



# TURNING FINANCE.CO.UK AROUND

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Cover design: Robert de Bruijn

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Kate Marshal, the Marketing Director at Finance.co.uk was sitting in her office contemplating the snow globe paperweight on her desk, the drifting snow in the globe only partly obscuring the date printed on the calendar behind it; February 4, 2009.

In recent years the business had slowly but apparently inexorably gone south. Once the UK's leading personal finance comparison website, it had lost its number one spot and was now at risk of dropping out of the top 5. New entrants had aggressively marketed to the same consumer segments, targeted the same financial institution customers with innovative value propositions at lower operational costs and were finding new ways of generating revenue, leaving Finance.co.uk sprawling.

The company has recently been acquired by a private equity fund specialising in distressed assets and the pressure was on to turn the business around.

Traditional approaches to combating the reversal of fortunes such as investing more in marketing had proven only momentarily successful at holding visitor rates, but not in increasing them and capping traffic expenses had only led to a further decline in visitor numbers. Ken Hatfield, the CEO, had recently called Kate into a meeting and informed her that she had six months to stabilise the current business and develop a plan for a turnaround or the investors would strip and sell the company assets.

Kate squared her shoulders, smoothed her jacket and pulled out her mobile to seek advice from some trusted people in her network.

### **Finance.co.uk**

Finance.co.uk was the first personal finance

comparison website launched in the United Kingdom in 1998. It attracted thousands of unique visitors each day and became successful selling banner advertising space to financial institutions such as banks and insurers.

Finance.co.uk provides consumers with comparison tables and top 10 ranking tables of personal finance products including current, savings and deposit bank accounts, personal loans, payday loans, credit cards, car insurance, motor insurance, home insurance, pet insurance, and travel insurance.

Monthly a million unique users visit the Finance.co.uk website to make use of the comparison information. On average each visitor opens eight webpages per visit. Finance.co.uk provides advertisers with the means to promote their products to these visitors. The main source of revenue is banner advertising campaigns on a Cost per Mille (CPM) model. Advertising contracts are negotiated directly with the marketing managers of the financial institutions per new campaign. On a typical campaign contract the duration of the campaign, the location and type of banners that will be deployed and the number of impressions to be achieved within the contract period are agreed on. The CPM rate is negotiated for each new contract.

Average CPM rates for online media properties range from £3 to £7, but Finance.co.uk have historically been able to command an astounding £9 to £25 per mille. Being able to command such an unprecedented price is something the company is very proud of.

The sales force of Finance.co.uk comprising the sales director, an account manager and account assistant maintain relations with all the major financial institutions operating in the UK. Major accounts include RBS, HSBC, Barclays, Santander, Legal & General, Aviva, Prudential and Standard Life. Four industry and product analysts continuously scan the industry for changes to the consumer finance products of all providers in the industry and update comparison tables and product rank-

