opportunity for customer acquisition related marketing activities to be undertaken. With an increasingly digitised LATAM consumer (the LATAM online consumer is one of the most quickly evolving globally with online user growth between 2000 – 2009 being 883%) opportunities for customer acquisition via digital are clear.

The LATAM banking customer will require its institutions to continually rebuild trust from the fallout of the global financial crisis. While the LATAM banking sector is more accustomed to such variability, customers are more empowered and have more choice via increasing international competition to switch, therefore trust via transparency, openness, ethics and simplicity is paramount to ensure customer loyalty in the years ahead.

Media reality

There is clear evidence to show that digital is being largely underinvested across LATAM in the retail banking sector. Most brands are weighting their media spend to be 95% towards traditional channels while digital is receiving barely 4% of overall investment. This presents a real opportunity for a brand to take the digital lead. An important first step is to develop continuity and tactical campaigns throughout the year for display and search. Integrating social, mobile, affiliate and email activities will help to consolidate this approach.
World Gross Domestic Product (GDP) contracted 2% in 2009, as the effects of the global financial crisis worked its way deeply into the fundamentals of the global economy. While lately, many of the world’s markets are recovering, and global market capitalization has grown to US$47.9 trillion in 2009 from US$32.6 trillion in 2008 (up nearly 47%) the global economic recovery remains nascent. World GDP growth is likely to be positive in 2011 and is expected to be led by the Asia-Pacific excluding Japan.

The LATAM and Caribbean region is recovering from the crisis somewhat faster than previously anticipated driven by a strong rebound in private consumption. Investment collapsed at the peak of the crisis, but is expected to accelerate in the coming periods. Higher rates of growth are expected from commodity exporting countries, of which Brazil and Chile in particular are two in LATAM.

The LATAM and Caribbean economies closed the 2010 year achieving growth of 6% after a contraction of 1.9% in 2009. Countercyclical measures introduced by domestic governments and an improving international economy are driving this result.

At the national level, Paraguay leads regional growth with 9.7 percent, followed by Uruguay with 9 percent, Peru with 8.6 percent, Argentina with 8.4 percent, Brazil with 7.7 percent, and Chile and Mexico, both with growth of 5.3 percent.

This is a strong result, however given the international economic uncertainties still present, growth is forecast to drop across the region to 4.2% in 2011.

Domestic credit to the private sector is turning around in LATAM as well. Credit growth has been strongest in Brazil, supported by buoyant lending from public institutions. In Mexico, public banks have also stepped up activities, but from a much lower base.

LAC: Contribution GDP Growth 1/ Source: IMF, 2010

1/ includes: Argentina, Brazil, Chile, Colombia, Dominican Republic, Ecuador, Mexico, Peru and Venezuela.
COMPETITIVE LANDSCAPE

OVERVIEW

Economist Intelligence and MasterCard research from Q4 2008 showed the LATAM banking industry, especially retail banking, will evidence increasing competition as the region becomes a greater engine for global economic growth and levels of wealth in the region increase.

The major findings from the research were:

1. **LATAM is increasingly important to organisations’ globalisation strategies.** Respondents in the research expect a greater share of banking revenue will come from LATAM in the medium term.

2. **Competition to attract customers in LATAM is forecast to intensify.** Meanwhile, financial services in the region are still relatively underdeveloped and organisations are in a position to enhance their portfolio of financial products.

3. **Brazil is the most attractive market in the region.** Brazil is clearly identified as the favourite investment destination by survey respondents (71%), followed by Mexico (43%) and Argentina (38%).

4. **Competition in retail banking will increase the most.** According to survey respondents, more than one-quarter (27%) expect the greatest increase in competition in retail banking, compared with 17% in investment banking, 15% in corporate banking and 12% in consumer finance and cards.

Since this report, many of the major findings have been playing out. Competition from international banks has increased. Mergers have taken place and domestic competition has also increased. Much of this has fuelled by continued LATAM economic growth and the relatively positive position which key LATAM markets emerged from after the financial crisis of 2008.

As competition in the market intensifies, media spend needs to be increased and media efficiencies need to be realised to ensure SOV is maintained. Digital channels can help drive these efficiencies, and will undoubtedly see increased investment by incumbent and new players in the market.

Brands will need to closely monitor and improve their communication effectiveness and level of online media spend to ensure they are not left behind and are maintaining competitive levels of SOV and Share of Investment (SOI).
LATAM BANKING BRANDS

There are several regional and international banks across LATAM, several of which are some of the largest banks internationally as well. A strong presence from international brands is unsurprising, given the market potential in LATAM, we are also seeing an increasingly strong role being played by local banks.

