

The Consumer Education Initiative of the Financial Services Board

Final Strategy

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Introduction

The Financial Services Board Act (Act 97 of 1990) mandates the Financial Services Board (FSB) to:

“Promote programmes and initiatives by financial institutions and bodies representing the financial services industry to inform and educate users and potential users of financial products and services”.

In order to achieve this ideal, the FSB decided to develop with the help of consultants, a long-term strategy that would deliver more clearly defined objectives. In addition, it was decided that the process that would be followed would be collaborative in nature - which given the indicated role of financial institutions and bodies and consumers and educationalists in the achievement of the ideal they would all have to contribute to the development of the strategy.

The strategy was developed for the FSB by Yellowwood Brand Architects in collaboration with representatives from the financial services industry (institutions and representative bodies), the media, consumer bodies, community based organisations, trade unions, educationalists, regulators and other interested bodies.

The responsibility for implementation now falls with FSB to promote and co-ordinate the implementation of the strategy and with the financial services industry and other interested parties to effect the implementation.

The Consumer Education Review Committee has been appointed by the Financial Services Board (FSB) to review and monitor the progress being made by the FSB to promote appropriate programmes and initiatives by the financial services industry to inform and educate users and potential users of financial products and services in terms of section 3(c) of the Financial Services Board Act, 1990, as amended.

A Steering Committee (a smaller sub-committee of the Review Committee) has been overseeing the development of the strategic plan on behalf of the Review Committee. If there is a further role for the Steering Committee once the strategic plan has been developed this will be identified and scoped.

What is the strategy designed to deliver?

The long-term vision for the project has been articulated as follows:

All South Africans manage their personal and family financial affairs soundly
Irresponsible financial service providers are not supported and are reported

This would be achieved by

- Consumers - taking responsibility for their financial future and decisions, acquiring information, making considered decisions and knowing how to act and doing so when things go wrong
- Financial Service Providers - being committed to fair treatment, providing appropriate information and acting professionally

A consequence of this would be

- More efficient and effective regulation
- More stable and efficient financial markets
- Higher consumer and Financial Service Provider awareness of the regulatory environment

The success of the project will be indicated in a macro-economic sense by

- A greater savings culture in South Africa (reduced household debt ratio)
- Reduced household debt
- Lower personal insolvency rates
- Lower bad debt levels
- Increased penetration of formal financial products into the population
- Less consumer complaints illustrating ignorance of responsibilities or unscrupulous operators
- Increased investment and planning for retirement

While the scope of the project includes all South Africans, in particular “potential users of financial products and services”, those people currently at school are excluded from the strategy because:

- Outcome Based Education includes Financial Literacy as one of the eight competency outputs of the new schooling system
- The Standard Bank specifically, but also other institutions have put a great deal of effort into the education of scholars and will continue to run these programs

It was therefore felt that other initiatives are already working for the school-going population and therefore to avoid a duplication of effort and to focus this strategy it was confined to the non-school going sector of the population.

Implementing the strategy will entail working with more tightly defined objectives for each strategy which overall are designed to deliver progress toward the end vision. Monitoring the implementation of the strategy and its success (the role of the review committee) will involve monitoring progress on the macro-indicators (listed above) and on the implementation indicators included in each individual strategy.

2.1.1 Time frame

It is clear that there will be a significant time lapse between the start of implementation of the strategy (particularly as pilot phases are recommended for some of the strategies) and impact on macro-indicators. While a specific time frame cannot be developed given that implementation is dependent on industry co-operation, this (the impact of the strategies on the macro-economic framework) should be constantly borne in mind and time-frame's developed once a full implementation schedule has been delivered by the steering committee.

The strategy

There are three components to the strategy:

1. Education with regard to effective saving and debt management (short and long-term)
2. Knowledge of what products and services are available and which might be most applicable to their circumstances
3. Ensuring consumers have a cautious approach to purchasing financial products and a knowledge of their rights and responsibilities and recourse options in this regard

The first two will deliver “sound management of personal and family financial affairs” and the latter “not supporting and reporting unscrupulous financial service providers” - the two components of the vision.

In developing the strategies we had to take into account that we would need to deal with the “unbanked” (LSM 1-4, high degrees of illiteracy, low income, rural bias) and the “banked” (LSM 5-8, higher income, literate, urban bias) differently in most cases. In addition, we need to take into account that personal finances as a topic are not part of social conversation, nor does the educational component hold significant interest for the general population. Finally, people who “should know better” manage their affairs poorly so sometimes knowledge does not translate into appropriate behaviour.