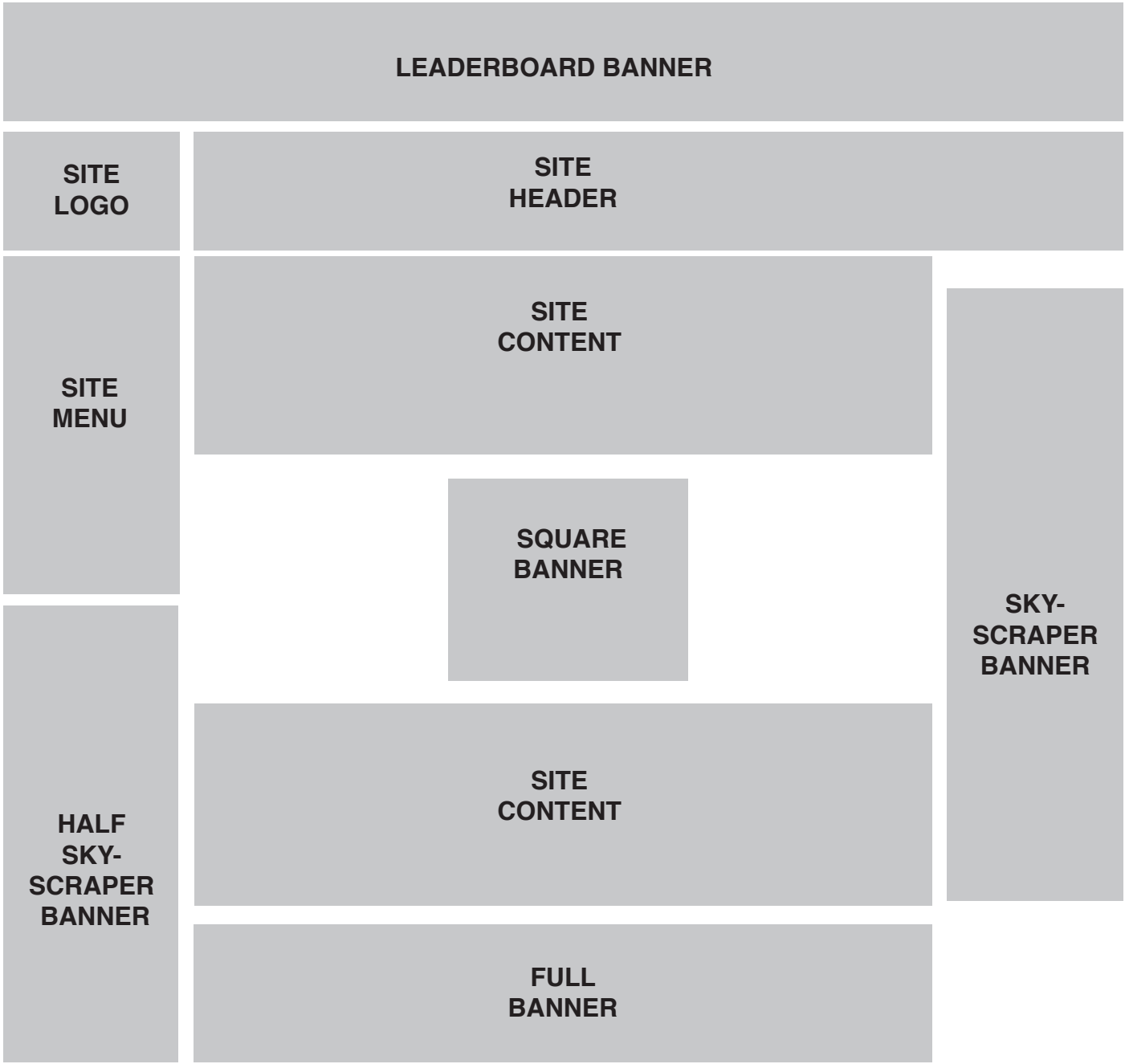


EXHIBIT 1: Layout of a main landing page on Finance.co.uk

ings. The industry and product analysts also blog about the changes in the personal finance industry and products and the implications of these changes on consumers’ personal finances. Two web executives are responsible for maintaining the website and managing development requests to the content management system (CMS) which are executed by Digital Brothers, an external software developer. Furthermore, the two web execs are responsible for overseeing the versioning control and testing of the CMS and context updates to the website. One web marketer is responsible for the administration of search engine adver-

tising and email marketing. The head of online is responsible for supervising the web execs, the analysts, and the web marketer and is responsible for new product development reporting in to Kate Marshal.

Digital Brothers, the web development agency that owns the source code of the CMS that Finance.co.uk runs on, hold the intellectual property rights to the CMS and are the sole agents authorised to edit and update the source code of the CMS. Finance.co.uk pays an annual licensing fee to the amount of £36,000. CMS update fees range

between £0 and £20,000 per month dependant on the number and complexity of ticket development requests made by Finance.co.uk.

A tenth of all Finance.co.uk's traffic comes through organic search results and direct traffic. Fully eighty percent of monthly traffic is generated through search engine advertising and the remainder comes through affiliate partners. By the end of 2008 Finance.co.uk's web marketer was managing and bidding on 110,000 search keywords on Google Search, up from 23,000 words at the start of 2006. Near the end of 2008 the web marketer decided to start experimenting with search engine advertising using Microsoft's new Bing search engine, launched in mid-2009. By the end of 2009 10,000 keywords are being bid on Bing. Approximately 10% of all SEA traffic to Finance.co.uk comes from Bing. The cost per click of Bing search results is approximately a third cheaper than on Google. Benchmarking data from Google suggests that an industry average Cost per Click (CPC) for search terms Finance.co.uk is bidding on is 14 cents.