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In a list from the Banker (2010) of the top 25 banks globally, 4 of the Top 25 banks globally were Spanish or LATAM banks.

Source: The Banker, 2010

Key LATAM players

Key local players
MAJOR REGIONAL PLAYERS: LATAM

**BBVA**

Market Value Sep’10: **50,681.0 (SM USD)**

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While approximately 60% of the BBVA’s loans are in Spain, the company has a very strong presence across LATAM. In 2010, LATAM accounted for half of the group’s earnings.

The brand exists in 12 LATAM markets through the following subsidiaries, BBVA Bancomer in Mexico; Banco Bilbao Vizcaya Argentaria and BBVA Banco Francés in Argentina. It also exists as the stand alone brand, BBVA, in other markets.

BBVA engages in retail banking, asset management, private banking, and wholesale banking businesses in Spain and internationally. BBVA believes it follows an innovative management model as it focuses on the customer and also considers broader societal concerns.


**Santander**

Market Value Sep’10: **104,666.6 (SM USD)**

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The Santander Group is the fourth largest bank in the world by profits and eighth by stock market capitalization.

Santander is one of the most highly valued brands in the finance sector (third in the world according to the consultant Brand Finance).

The Santander brand sees itself as representing the values of dynamism, strength, innovation, leadership, commercial focus and professional ethics.

HSBC is one of the largest banking and financial services organizations in the world. HSBC provides a comprehensive range of financial services: personal financial services; commercial banking; corporate, investment banking etc.

Messaging focuses around the long running campaign of The world’s local bank.

HSBC was awarded Best Global Consumer Internet Bank in 2009 by Global Finance Magazine.

Scotiabank is Canada’s most international bank.

Today, Scotiabank Group and its affiliates offer a diverse range of products and services, including personal, commercial, corporate and investment banking.

Messaging for Scotiabank is not as clear as competitors. Currently, they are running messaging around the concept of Saving.

With a presence in more than 100 countries, Citibank provides a wide array of retail and commercial banking, lending and investment products.

Messaging focuses on the following pillars: Access, Control, Convenience, Security.

In 2009, it was awarded Best Corporate and Institutional Bank in LATAM by Global Finance magazine.
CONSUMER AND DIGITAL LANDSCAPE

THE LATAM DIGITAL CONSUMER OVERVIEW

As has been evidenced in the rest of the developed internet world, LATAM’s increased penetration of broadband, coupled with a longer time spent online is building trust and familiarity with online channels. This is translating into consumers undertaking a wider range of online activities.

The LATAM online consumer is still one of the most quickly evolving globally with online user growth between 2000 – 2009 being 883%, compared to 354% for the rest of the world. On average, 48% of LATAM consumers access the internet daily, undertaking a range of internet related tasks (browsing, chatting, blogging, social etc).

Online use will only increase as rates of broadband penetration and mobile become more widespread. Mobile use and broadband penetration are forecast to grow to 110% and 43% respectively by 2014.

As consumers become more internet savvy, they also move from simple information gathering activities to more complex activities including active contribution (blogging etc), e-Commerce related activities and finally a broader range of online social activities. This trend is not LATAM specific, it is the general evolution of online usage patterns that have been observed globally.

All indicators in LATAM are positive for continued online and mobile growth. According to eMarketer estimates (2010) the number of internet users in LATAM has been consistently increasing at double the rate of population growth since early this decade.

LATAM consumers are also increasing their use of internet channels for information, decision making and functional aspects of their financial services needs. Off a modest base, Argentina, Brazil and Chile all show healthy levels of internet use for banking needs with Colombia and Mexico not far behind.

Following trends from the rest of the globe, the role social media is playing in the day to day digital lives of LATAMs online consumers is significant. Often, the use of social channels is the highest of all uses of the internet, with search typically the second highest use. Across LATAM, Facebook is quickly establishing itself as the social network of choice, with the notable exception of Orkut as the primary social destination in Brazil.