We are tackling societal norms and personal inertia and therefore need to ensure we are remaining interesting/ relevant in our approach and prompting action at all times. Our success must be measured in changed behaviour that is supportive of the overall vision.

The drawing overleaf is a pictorial representation of the three components (or “roads”) and the individual strategies (“milestones”) that go to achieving the end objective. The remainder of the document describes each component in detail.

In addition, because of the diversity of objectives and strategies, there is a strong need for some mechanism that creates continuity from the implementer and consumer perspective. It has been suggested that a fictional character be developed, an icon (possibly as part of the “logo” or image) that identifies each initiative as part of the overall project. The icon will form a marker for consumer goodwill (as it is associated with beneficial educational initiatives) and can potentially then be the identifier of some form of goodwill transfer to the participants in the project.



3.1 Effective saving and debt management

The objective of this cluster of strategies is to generate effective debt and savings behaviour through budgeting and planning. There is a shorter-term perspective (budgeting) and a longer-term perspective (planning) although both are dealt with in this strategy.

3.1.1 Strategy 1 - the financial score card

It is felt that before the skill and knowledge attached to budgeting or planning is transferred, the perceptions that “block” people from utilizing or implementing these skills need to be tackled. The initial strategy therefore focuses on:

- Making “personal financial circumstances” a more open topic of thinking and conversation
- Getting people to confront their current behaviour and acknowledge it is not ideal
- Getting people to believe that they could make a significant difference to their financial circumstances through changed behaviour
- Providing people with an easily accessible starting action point

This intervention significantly challenges people’s current behaviour patterns and as such a high degree of personal relevance and interest/ involvement is required. We are therefore recommending that respected media and community personalities be utilized to generate the relevance and involvement from the target market. The implications of this are that several “celebrities” will be required in order to create relevant interest for each different LSM and age group, that the celebrity should be selected for their ability to “reflect” the lives of the target group rather than for aspirational value and that their stories should be credible/ real to the audience rather than too ideal.

The celebrities would be required to spark open debate about personal financial circumstances by describing their financial circumstances through their lives (reasonably real life cases) and the choices they made regarding debt, savings and investment. The stories need to be compelling/ interesting and to strike a chord of recognition in the target market of that celebrity.

An expert opinion/ ideal behaviour model should also be provided to illustrate how differently the celebrity's personal circumstance might have been had they made different choices in pro-active management of their personal finances. The role of the expert opinion is to illustrate that the difference in behaviour required to make a significant impact on ones personal financial circumstances can be a small and easy one.

In addition, the expert opinion should provide an easy reference to the audience for their own circumstances ("hey, I'm that old and earn about that much but I don't have any investments/ savings!") with commentary on the future impact of savings and investment levels e.g. if Mark continues to save at this rate, he will not be able to retire and live in the same way but will have to sell his house and live with a relative in order to survive.

Finally, the communication should allow for any shock/ realization about ones own personal financial circumstances relative to an ideal or even average situation, to be easily translated into action (since the message is likely to be most comfortably forgotten or screened, so the course to action needs to be easily accessible and non-threatening). Each piece of communication should therefore reference either the skill and knowledge component of strategy 2 and 3 (i.e. the booklet/ course) or an advice point such as a community center (church or trade union support points), an intermediary or a bank.

3.1.1.1 Content and channels of the communication

Each piece of communication should:

- Create personal recognition of their own relative financial circumstances amongst a portion of the target market (and the implementers should ensure all target market sub-segments are covered effectively)
- Should direct action impetus rising from this recognition into budgeting skill and knowledge (later planning skill and knowledge)

It should therefore contain,

- a relevant and interesting story (from someone like me),
- an expert commentary pointing out differences between the celebrity story and more ideal behaviour and including the future implications of their actions and
- an easy route to action if the target market would like to improve their financial situation through changed behaviour.

The celebrities should be convinced of the social impact of the currently poor state of personal financial management in South Africa amongst all market sectors. Just like the fight against AIDS or racism, this action should be considered a public intervention on the fight against POVERTY and their involvement should be acknowledged as such. They should also be asked to extend their contribution to their own personal public relations generating capability i.e. to become champions of the cause.

The communication should be as wide ranging and impactful as possible - the three major media types (television, radio and print) all have a role to play in reinforcing the impact of the message.

3.1.1.2 Testing this approach

This approach can be piloted in a small geographic area amongst a high level and a low level LSM (Living Standards Measure) to ensure its optimization and effectiveness. One might select an area such as Bloemfontein (reasonably isolated and reflecting a reasonable population spread) and utilize geographically relevant media and celebrities to test the approach.