## Stakeholders & trends

### *Banks & Insurers*

To remain attractive to consumers banks and insurers are continuously benchmarking their products to competitors and updating products features. Increasing digitisation of financial information has meant that more data is available for analysis but the legacy systems of financial industry are slow to respond to the new opportunities in big data. The systems of banks and insurers are also increasingly being connected to the internet and to each other. However, persistent problems of data format incompatibility are hampering effective use of the enriched data.

### *Financial Intermediaries*

Consumers have moved to online sources to find simple financial products. As a result IFAs have increasingly focused on structuring more complex products and packages of prod-

Provider	Product	Gross rate % - £1,000	Interest payment frequency	Bonus payment condition
RCI Bank	Freedom Savings Account	1.65%	na	no
Paragon Bank	Limited Edition Easy Access	1.46%	na	no
Shawbrook Bank	Easy Access - Issue 2	1.45%	na	yes
Virgin Money	Virgin Defined Access E-Saver	1.41%	maximum 3 withdrawals per year	yes
Melton Mowbray	Online Easy Save	1.26%	na	yes

TABLE 1: Example of a Defaqto Compare Table

ucts for their customers.

### *Consumers*

Greater financial literacy of consumers and the availability of financial information has led to a rise of consumers making their own informed decisions about financial products that suit their current needs. However, research shows that when faced with complex and high value products consumers still desire personal support. A rising debt problem of consumers has been noted by the Financial Services Authority (FSA) and consumers are starting to use peer-to-peer lending platforms more to both borrow and lend money.

Finance.co.uk helps consumers by providing and maintaining a FAQ on the website and the editor and analysts also write short articles addressing questions emailed in by consumers.

### *Comparison websites*

The deep penetration of broadband internet and rising numbers of internet users has led to an increase in comparison websites.

The principle players in the market today are GoCompare.com, Moneysupermarket.com, Confused.com and CompareTheMarket.com. Just as in the consumer banking and insurance business, the competition for the consumer's attention and patronage in the comparison

website business is fierce. The sites are constantly looking to improve their attractiveness to consumers refining website navigation, expanding the breadth of products included and breadth of providers covered, adding entertaining lifestyle columns, financial product news & product guides, loyalty programs, and best buy tables.

### *Defaqto*

Defaqto is worth mentioning separately, not a comparison website but over the past ten years it's become something of an industry standard as an unofficial yet defacto quality watchdog.

The case for regulating price comparison websites is powerful – not least of all because few quote all providers in a particular category, often leaving out some of the 'best buys' because the website has a financial tie-up or advertising agreements with competitors. In other words, consumers may be misled. Even when a website quotes all providers of a particular product, price isn't everything.

Defaqto is an independent financial researcher focused on supporting better financial decision making. At its heart is the UK's largest retail financial product database which covers over 32,000 products across banking, general insurance, life insurance, pensions and investments.

"Our aim is to help people make better financial decisions," said Defaqto's Mike Powell. "It's critical for people to match the features and benefits of an insurance policy with the cover they need and not focus on price alone, to avoid any surprises if and when they need to make a claim.

### **Star Ratings**

Each product that's researched by Defaqto is given a rating which takes into account all of the key features and benefits of the product. Defaqto licenses the Star Ratings to banks and insurance companies for the right to display the star rating logo on their websites next to

M	SEA ( <b>'000</b> )	SEO ( <b>'000</b> )	Affiliate ( <b>'000</b> )	Visitors ( <b>'000</b> )
01.06	319	12	65	3,884
2	323	12	67	3,672
3	322	12	66	3,560
4	317	12	70	3,620
5	335	12	64	3,762
6	331	12	65	3,560
7	334	12	59	3,434
8	336	12	62	3,396
9	360	12	58	3,283
10	388	12	62	3,252
11	390	18	62	3,305
12	401	18	68	3,372
01.07	410	18	63	3,224
2	437	18	71	3,243
3	449	18	68	2,966
...	...	...	...	...

Table 2: Traffic costs for Finance.co.uk

the product.

The ratings range from one to five stars. The number of stars a product has helps a consumer see where it sits in the market in terms of what it can, and can't, do for them.