Following is an overview of key LATAM countries and a snapshot of their online population. It is clear that the tipping points for digital across all these markets has well and truly been reached or is rapidly approaching.
### SELECTED LATAM ONLINE COUNTRY SNAPSHOT

#### MÉXICO

- **% Online**: 27%
- **Online Population**: 30MM
- **Internet growth in last 5 years**: 105.3%

**Use of the internet**
- Banking: 14.7%
- News: 37.6%
- Social: 77.6%
- Search: 88.5%

**Top 5 Social Networks:**

#### ARGENTINA

- **% Online**: 50%
- **Online Population**: 20MM
- **Internet growth in last 5 years**: 255%

**Use of the internet**
- Banking: 24%
- News: 54.8%
- Social: 97%
- Search: 86.9%

**Top 5 Social Networks:**

#### COLOMBIA

- **% Online**: 47%
- **Online Population**: 20MM
- **Internet growth in last 5 years**: 354.3%

**Use of the internet**
- Banking: 21.7%
- News: 44.1%
- Social: 98.8%
- Search: 88.4%

**Top 5 Social Networks:**

#### BRAZIL

- **% Online**: 38%
- **Online Population**: 76MM
- **Internet growth in last 5 years**: 193.2%

**Use of the internet**
- Banking: 30.5%
- News: 51%
- Social: 87.3%
- Search: 82.2%

**Top 5 Social Networks:**

#### CHILE

- **% Online**: 50%
- **Online Population**: 8MM
- **Internet growth in last 5 years**: 40.2%

**Use of the internet**
- Banking: 34.8%
- News: 69.9%
- Social: 77.7%
- Search: 91.1%

**Top 5 Social Networks:**

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Source: Statistics compiled from comScore 2010, TGI 2010, Nielsen 2010 and eMarketer 2010
THE LATAM ONLINE CONSUMER: RETAIL BANKING

LATAM is the #1 region worldwide in search, and Colombia is the #1 country with 183 monthly searches per capita vs. 104 for the global average. Search for general information, use of Social Media and news consumption round off to be the highest activities online.

It is evident that search and social media present clear opportunities in the retail banking sector. In our view, there is a lack of ‘testing and learning’ especially with social media across LATAM and especially within the banking sector. This presents a few issues moving forward. Primarily low or nonexistent levels of activities in social spaces, where 82% of LATAM’s are and spend 49% of their time online, will present competitive issues moving forwards as more innovative brands build traction.

Banking related online activities are gaining critical mass and will undoubtedly grow in the coming years. Brazil, Chile and Argentina are notable in their use of the internet for banking and financial services. There is a still a clear bias towards using the internet in this sector for information search, however the penetration and use of more advanced activities (internet banking, personal finance management and to a much lower degree trading) is there. This is an important trend to take note of and factor into any forward thinking communications strategy, planning and buying.

### Consumer use of online for financial service needs

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<th>BRAZIL</th>
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<tbody>
<tr>
<td>Use banking + finance sites</td>
<td>26.9%</td>
<td>33.9%</td>
<td>46%</td>
<td>37.1%</td>
<td>41.8%</td>
</tr>
<tr>
<td>Use online banking</td>
<td>14.7%</td>
<td>21.7%</td>
<td>34.8%</td>
<td>24%</td>
<td>30.5%</td>
</tr>
<tr>
<td>Manages personal finances online</td>
<td>4.4%</td>
<td>5.7%</td>
<td>10.1%</td>
<td>8.8%</td>
<td>11.4%</td>
</tr>
<tr>
<td>Use online to assist in financial decision making</td>
<td>4.4%</td>
<td>5.6%</td>
<td>9.6%</td>
<td>3.8%</td>
<td>4.7%</td>
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*Source: TGI Latina wave I 2010 wave II 2009*
RETAIL BANKING SEGMENTATION LATAM

According to McKinsey and the World Bank, LATAM has the highest aggregate ‘un-banked’ population worldwide, with 250 million consumers currently not using retail banking services. This is both a challenge and an opportunity for banks. The challenge is how to make many of these customers profitable, as a large proportion of them are in rural areas or from lower socio-economic classes. An additional challenge is that many of these customers have inherent mis-trust of retail banks. The opportunity is of course bringing these ‘unbanked’ on board as customers, especially through targeting those which are moving up economically as the general level of individual wealth in the region increases.

So what would a sensible segmentation look like across the banking sector to begin targeting potential or current customers? As with any sector, banking and finance segmentation can take various forms. Broadly, we see two main approaches to segmenting potential and future customers within retail banking which are especially important due to the technology that can be used to make digital channels more efficient.

1. Lifestyle segmentation

   This looks at a combination of demographic factors (age, location, education, income, family structure etc) i.e. “What defines them?”, and psychographic factors (motivators, life goals, views on wealth accumulation etc) i.e. “What drives them?”