The test market is looking for the achievement of the objectives of the sub-strategy that are (question direction for the market research in brackets);

- More openness to discuss personal financial matters (when last did you think about/ discuss your personal financial circumstances, when last did you review your monthly budget etc.)
- A realistic perspective on how personal financial circumstances will impact the future (how well are you prepared for a financial emergency/ retirement, do you feel you are living beyond, within your means etc.)
- Awareness and personal internalization of the communication (what communication if any have you seen regarding personal financial circumstances/ budgeting, please describe the communication fully, did you do anything as a result of the communication)
- Response (i.e. doing something about the newly acquired knowledge/ following up the call to action)

There should be a pre and post implementation market research measure to determine the effectiveness of this strategy (bearing in mind the limitation of geographic test market media choices).

The review committee should assess the implementation and success of the pilot phase before recommending national implementation.

3.1.1.3 Ensuring implementation effectiveness

The primary measure of implementation effectiveness will be response to the call for action. Levels should be checked against those of the test market to ensure the general impact of implementation of this strategy. The measures are therefore less dependent on (expensive) market research and more on measuring action (requests for the budgeting book, take-up of budgeting courses, consultation with advice points). It is important to ensure that the ability to measure action is put in place before implementation of the strategy.

Where (in specific target markets or geographic areas) action levels are significantly below those indicated in the target market, diagnostic understanding of why can be generated using market research and remedial action taken.

3.1.1.4 Implementation considerations

Ideally, this strategy would be centrally coordinated with funding generated centrally or specifically by target market. However, if this is not possible then individual Financial Services institutions or bodies should “sponsor” different celebrities with the benefit of having access to the celebrity as a spokesperson for their own announcements in the future.

Co-ordination should occur through one agency that will create all material for each celebrity and plan the media and public relations exposure. In this way market coverage can be monitored and consistency introduced into the implementation of the strategy.

Media exposure should be negotiated at no or low rates because of the high public service nature of the message and the “programming viability” created by the celebrities.

3.1.2 Strategy 2 - For LSM 5-8 Why and how to budget/ plan

This strategy is designed to create the desire for appropriate budgeting and planning behaviour and then to convey the skills required to budget to the head of household.

3.1.2 Strategy 2a - Creating the desire - The real hero's

One of the major barriers to financial conservatism (reduced spending/ consumption levels) is that society supports and reinforces the "glory" of consumerism. Someone living beyond their means and supporting a flashy lifestyle is given significantly higher social status than someone living within their means (this is exacerbated by us not talking about personal financial circumstances noted in the previous strategy).

While it is unlikely that we will ever get people to talk overtly about their personal financial circumstances, we need to provide a balancing mechanism to society's unrelenting approval of consumerism - a way for people to indicate their financial behaviour and gain social status for it.

It is suggested that we introduce a phrase into the general vocabulary (e.g. Yebo Gogo) which has the purpose of conveying sound financial behaviour rather than consumerism - a phrase such as "how well does he sleep at night?" may allow someone to negate the social status attached to consumption and indicate a more responsible status generating behaviour. This phrase may be linked into the fictional character that forms the "icon" for the consumer education project to make it more visual and therefore memorable (see Strategy 3.4 for a more detailed explanation of the role of the fictional character).

A consumer is then choosing their "wants" versus their "needs" on a more balanced status generating platform; having something that will increase my social status/ saying and demonstrating something that will increase my social status.

3.1.2.1 Content and channels of communication

The content of the communication should be designed to put the phrase into the general vocabulary to indicate sound personal financial management. A mechanism such as the comparison of two people earning the same, one behaving responsibly and the other living beyond their means with the

difference between them being described as “but, how well does he sleep at night”.

The creative agency may have other ideas for implementation, the criteria being that a phrase to indicate sound financial management is introduced into the social vocabulary and used as a balancing mechanism for social status that derives from consumption. The phrase therefore needs to be easily remembered and articulated and to convey social status associated with sound financial management.

The communication should be as wide ranging and impactful as possible – the two major visual media types (television and print) have a strong role to play in reinforcing the impact of the message. They can be supported by outdoor and radio.

3.1.2.2 Testing this approach

A normal advertising pre-testing research methodology can be employed although the specific objective of this campaign (i.e. to change social status perceptions and introduce a phrase into general vocabulary) need to be borne in mind.

Based on the results of the pre-test, the review committee can recommend national implementation.

3.1.2.3 Implementation considerations

This strategy should be centrally funded. The communication should be developed by an advertising agency and media exposure generated through public announcement status (i.e. free of charge) or payment could be assisted through partnership with other interested bodies such as The National Savings Initiative.