### **Defaqto Compare Tables**

In 2007 Defaqto entered the market with a new service called Defaqto Compare. Covering car insurance, home buildings and home contents policies. Compare enables consumers, 'to make sure [the policy] gives the cover they need, rather than just buying it because they are told it is the cheapest policy in the market,' says Brian Brown of Defaqto.

Defaqto Compare Tables are licensed to banks and insurance companies to publish on their websites to inform potential customers through benchmarking against relevant, selected competitor products.

With the integrity of best buy tables and price comparison sites being challenged on all sides,

Defaqto Compare claims it is the first system that is genuinely free of any bias either in the selection of the policies included or in the features selected for comparisons. No insurers pay to appear on the comparison tool, and the features analysed are chosen by Defaqto's industry experts.

The data that powers Defaqto Compare is drawn from Defaqto's industry leading database of products.

### **Public Bodies**

The liberalisation of financial markets started in the late 1980's leading to an increase in parties offering financial products. This has caused a downward pressure on prices. The Financial Services Authority is intent on increasing the transparency and efficiency of financial markets. However, the increasing digitisation of data and the security of that data is a source of concern and is gaining increasing attention.

### **Channels**

Apple's iPhone first launched in mid 2007, has created a revolution and mobile apps give the opportunity to inform consumers in real-time about changes in the world around them. Samsung entered the smartphone market just this past year with an Android OS by Google. The platform is in its early days and there is skepticism in the market whether they can really challenge the Apple's iPhone which has already brought out the 3rd generation smartphone and has built up a large library of apps developed by third parties for every imaginable use.

Social media sites Facebook and Twitter have seen tremendous growth the last year, with

over 18 million active users on Facebook in the UK and near a million users adopting Twitter. While Twitter's numbers didn't look very attractive now, its growth rate in the UK has been rapid and might be treble the current number in a years time.

### **The Media Business Model**

Finance.co.uk's business model is essentially the same as that of a free newspaper that earns money by selling advertising space. The media business can charge a rate per advertisement in proportion to its circulation and how targeted its reach is. Advertisers are interested in reaching as wide an audience possible that belongs to their target audience.

For finance.co.uk this means that the volume of traffic coming to the website and page views is important as advertisements are served when a page is viewed. However, media owners must be able to guarantee that the visitors of the website are a) real people and not webots and, b) a qualified prospect audience. No one selling financial products wants to pay for advertising to a person who is actually looking to buy pet food.

Because finance.co.uk has been successful in delivering high volumes of quality traffic as a result they have been able to charge more than triple the industry standard for CPM campaigns and had become very profitable.

### **Finance.co.uk's financials**

Kate had asked Alex McAlaister, the CFO, to prepare for her an overview of the business's financials from January 2006 to December 2009.

Finance.co.uk's cost of sales consists of traffic generation costs including search engine advertising, affiliate partners, and some content creation among which a digital newsletter for consumers. Affiliate partners are generally paid at the end of each month, while Google Adwords costs was automatically deducted from their account as the costs were incurred.

<b>Banner Type</b>	<b>Av. CPM</b>
Leaderboard	£17,00
Full Banner	£9,00
Skyscraper	£13,00
Half Skyscraper	£15,00
Square	£23,00

Exhibit 1: Average Cost per Mille of banner advert formats on finance.co.uk



Two thirds of receivables are paid within the 30 day period while the remainder is paid within 60 days, by contractual agreement. This was up from 10% of advertising contracts just two years before. The trend of customers negotiating longer payment terms, was clear but had not been regarded as an issue because all of the customers getting such a deal had been advertising on finance.co.uk for several years and were large spenders, representing roughly 65% of all spend. In general revenues had remained steady, albeit declining slightly over the long run. Approximately fifty percent of revenue came from CPM contracts. The other half comes from syndicated content and best buy table links and editor's choice links. Syndicated content varied a lot from 10-20% of total revenue, while links in best buy tables and editor's choice links were good steady sources of revenue. The content syndicated was in large part short-form articles written by the editor and analysts and some best buy tables and other listings.

Kate was certain that sales were largely a result of the personal relationships the sales director and account manager had with their customers. She feared that if any of them left, they would take a number of customers with them. The fact that this year for the first time in the history of Finance.co.uk, end of year bonuses would not be an option made that a very worrying prospect.