   Combining lifestyle segments is useful especially when looking to target new customers. It is also useful when segmenting current customers particularly when conducted alongside profitability segmentation.

   Cookies, e-mail marketing, and audience targeting make it possible to efficiently implement lifestyle segmentation across LATAM.

2. Profitability segmentation

   This segmentation looks at a retail bank's customer base and analyses the cost of maintaining a customer compared to the revenue generated from them. Via this analysis, customer segments from most to least profitable can be arrived at and subsequently targeted with the broad aim of increasing profitability via increasing the basket of products a customer uses from the bank (i.e. credit card + savings + investments + mortgage etc).

   Digitally, it is effective to segment by profitability using retargeting techniques. Additionally, the channel can be used to build customer loyalty activating owned data bases, incentives and surveys.
76.6 million bank account holders in LATAM

48% of LATAM population

Socio economic level:
- 48% (Top 10%)
- 52% (Next 20%)
- 29% (Next 30%)
- 18% (Last 40%)

Most important factors when looking for a financial institution:
- Customer service (49%)
- Interest rates Additional fees (34%)
- Image (29%)
- Special offers (18%)
- Past experience (17%)

Source: TGI Latina wave I 2010 wave II 2009
CONSUMER TRENDS: RETAIL BANKING

OVERVIEW

While several of the consumer trends witnessed today within the financial services industry have been accentuated because of the financial crisis of 2008, many of these trends were evident in the years previous. What the financial crisis has done is accelerate the importance for financial services brands to take note of these trends, to rebuild trust and adapt their marketing and communication approaches accordingly.

Broadly, the crisis has led to trust issues with consumers in relation to their financial services providers. Where initially the question of “How do I trust banks again?” was firmly in consumer’s minds, now this has evolved to the means through which trust can be rebuilt.

We see several **strategic communication imperatives** to help rebuild trust. The four most pertinent as:

1. Increasing transparency and openness;
2. Focusing on simplicity;
3. Ethics and sustainability messaging and to a lesser extent;
4. A focus on making customers and prospective consumers feel like they have the backing of a large bank with the feeling of a small one.

The role each plays in a broader communication approach for financial services brands will of course be dependant to the realities of that brand currently.

**Communication realities to regaining trust in financial services**

“HOW DO I TRUST BANKS AGAIN?”

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TRUST

Mistrust towards financial institutions has been a long-lasting challenge for the sector across LATAM, especially in lower socio economic classes. This level of mistrust has built up over years of financial crises and turmoil which have largely characterised the banking sector in LATAM from its inception. This issue, although heartily felt by the 52% of the LATAM population which are not currently retail banking customers, has historically been less important to those people with bank accounts. However, the financial crisis of 2008 has made the issue of trust relevant to all, leading to a prolonged and accentuated crisis of trust.

A Mintel report from 2009 showed that 66% of adults had lost trust in financial services companies. Further research amongst High Net Worth Individuals in LATAM (Capgemini and Merril Lynch World Wealth Report, 2009), showed that while there was still confidence with their individual financial advisors, there was a low degree of confidence with financial markets in general and the regulatory bodies overseeing financial markets.

This general lack of trust showed itself dramatically in the collapse of brand value across major financial services brands between 2008 and 2009. This was evidenced by USD$26 billion of value being wiped from the combined balance sheets of USB, Morgan Stanley, Citi, HSBC and America Express alone.

| Share Price Decrease Percentage Post 2008 Collapse |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| -50%            | -49%            | -32%            | -26%            | -20%            |

Source: Business Week, 2009

Trust is a cornerstone of any relationship people have, including current or prospective brand relationships. While seemingly obvious, it should not be overlooked nor considered as an inevitable outcome for a brand.

Trust needs to be focused on in the retail banking sector and strategies put in place to rebuild, maintain and continually reinforce it with current and prospective consumers.

This was echoed recently by Alex Craddock, Senior Vice-President of Marketing for VISA CEMEA when he stated:

“In our business, there’s no question that trust is the most essential aspect of our brand. We are asking our customers for the ultimate display of trust: to accept that their VISA card will work safely, securely and increasingly, with direct access to their money. What could be a greater example of everyday consumer trust?”
TRANSPERANCY & OPENNESS, ETHICS & SUSTAINABILITY

Transparency and Openness

It has been widely commented that greater transparency and openness within the financial services sector is key in helping to mitigate future financial crises. While this will need to be led by regulatory bodies and government, there is a clear opportunity for banks to begin this process of openness with current and prospective customers and receive the benefits of doing so.