There is an option to use PR to extend the phrase into colloquial use by having it appear “naturally” in the media rather than in advertising only.

3.1.3 Strategy 2b - How to budget

While all the base skills for budgeting are likely to be found in LSM 4- 8 households (numeracy, literacy, an understanding of cash-flow) overtly doing something about it - i.e. sitting down and reviewing the monthly household budget and changing expenditure patterns is the primary thrust of this strategy.

The strategy will be reinforced by the awareness of their relative financial position created in strategy 1 and the social value created for sound financial management in strategy 2a. What is finally required to implement budgeting behaviour is the call to action and facilitation included below.

It is suggested that a HOUSEHOLD BUDGET WEEK is run in conjunction with The Savings Institute, culminating in their already arranged National Savings Day.

Household budget week would be based on a user-friendly booklet (different versions most appropriate for each LSM/ sophistication level would be developed) which would "touch the target market" in the following ways:

- Via school children in home - the DET will be lobbied to include Household Budget Week as part of the school curriculum where learners of all ages would be required to work through a hypothetical household budget with their parents as part of the school curriculum.
- Via the media - Household budget week will be featured strongly in the press and also in lifestyle programs such as Soul City/ Isidingo. There will be the opportunity for the head of household to access the booklet (from banks/ post offices etc.) and complete it themselves.
- Via financial institutions - Household budget week could provide a platform for consumer events and promotion by financial institutions of the budgeting process and saving promotion.
- Via employers - Employers would be encouraged to run facilitated sessions open to all staff to encourage them to review their household budgets. This action could be facilitated or run by Trade Unions.
- Via community initiatives - Financial Service Providers could facilitate the completion of the booklet in different communities in events and promotions arranged around Household Budget Week

3.1.3.1 Content and channels for education

The content of the course should be based on several of the courses of this nature currently available. An organization such as ESST would be useful for developing this booklet for the lower LSM's while other education institutions e.g. UNISA/ Distance Learning may be of use in developing the booklet for the higher LSM's.

The booklets should be graded by income level and take life stage into account.

It is noted that rather than the specific transfer of skills to this target market the primary requirement is to enable them to review within a sound framework their monthly household budget. Basic literacy and numeracy is assumed. The thrust of the education is then; what should form the components of the monthly budget and some guidelines for the proportions that reflect an average budget for that income level.

3.1.3.2 Testing this approach

The testing of this approach needs to occur at two levels:

1. Is the booklet easy to use and does it generate the right review process for the head of the household

A controlled test and feedback session by LSM should provide the indications for the review panel to approve the booklet

2. Do the interventions generate the required behaviour i.e. the use of the booklet

A small-scale geographic test (suburb level) will provide indicators of the value of each intervention (schoolchildren, media, employers, community initiatives). The overall effectiveness of the program and the individual importance of each channel to the various LSM's could be assessed to inform the review committee in their recommendation to proceed to national implementation.

3.1.3.3 Implementation considerations

A high degree of co-operation is required between The FSB Consumer Education Initiative and The Savings Initiative in implementing Strategy 2b.

The Financial Services Community might take responsibility for the production of the booklets (graded by income level/ LSM) and the lobbying of the DET for

the inclusion of Household Budget Week in the school curriculum and the Savings Initiative for media support.

The links already formed with the Trade Unions and Community bodies by the FSB Consumer Education Initiative should be utilized to empower these channels to support Household Budget Week and also to provide ongoing support and reminders for the learnings that may have been achieved through this process.

3.1.4 Strategy 2c - The long-term picture, planning

Strategy 1 and 2 may be repeated with a longer-term perspective and an emphasis on investment rather than saving. The decision as to whether to progress this should be based on the level of success of strategy 2 and the market readiness for a planning rather than savings thrust.

3.1.5 Strategy 3 - LSM 1 - 4, How to ...

Because of the low levels of sophistication, literacy and numeracy in the LSM 1-4 population a face-to-face interactive channel is considered vital for effectiveness.

While the workbook described in Strategy 2 will form the basis of this strategy, it will be administered in a series of education sessions where the emphasis is on skill transfer rather than providing the opportunity for review.

Before implementing this strategy however, it is important to note that the “unbanked” LSM’s in this target group have no mechanism to save and that a savings/ transmission mechanism needs to be available to this target market in order for it to fully benefit from the learning encompassed in this strategy.

3.1.5.1 Content and channels for education

The content of the workbook for this LSM grouping needs to encompass basic financial principles, the importance of savings, how to budget and which products and services (category level) are most appropriate for the income levels and life circumstances of the target market.