The problem, in the short term, wasn't revenue so much as costs. The cost of sales had increased dramatically over the last 3 years as competitors drove up the search advertising keyword costs. Helen, the senior web marketer had responded by increasingly pursuing the long tail of search keywords but the core keywords that consumers searched on the most were now up to ten times as expensive in peak seasons compared to finance.co.uk's

heyday.

Opportunity Storming

Kate had recently read an article in the Harvard Business Review about managing disruptive transformations that had inspired her.

The Head of Online, Bob Byrne, had frequently and openly criticised Finance.co.uk's

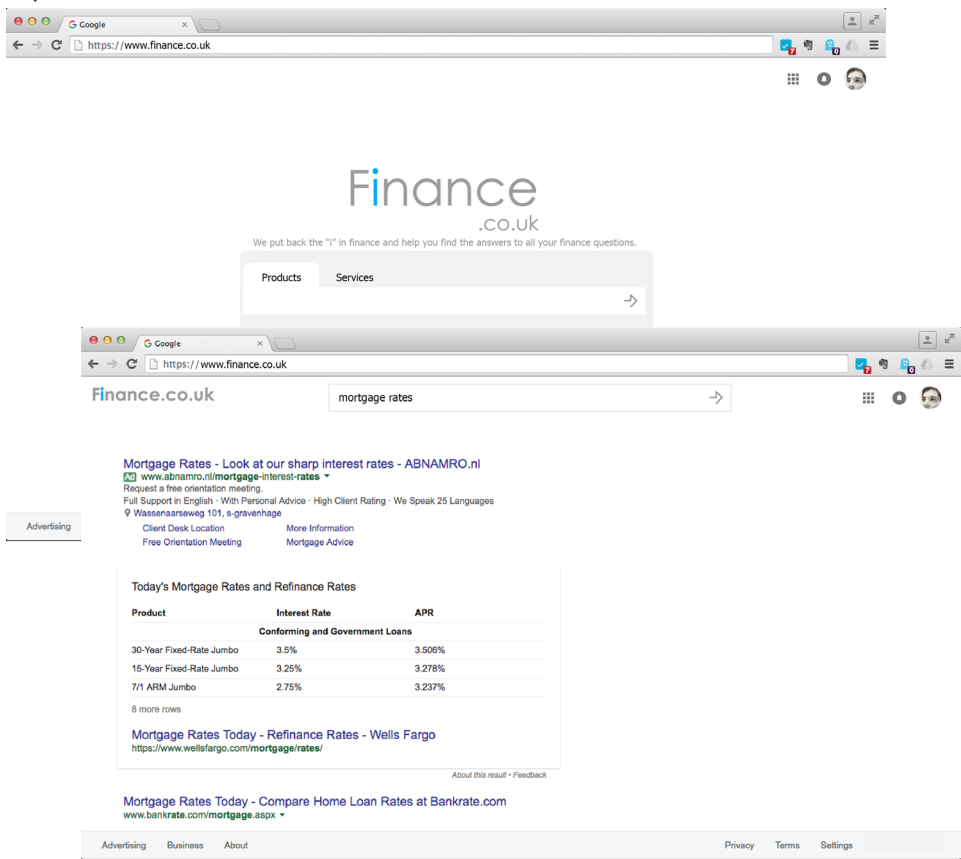


Exhibit 2: Bob Byrne's vision for Finance.co.uk's future.

revenue model since joining the company six months ago. He said the way the company made money was fundamentally intransparent to consumers and that the business was, "not in tune with the web 2.0's ethical values". He had gone so far as to suggest that finance.co.uk should be re-envisioned as the Google of the finance industry, putting the "I" back in finance to help consumers control their finances, combining search and search word based adverts, with an account for registered consumers keeping tabs of the state of their product portfolio.



Kate agreed with his position; Google ad-words had become the gold standard for online advertising and consumers expected when clicking on a link it be clear whether the link was a paid for advertisement or a 'genuine' link. Many of the products listed in Finance.co.uk's top 10 tables and listed as editor's picks were in fact links paid for by the product provider. But she didn't agree with Bob's solution. Bob's vision was a bit extreme and she strongly doubted that Finance.co.uk could beat Google at its own game.