Given the growth of social spaces, and the “transparent” conversations already occurring with brands online (including financial service brands) becoming part of this trend is crucial.

Social Media has become the go-to vehicle in LATAM for financial institutions in encouraging openness and transparency via online conversations. Banamex, has been one of the brave ones to first open up a Facebook account were current and prospective consumers can interact with the brand, ask questions and receive promotional discounts.

Ethics and Sustainability

Havas research has shown that 89% of people in LATAM have respect for companies which are socially and environmentally responsible. From a communication standpoint a higher degree of respect from brands draws consumers closer to them with the inevitable benefits of improved consideration, selection and loyalty.

One of the most dedicated financial services brands to embrace this thinking is the Co-Operative Group in the UK via their financial services brands the Co-Operative Bank, it’s internet bank ‘Smile’, Co-Operative Investments and Co-Operative Asset Management. The brand lives sustainability and ethics in all it’s operations.

While not all brands are capable of such an ingrained ethical approach, there are several examples of initiative driven ethical communications. For instance, JP Morgan Chase runs a highly successful Community Giving Program initiative via Facebook that distributes million of dollars to non-profit organisations.

In LATAM, financial institutions have started to understand the potential of aligning themselves more closely to concepts of ethical behaviour and sustainability. Banamex, for instance, has been a pioneer in the region, in communicating their commitment to social causes, by developing specific communication campaigns solely dedicated to showing their commitment to environmental causes.
TRUST VIA ETHICS AND SUSTAINABILITY: LATAM EXAMPLES

Banco Galicia was recognised as the most sustainable bank in Argentina. The award was received thanks to the sustainability showed in the way they do business by the The New Economy, a publication from the UK. Since 2007, Banco Galicia has adhered to several different International commitments including, Principios de Ecuador, Carbon Disclosure Project and the Global Pact of the United Nations.

Banamex has exploited their commitment to environmental preservation through their communication, where they have held specific campaigns to generate awareness of their focus on this cause. Most importantly, they have been able to generate a direct link in their consumer’s mind between sustainability and their brand.

BBVA in Mexico has offered free training on financial education to their current and prospective consumers, using media to help position their brand as one which takes a responsible and ethical view on their role in ensuring financial literacy.

Santander takes their commitment to social responsibility very seriously, actively participating in various activities that they have become public through events, PR and a dedicated microsite on social responsibility. Activities have included “Fideicomiso por los Niños de Mexico, Todos en Santander,” a commitment to better the lives of the neediest children in the country. Also, they have partnered with current clients through ATM campaigns, were they have heavily promoted the option to donate to the causes they support.
TRUST VIA ETHICS AND SUSTAINABILITY: GLOBAL EXAMPLES

The Co-Operative Bank in the UK bases its entire positioning on ethical practices and investment. It has an area of the bank called ‘Social Banking’ which is committed to helping organisations looking to create positive social change.

In an effort to mend battered public opinion, Goldman Sachs launched a $500 million social responsibility campaign to help 10,000 small businesses across America and create jobs. While this could be viewed cynically, the reality is that there will be real social benefits to come from the investment and associated brand benefits for Goldman Sachs.

Supporting the growing want by consumers to base their decisions on ethical grounds, mechanisms like Your Ethical Money have gained increasing importance in the financial services industry. This UK based site lets consumers compare financial products and brands on ethical criteria and assist in decision making based on these criteria.

JP Morgan Chase, via Facebook is distributing more than $5 MM to non-profits. Based on the votes of Facebook users, the partnership will donate the money. The program is the most successful crowd sourced corporate philanthropy campaign ever run in Facebook.
TRUST VIA SIMPLICITY

Closely aligned to rebuilding trust through transparency and openness is the trend and requirement for financial services brands to simplify their brands for consumers and enable a greater sense of control between consumers and their bank.

Datamonitor research from 2009 and 2010 showed that 50% of consumers do not know whether to invest, or which products to now choose when making investment decisions. A high majority of consumers (70%) claim they wish to manage their finances in more detail ongoing and 40% are paying much more attention to banking information. Finally, the research showed the most frequent consumer request was for simple, factual information. On average 43% wanted increased information to drive a feeling of control over their finances, as long as it was simple.

This creates communication opportunities for financial service brands with online being a key driver to capitalise on this need for simple financial information provision.

Communication and media strategies for financial service brands can benefit from this trend by providing information across paid, earned and owned media spaces which:

1. Is simple and clear.
2. Enables multiple touch points for customers and prospective customers to source information and clarify questions.
3. Transparently works within social spaces to answer questions and provide information.
4. Develops tools to facilitate answers to questions across key consumer touch points.