The proposed channel for education is primarily via teachers at schools. It is suggested that because of the coverage of schools (in non metro areas), because they are already structured for education and because teachers are trained educators, they rather than any other network (church, community centers, employers etc.) should form the basis of this strategy.

Teachers will have the motivation to support the strategy as it will have social benefit and will also provide them with an additional revenue stream. In addition, through other initiatives such as Outcome Based Education and the Standard Bank schools program, teachers are already being skilled in financial literacy education.

With the Financial Services Community lobbying for DET support and providing the course training, content and material, the role of the teacher is to offer the courses to the community (largely parents of the learners at the school).

The teacher will be supported in his/her marketing of the courses (provision of invitations, how to market and media support will be given) although a direct word-of-mouth mechanism via the learners into the community will be invaluable.

Where the teacher approach does not work...

While it is suspected that the teacher approach will form the majority solution, where this is not ideal, an alternative channel can be leveraged e.g. employers/ trade unions, community centers, and churches.

Where illiteracy forms a barrier.....

In cases where heads of household are functionally illiterate a teaming approach is suggested as the most viable route to conveying the core of the content of this strategy. Either the head of household brings a literate friend or family member with them to assist in the completion of the course or households are “bundled” together and work in teams with the literate members helping the non-literate members.

A final option is to include literacy training as the first step in the course.

3.1.5.2 Testing this approach

The course itself should be tested independently of the approach in the first instance. The course should be tested for impact in giving people hope that they can improve their management of their financial affairs (no matter how low their income) and then result in better financial management. A medium term impact study should be conducted.

In testing the education approach, the pilot phase is vital - given the resource cost of implementation. It is suggested that up to 10 schools across different provinces and sophistication levels be selected for piloting the approach. In the pilot we need to assess:

- The most effective approach for dealing with illiteracy
- The most effective method for gaining attendance at courses
- The impact of the skills gained in the course
- Different teaching methods and how much can be taught at each session
- Indicators for areas where an alternative channel of education will be required

The review committee will be in a position to recommend national rollout and the optimal format for implementation based on the results of the pilot exercise.

3.1.5.3 Implementation considerations

Given the enormous logistical considerations of this strategy it is likely that a dedicated champion of this strategy will be required. It is possible that the implementation of this strategy might be “outsourced” to a NGO that has education as its primary goal.

The co-operation of the DET is essential and should be established before any component of the strategy is pursued.

The creation of the course material will require expertise in marketing to lower LSM’s (an organization such as ESSET has experience here) and the experience of Standard Bank in training the teachers and logistics management will be useful.

It is possible that this initiative may benefit from wider funding than the remainder of the strategies and a mechanism for leveraging this should be created.

3.2

Caution

This cluster of strategies aims to ensure that consumers have a cautious approach to purchasing financial products and a knowledge of their rights and responsibilities, with recourse options in this regard.

The approach is to achieve these objectives via two broad thrusts:

- Prevention: reduce the need to seek recourse
- Recourse: How and where to complain

3.2.1 Strategy 4a - LSM 5-8 Prevention

One of the obvious options considered in trying to achieve this objective was to teach consumers their rights and responsibilities and to try to get them to read the “small print” on financial product contracts. However, people’s resistance to the complexity necessary in the contracts (and the already prevalent move to plain English contract copy) implied that a different approach was required.

The recommended strategy rather attempts to get consumers to stop and think and then act on some preventative measures *before* signing a contract.

3.2.1.1 Content and channels of communication

The approach is to encourage consumers to take the following simple preventative measures:

- Ask for a second opinion from someone you trust
- Check if the service provider is registered
- Find out your rights and responsibilities

A media campaign that simply lists these measures is hardly likely to attract the attention of the public. After all, we are attempting to offset the persuasiveness of a sales rep/broker, coupled with a lack of consumer knowledge.

A media campaign that emphasises the value of hard-earned money is more likely to be noted. The copy theme should be along the lines of: *“ How long did it take you to earn? Then isn’t it worth taking the time to get a second opinion and check the validity of the supplier?”*

The “ABC” campaign followed a similar approach in the fight against AIDS.

Obviously, the campaign must include details of *how* to access the necessary information needed to complete these checks. It is envisaged that an FSB *call center* will be established. A centralised database will allow the call center to check the credentials of any provider. The call center will also be able to provide broad rights and responsibilities guidelines (Policyholder Protection Bill/FIAS) or at minimum will be able to prompt the caller to look for a short-list of their rights in an easily accessible place like the telephone directory or website (for more sophisticated consumers). Calls will be welcomed as they provide the added benefit of informing the FSB of unscrupulous providers or inappropriate behaviour.

Regarding communication channels, four broad avenues are recommended:

- A national billboard campaign that features the main message together with the call center number. Consumers will not memorize the number but will know where to find it when they need it.
- Similarly, for those consumers who read newspapers and magazines, the press should be encouraged to feature the call center number in the same place on a regular basis.
- Employers, Community Centers and Trade Unions should also have the call center number at hand.
- The Consumer Education booklet (described in section 3.1.3) should carry a section on Caution describing the ideal behaviour and listing contact details. (Over time as consumers become more financially literate, the Caution section of the booklet will be upweighted)

3.2.1.2 Testing this approach

A geographic test market is considered best for this strategy. Outdoor is a medium that lends itself well to a tightly defined coverage area. The following assessments could be made:

- From brokers and intermediaries - actions and behavior of customers
- From the call center - number and content of calls
- From consumers - awareness and comprehension of message.

Based on these results, the message content could be reviewed and the required media weight assessed before recommending national rollout.

3.2.1.3 Implementation considerations

This strategy requires central funding, possibly by the industry groups collectively. The industry bodies will however have to manage the tension that may be created between these actions and their membership.

The development of the advertising campaign will have to be centrally coordinated in conjunction with an advertising agency.

3.2.2

Strategy 4b - LSM 5-8 Recourse

For a variety of reasons, South Africans are notoriously “bad” complainers. Many lack the confidence to complain, others feel that follow-up action is unlikely while many simply do not know how to or that they have the right to complain.

In developing this strategy, an approach considered was to create a fictional character that people could feel comfortable complaining to (to overcome the fear and despair involved in complaining). While the overall strategy recommends the use of a fictional character as an icon of the project, it was felt that the use of this character or another fictional character to facilitate complaints would be less effective than the more real-life approach described below.

3.2.2.1 Content and channels of communication

In order to encourage consumers to complain, a national Public Relations campaign is envisaged which highlights real-life examples of complaints that were lodged and action taken. By being shown examples of “people just like me” complaining, consumers will feel more confident to register their own complaints. It is important that “ordinary” people are shown in the examples and that lifestyle based publications are used. Examples of this type of publication are People Magazine, The Sowetan, Fair Lady and FHM. A number of consumer watchdog efforts already exist, the incidence and visibility of financially related examples just needs to be increased by featuring them more prominently in non-financial sections (to achieve wider readership).

In order to facilitate the complaints process, a short hierarchy of access details should be made available (e.g. institution’s compliance officer, ombudsman, FSB call center) as follows:

- All product documentation (including the policy itself) should include relevant numbers via a highly visible “sticker”.
- Monthly statements issued by each institution should list the numbers.
- Press could be lobbied to carry access details on a regular basis (there is opportunity for synergy with the “prevention” strategy here).

Again, opinion influencers such as Employers, Trade Unions and the Church have an important role to play in encouraging consumers to complain and providing explanation and assistance in going about it.

3.2.2.2 Testing the approach

The media campaign could be pre-tested with a random sample of target consumer for comprehension and propensity to encourage action.

In addition, the overall approach could be tested in a defined geographic area, using one financial service provider. The in-coming calls to the compliance officer, ombudsman and the FSB could be monitored for quantity and content. Complainants could be asked how they accessed the number and what encouraged them to call in.

A small- scale market research survey could test for impact of the overall approach. This will provide insights to any necessary modifications and will assist in the decision for national rollout.

3.2.2.3 Implementation Considerations

Implementation considerations are similar to those described for the “prevention” strategy. A centralized approach is necessary both from a co-ordination of the PR campaign as well as a funding perspective. The co-operation of the various industry bodies in using the stickers for example, will be important.

3.2.3 Prevention and Recourse - Reaching LSMs 1-4

The main theme of the *content* of the communication to LSMs 1-4 will be the same as the strategies described above for LSMs 5-8.

However, while the more sophisticated LSMs will be reached via the more conventional channels described above, LSMs 1-4 will be reached by the inclusion of specific modules in the series of courses described in Strategy 3.

In addition some of the communication tailored for LSMs 5-8 will have a spill over effect. Billboards and radio are an effective medium for targeting this market

3.3

Product and Services Knowledge

The objective of this cluster of strategies is to provide consumers with the ability to select the right product/service for a particular occasion or life circumstance. The strategies also seek to explain the effects of inflation and compound interest so that the cost of borrowing is clearly understood and the context for product selection is clear.