TBanc’s central idea and consumer proposition is about simplicity in choice and information promoted through its slogan “Everything Simpler”. With the backing of Bci Corporation, TBanc offers banking 24 hours a day 7 days a week from where you need it. Differentiating themselves from traditional banks, instead of branches they offer full-service banking online made simple.
TRUST VIA FEELING SMALL AGAIN

One final trend which may provide a communication opportunity for financial services brands is the sentiment of “Too big to fail”. This term was used extensively throughout the financial crisis to designate the reality of needing to maintain liquidity within the banking sector, and support it to ensure banks did not fail as the larger economic and social ramifications would be catastrophic. This sentiment has largely not been received well by the general public, viewing that banks who acted flagrantly were ‘forgiven’ and recapitalised at the tax payer’s expense.

The communication opportunity this creates is one of making LARGE banks, feel small again. It is easier for banks with a smaller feel to have a human face and get closer to the consumer, again, building trust. This is especially important in LATAM, where there is an extensive contrast between domestic and international banks, and where locals have put out a strong battle.

Clearly this is a difficult communication strategy to undertake.

The reality of authentically communicating this positioning is fraught with issues as it calls for a more thorough examination of a bank’s strategy, process, people and technology approaches for it to be genuine.

Merely communicating a ‘small bank feel’ without actually delivering could be potentially more harmful than beneficial.

Datamonitor does see this is a key trend in 2010 and beyond however. “The successful banks of 2010 will be those that effectively remove the stain of ‘too big to fail’ from their brand image and re-engage the jaded customer. This is easier for smaller, local banks that can more effectively convey a human face to the consumer.”

These views are also being seen within the sector. Peregrine Banbury, former boss of Coutts Private Bank stating, “After the financial collapse, people want to know that banks are really, really boring again – but trustworthy. They also want to see a bank manager again, get advice and all those basic things which are sadly lacking in banks today.”

Cambridge to get new ‘boring’ bank

A group of Cambridge businessmen, including former HSBC head of technology and innovation David Gill, are setting up their own ‘boring’ bank.

01 February, 2010 - 16:03

Brainchild of Nigel Brown, former chairman of financial services boutique NW Brown, the Cambridge Commercial Lending Company is currently trying to raise £50 million for the venture.

Former boss of Coutts private bank Peregrine Banbury has been installed as chief executive while Gill, who is now the managing director of Cambridge-based St John’s Innovation Centre, has joined the board.
FINANCIAL MANAGEMENT
VIA SOCIAL SPACES ONLINE

With online social networks increasingly outgrowing physical networks, the role of earned, or media via social spaces will become increasingly important for financial services in LATAM. Across all sectors, this is being driven by two major factors:

1. More People with online Access:
   • +23% Internet Access at home growth ’09-’10
   • Highest expected worldwide CAGR at +15.4%, peaking in Mexico at +29.37%

2. More social tools being developed to facilitate sharing in Spanish and Portuguese.
   With increased access and demand, brands have had to adjust to meet consumer preferences. In LATAM, over 93% of the population prefer and demand content to be in their local languages; Spanish and Portuguese, forcing the availability of tools for sharing in these languages.

At the same time as trust in financial services is tenuous, connection to peers has never been so easy. Social Media has exploded in LATAM, gaining 88% of online users. In 2011 (and beyond) consumers will use the experiences of their peers in order to evaluate their spending and saving decisions which will increasingly flow into their broader financial decisions.

We agree with a Datamonitor observation that as consumers are already using social media for their financial needs, they will increasingly find (or build) their own tools to meet these requirements if they are not offered by the financial services industry. While these trends are more obvious in the US, UK and advanced European markets, LATAM is not far behind.

Growth in peer driven financial communities abounds and will increase with venture capital chasing investment in this area, only fuelling continued growth. These spaces are actively being sought after by more forward thinking financial brands who are either partnering with existing financial communities or building their own.

Globally, we see this trend becoming a reality. For instance Bundle.com, a collaboration between Citi, Microsoft and Morningstar, enables people to plan, manage and
make decisions on all aspects of their finances through leveraging financial tools, expert information and aggregating the financial decisions of its many thousands of users. On a simpler level, BBVA Compass in the US recently became the depository bank for smartypig.com users, a community to assist people in planning and achieving individual savings goals.