3.3.1 Strategy 5 - For LSM 5-8 The effects of Inflation and Compound Interest

Although we know that both inflation and compound interest are two variables that have significant financial impact, consumers tend to “turn a blind eye”, either because they find the concepts too complex to grasp or because they find the topic “boring”. A strategic approach that simply aims to educate people about how the various macro-economic indicators link into the financial services arena (and eventually into their lives) will not work.

This strategy rather aims to jolt consumers out of their complacency by developing two advertising campaigns that have high impact values. These are described in detail below.

3.3.1.1 Content and channels of communication

Communicating the effects of Inflation

This communication is therefore a “shock tactic” to create the impetus for consumers to DO SOMETHING about the available information on retiring appropriately. The main message of this piece of communication should be *“What things will cost when you get old”* for all LSM’s and in addition for the higher LSM’s how few people are able to retire at their “working” standard of living and how their retirement provisions become less adequate during the period of their retirement. To highlight to consumers the fact that (for example), in ten years time, a loaf of bread will cost fifty times more than is current day price is a highly impactful message and of great personal relevance to consumers. The communication should also describe suitable savings/investment product categories that offer protection against the effects of inflation and reference Strategy 6.

Ideally, financial service providers should be encouraged to include this angle in their current advertising effort for relevant products. Alternatively a co-operative campaign could promote generic saving/investment as a hedge against inflation.

Communicating the effects of Compound Interest

While hire-purchase agreements are prevalent across a wide range of product categories, furniture retail would appear to be the sector that touches the mass market most in terms of borrowing.

In order to attract attention, the look and feel of the advertisement should emulate that of a typical furniture retailer. The main message however should simply highlight the total cost of a HP transaction (not just the monthly repayment) versus the benefit of saving and paying cash. It might also reference Strategy 6 for the most appropriate savings vehicle selection process.

The channels of communication for these two campaigns should be as pervasive as possible. All major media types (TV, radio, press and even outdoor) could have a role to play.

3.3.1.2 Testing this approach

Market research should be used to conduct advertising pre-check on both these campaign approaches. A random sample of target consumers is exposed to each campaign and questioned regarding comprehension, likeability etc. Important to note will be how likely consumers feel they would be to act on the information gleaned.

On the basis of this information, the review committee will be in a position to recommend national rollout.

3.3.1.3 Ensuring Implementation Effectiveness

Consideration needs to be given to an effective media plan when implementing this strategy. The advertising agency involved or a media shop will help to select the TV/radio programs and publications that achieve the most cost effective coverage. A rule of thumb is that the average target consumer should have the opportunity to see the piece of communication at least three times before the message breaks through.

3.3.1.4 Implementation Considerations

Ideally, the “inflation” campaign should be incorporated into the current marketing efforts of relevant financial service providers. The “cost of borrowing” campaign should be funded by institutions promoting Saving.

Alternatively, both campaigns need to be developed independently and centrally funded. This may be an opportunity to work in co-operation with the Savings Institute.

3.3.2

Strategy 6 - For LSM 5-8 How to choose the right product.

This strategy builds on the call to action invoked by the “inflation” and “compound interest” campaigns and aims to help consumers to select the right product category for a particular need.

An approach that was considered was the UK model where financial service providers are required to provide a standardizing “risk” rating for each of their products. However, this strategy was considered to be too simplistic and perhaps misleading for the South African consumer.

This strategy rather suggests the development of a matrix that guides consumers in the selection of the correct product *category*. For specific *brand* selection within the chosen category, current FSP marketing efforts will provide sufficient information.

3.3.2.1 Content and channels of communication

The heart of this strategy lies in the development of a series of product matrices (one for each category of product: Unit Trusts, short term insurance, retirement products etc.) Each matrix should broadly identify the associated costs, flexibility, risks and rewards. Importantly, the content of the matrices should vary according to the sophistication of the target audience.

Also necessary (and perhaps more importantly) is the development of a “generic” matrix that guides the consumer to the selection of the correct product category.

In order to capture the attention of the public, these matrices should appear as part of a print campaign that uses impactful analogy to highlight the importance of using the right product for a specific task.

The campaign should also direct consumers to contact a reputable (registered) financial advisor for more detailed advice.

This campaign should be placed in the main body (not financial section) of mainstream newspapers. In addition, the various financial columnists may be persuaded to print the matrices as part of their editorial.

This campaign should be re-enforced through other “word-of-mouth” channels that are a respected source of information. The likes of employers, Trade Unions, Churches and Community Centers have an important role to play here.

3.3.2.2 Testing this approach

This strategy lends itself to pre-testing using conventional market research. A random sample of consumers needs to be exposed to the campaign and questioned regarding comprehension and (importantly) likelihood of behavior change as a result of the exposure.

It will be important to test comprehension of the matrices themselves in order to achieve the correct complexity/comprehension balance for each level of sophistication.

3.3.2.3 Implementation Considerations

A small task force representing the various industry bodies (the Steering Group may have a role to play here) should be convened to oversee the development of the matrices in a fair and responsible manner. The services of a reputable financial advisor may be helpful.

The development of the advertising message and the media placement also needs to be centrally co-coordinated. The media plan will have to take account of differing executions for each level of sophistication.

The development of the matrices, the advertising campaign and the media costs could be funded by the various industry bodies as part of their planned consumer education drives.

The Financial Services community could also provide these matrices direct to consumers via for example, handouts at the workplace, community centers etc.

This specific strategy is ideally suited to Industry Body funding; it requires the institutional level neutrality and yet product category promotion that is found at Industry Body level.

3.3.3 - Strategy 7 - For LSM 5-8 Responsible financial behavior for specific life events

This strategy aims to provide a step-by-step guide to responsible financial behaviour for specific life events. These “milestones” include the birth of a child, buying a new/secondhand car, home ownership, marriage, retirement (what specific actions should take place at retirement, rather than the long-term planning perspective) and death.

The key challenge in this strategy is the ability to find a medium that has sufficient flexibility to cope with the broad range of information required. A series of audiovisuals was considered but rejected on the grounds of high cost and dissemination impracticalities.

The suggested approach is rather to develop a series of brochures, each one aimed at dealing with a specific life event. It is acknowledged that brochures are usually not a particularly effective education medium. However, the critical component of this strategy is to provide the information/brochure *timeously* - when the consumer is most likely to need the information and therefore more likely to read, comprehend and take appropriate action.

3.3.3.1 Content and Channels of Communication

In order to target the public effectively, the brochures must then be distributed at points where the consumer is most likely to be experiencing the particular life event. Brochures dealing with the birth of a child should be available at clinics, maternity wards, antenatal classes, gynaecologists’ waiting rooms etc. The Church could distribute brochures dealing with marriage and death. The courts might have the marriage and divorce brochures available. Similarly, the brochure on buying a house might be available at estate agents, a standard part of the property pages, community centres and housing subsidy offices.

In terms of content, it is important that the look and feel of the brochures be the same for ease of identification and to create impact. The “Zama” brand could perform the role of an umbrella mark. The layout and copy style should be informative, conversational and easy to understand. Jargon should be kept to a minimum. The use of colour and visuals may help.

The media may be lobbied to encourage consumers to look out for the series and/or a specific campaign could be developed to achieve this objective.

3.3.3.2 Testing this approach

We suggest that a specific geographic area be designated to test the impact of (a reduced range) of brochures on a small scale, before making the full range available nationally. The test market should measure:

- Pick up rates
- Comprehension, perceived usefulness and behaviour impact through a follow up interview with those who have collected the brochure.
- Intentions to seek out other brochures in the future.

3.3.3.3 Implementation Considerations

Each brochure could be sponsored by a particular Financial Service Provider as a vehicle for promoting a specific brand/s. One agency should be appointed to develop the generic “template” and develop the awareness campaign.

The Financial Service Provider might also contribute to the funding of the development of the campaign and its placement in relevant media.

3.3.4 Reaching LSMs 1-4 - Product and Services Knowledge

The main theme of the *content* of the communication to LSMs 1-4 will be the same as the strategies described above for LSMs 5-8.

However, while the more sophisticated LSMs will be reached via the more conventional channels described above, LSMs 1-4 will be reached by the inclusion of specific modules in the series of courses described in Strategy 3.

In addition some of the communication tailored for LSMs 5-8 will have a spill over effect.

3.4

Umbrella brand

To facilitate implementation, a device is required which:

- Provides partners with benefit for contributing to the project, particularly where a strategy calls for a joint initiative and the benefactor is not apparent
- Provides an easily recognisable device that links the different initiative and provides endorsement
- Provides a device that helps to generate interest and make the topic of finance less intimidating.

Following on from the recommendation in Section 3, the overview of the strategy, a neutral “character” should be developed that is used to explain various points in the workbook /matrices etc and appear in appropriate implementation actions throughout the strategy.

This character could also form part of a brand identity/logo that would appear on all project material. Partners in implementation will be given the right to use the brand in their own marketing efforts. There would be specific parameters stipulated for the use of the logo.

As the brand identity plays an important role in identifying and linking the various elements of the strategy, it is important that it is created at the outset.