In LATAM, we are beginning to see these social spaces form and expect to see more arise. Unience is a social investment community that allows members access to each other, and most importantly to each other knowledge. Additionally, it provides for advice, price quotes and a one-stop site where members can link the sites of the institutions where they hold investments, all under the community setting.

The power of this trend, and the importance of it for financial service brands, is undeniable. As people, in general, are using their digital tribes as key sources of information (tribes which they often trust more than brands) financial services companies must effectively plan these earned spaces into their communication strategies.

“The next stage of the web won’t have destinations, it will be a distributed network of content and people that will get reassembled depending on context and relationships. The increase in people interactions on the web will mean that building and managing communities will be important for responding to customer suggestions, queries, and complaints. Communities will need to be embedded in consumer experiences and not built at a new destination.”

Paul Adams, Lead User Experience Researcher, Google, July 2010

Bundle is a collaboration between Citi, Microsoft and Morningstar.
BBVA Compass recently became the depository bank for smartypig users.

Unience has several partners involved in its creation including Reuters and Morningstar.
The last five years has seen, in some LATAM countries, **triple digit growth in internet penetration**. While internet penetration rates are typically lower than developed economies, given the large size of many LATAM countries and the propensity for higher socio economic classes to be connected first, the market opportunity in real and dollar terms is significant.

Given this, it is no surprise that online media spend across LATAM is forecast to grow from $1.7 billion USD in 2009 to **$4.2 billion USD in 2014** (eMarketer, 2010).

<table>
<thead>
<tr>
<th>Year</th>
<th>Spend (Billions USD)</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$1.7</td>
<td>13.3%</td>
</tr>
<tr>
<td>2010</td>
<td>$2.0</td>
<td>23.1%</td>
</tr>
<tr>
<td>2011</td>
<td>$2.5</td>
<td>21.2%</td>
</tr>
<tr>
<td>2012</td>
<td>$3.1</td>
<td>24.6%</td>
</tr>
<tr>
<td>2013</td>
<td>$3.6</td>
<td>16.2%</td>
</tr>
<tr>
<td>2014</td>
<td>$4.2</td>
<td>16.2%</td>
</tr>
</tbody>
</table>

**Note:** includes banner ads, search, rich media, video, classified sponsorships, lead generation and email. Excludes mobile ad spending. Source: eMarketer, June 2010

Across the markets and brands investigated, there was broad digital activity amongst retail financial services brands. Most activity is centered in display and search, with some limited examples of mobile, social media and other digital media related activities.

All brands have definite scope to increase spending in digital media to maintain competitiveness and SOV. Given the generally low levels of digital spend across LATAM in the sector, there is also an opportunity to take a competitive lead.

We see the most relevant digital media in relation to financial services and retail banking in LATAM being: **Display, Onlive Video, SEM, SEO, Social Media, Affiliation and Performance, eCRM and Mobile**.

**Key Publisher Sites Finance (LATAM)**

- MSN Money
- Yahoo! Finance
- CNN Expansion
- Administradores.com (BR)
- REUTERS
- El Economista
- El Financiero
- Forbes Property
- AmbitoWeb

Source: Havas Digital, 2010
DRIVING DIGITAL MEDIA SUCCESS IN RETAIL BANKING

With growing online maturity across LATAM, there is clear growth in the effectiveness of using digital channels to drive influence within retail banking. Havas CONNECT® analysis across key LATAM markets has shown that digital channels are high drivers of influence for consumer choice in retail banking.

Unsurprisingly personal and expert recommendation are also highly influential drivers in brand choice within the sector. Equally as important are brand websites and online expert opinion. Given this, any retail banking digital strategy should closely look at search, display and content strategies within their media mix to ensure they fall within the consideration set of a prospective customer’s search.

Regional analysis of three key markets (Argentina, Chile and Mexico) shows that even though there is increasing importance of digital within the sector, there is significant underinvestment in this channel by all players. On average, for the companies analysed, there was on average only 4% spend dedicated to online. This presents opportunities for brands to take a leadership position to drive increased awareness, consideration, customers and loyalty.

<table>
<thead>
<tr>
<th>Most influential channels for retail banking brand choice in LATAM (selected countries)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Brand website</td>
</tr>
<tr>
<td>Friends and Family</td>
</tr>
<tr>
<td>Financial Expert Website</td>
</tr>
<tr>
<td>Expert Recommendation</td>
</tr>
</tbody>
</table>

Source: Havas Digital, 2010

Maximising efficiencies in digital takes a considered approach. Each channel needs to work together over time to build increasing efficiencies and results. Pan-Regional media can clearly play an important role in helping to drive these efficiencies for retail banking brands. Properly understanding each channel and its role is crucial.

<table>
<thead>
<tr>
<th>Average level of spend by channel for Banking Brands in selected LATAM Markets (Q1, Q2 Argentina, Mexico and Chile, 2009)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TV</td>
</tr>
<tr>
<td>Pay TV</td>
</tr>
<tr>
<td>Press</td>
</tr>
<tr>
<td>Magazines</td>
</tr>
<tr>
<td>Outdoor</td>
</tr>
<tr>
<td>Internet</td>
</tr>
</tbody>
</table>

Source: IBOPE, IAB y Havas Digital estimations
STRATEGIC USE OF DIGITAL MEDIA IN RETAIL BANKING

Given the increasing maturity, penetration and role that digital channels are playing for consumers in LATAM it is crucial that brands within this space look at an integrated and ongoing digital media strategy across all major channels.

While display and search are establishing themselves as the cornerstones of any digital strategy, effectively integrating affiliate, social, mobile and email are recommended to drive awareness, consideration (lead generation), trial and loyalty.

Continuity messaging with increased weighting on specific campaigns should form the basis of digital media thinking for brands in this sector.

Digital channel approach across purchase funnel

<table>
<thead>
<tr>
<th>Digital Channel</th>
<th>Strategic Approach and Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Display</strong></td>
<td>Maintain presence with continuity based campaigns. Flight with specific campaigns to support awareness and optimise CTR. Ensure coverage is between 50-60% (effective rate for sector). Utilise retargeting technologies to drive effectiveness.</td>
</tr>
<tr>
<td><strong>Search</strong></td>
<td>Test and learn with rich media. Experiment and optimise VDO based campaigns. Focus on specific banking retail product areas and allocate budgets accordingly. Optimise over medium to long term.</td>
</tr>
<tr>
<td><strong>Affiliate</strong></td>
<td>Focus on continuity campaigns. Optimise affiliates based on CPL. Decrease CPL over time.</td>
</tr>
<tr>
<td><strong>Social Media</strong></td>
<td>Develop owned social media spaces and encourage followers. Develop engaging content and share to drive earned media. Learn through buzz monitoring.</td>
</tr>
<tr>
<td><strong>Mobile</strong></td>
<td>Experiment with mobile display for awareness and performance. Develop tactical and long term mobile properties to build awareness and loyalty.</td>
</tr>
<tr>
<td><strong>Email</strong></td>
<td>Use third party lists for acquisition. Optimise based on CPL. Use own lists to drive up sell, cross sell and member get member programs.</td>
</tr>
</tbody>
</table>

Media overview

<table>
<thead>
<tr>
<th>Digital Channel</th>
<th>AWARENESS</th>
<th>ATTITUDE</th>
<th>TRIAL / EXPERIENCE</th>
<th>LOYALTY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DISPLAY (CPM, CPC, CPA, awareness, VDO)</strong></td>
<td>Differentiate</td>
<td>Preference</td>
<td>Traffic</td>
<td>Registrants</td>
</tr>
<tr>
<td><strong>SEARCH (SEO, SEM)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>AFFILIATE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SOCIAL MEDIA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>MOBILE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EMAIL (3rd party and own)</strong></td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>
CONCLUSION

In a LATAM retail banking environment where trust needs to be built and communication advantage maintained as competitive forces intensifies, the role that digital plays cannot be underestimated.

Initially simple digital communication optimisation through continuity campaigns focusing on search and display are a clear first step to achieve this. Once overall sophistication and efficiencies in these channels are achieved, where we see a clear opportunity in Pan-Regional media, more advance digital communication activity can take place to deepen the consumer experience with the brand and drive loyalty.

Growing penetration of the internet in LATAM and growing complexity in the behaviours of retail banking consumers online bode well for brands that are willing to move most decisively. The benefits, are clear.
RESOURCES AND SUGGESTED READING

• Globalisation Winds in Latin American Banking Industries (Economist Intelligence Unit, 2008)
• Global Payments 2011: Winning After the Storm (BCG, 2011)
• What’s Next for Global Banks (McKinsey Quarterly, 2010)
• The Banker (Various Articles)
• World Economic Outlook: Recovery, Risk and Rebalancing (IMF, 2010)
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We encourage you to contact us directly to discuss, in more details, any concerns you may have regarding this Havas Digital Insight issue. We will be happy to assist you.

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