She knew that in order to transform the company, she needed to not only reform the existing business, but also build a new business capable of taking the company into the next decade. She needed a "big opportunity" and had encouraged employees to submit ideas for new innovative products and services that could be offered to breathe new life into the business.

Kate was settling in to review and evaluate the ideas submitted thus far;

"Provide consumers with customised finance plans based on their lifestyle."

"Make an app for the new iPhone from Apple, or an SMS service, that alerts consumers when there is a product in the market that offers better terms than their current provider."

"Sell user click data to banks for competitive benchmarking."

"Create comparison tools for bank customers that they can more easily compare the features of products against competitors."

"Create a platform for IFAs to be able to give better customised advice to their customers."

"Stop banner advertising and charge providers listed in tables per click through to their website from the tables."

"Make the site a search engine for finance products. Scrape the internet with a bot for all products and enable advertisers to place ads like in Google to get top results ranking."

Kate paused; some felt like they had potential but other just lacked that 'zing!'. The first suggestion was just out of the question. It would come down, it seemed to her, to transforming into an IFA themselves and essentially selling billable hours, which just wasn't a scalable business model, or selling on a no-cure-no-pay basis. She didn't see how it could be done other than an advisor sitting down with a client to build them a custom plan. She resolutely put the suggestion on the reject pile.

The iPhone app idea was innovative but the market was still so small. Still and all, it had potential. iPhones had been going off the shelves like hotcakes since the introduction and that new Android thing from Google was launching too. The SMS service would be technically feasible but at most you could charge maybe fifty cents per SMS sent; not a business that was going to exactly put a dent in the world or save them. She resolutely put this on the reject pile, too.

The third was intriguing but relied on the current website which was finding it harder and harder to attract visitors. The whole problem in the first place, so she decided to put that on the reject pile, too.

The fourth idea really felt like it had something that could be big! It addressed their current bank and insurance customers and leveraged some assets that Finance.co.uk already had in place.

She stopped and took a big gulp of her coffee which was now cold before plunging on further. The fifth idea sounded interesting but she couldn't really envision what it might look like so she filed it away with a note to ask for more clarification from the Tomas, the analyst who had submitted it.

The last two sounded essentially like doing exactly what Google Adwords did, but then for a niche vertical market. The idea sounded attractive but the idea of trying to out-google Google made her feel faint.

Kate grabbed her coffee mug and slumped back into her chair. Nothing really popped out to her. She tapped her fingernail against the mug. Her eye fell on the latest quarter's report. The last quarter of the year had seen a slight upturn but they were still down a hundred thousand unique visitors over the first quarter. And sales in the fourth quarter had come in at a disappointing 2.2 million. They'd hoped that the end of year rush to get to consumers would bring them home, but the year had fizzled.

## Getting out into the field

In talking to the account managers and sales director it became apparent that they only dealt with the marketing department of their customers, and that these customers were primarily the big 4 financial institutions and insurers. These were the 'A' clients that generated eighty percent of sales. What they didn't do was talk to the people responsible for developing the products that were being marketed to consumers via Finance.co.uk and other advertising channels.

It was clear (to Kate), that the underlying values of the business had to be around transparent, unbiased market information and become more customer value focused, rather than pure sales focused as it was now.

Finance.co.uk was a multi-sided platform needing value propositions for both consumers and clients. A year ago Kate had met Karen Star, a sales manager over at Defaqto, at a networking event. Karen had been telling her about the new Compare tables Defaqto had just released. Based on solid research data, and rated with Defaqto's industry leading star rating product managers at the banks and insurers were lapping it up to help them develop more competitive products for their customers; the buyers of financial products and insurance policies.

She decided it was time to do a little field work of her own and mailed the sales director asking for a few contacts to get referrals to the product managers in those companies.

## Field notes

In several conversations over a coffee Kate had an eye opener. She learnt that product managers, of individual products, struggle to understand how their market offering compared to all the other products in the market, and were clueless as to which indirect competitive products were out there.

They also struggled to understand consumer behaviour. How customers used the product, what their satisfaction was with service and interaction with the company and how this affected their decision to stay and buy other related (or unrelated) products offered by the company.

The product managers didn't have a roadmap, but were rather playing a very tactical game of responding to what they saw a direct competitor doing, and then doing a one-up on them. The product managers had little understanding of the macro-trends impacting the financial markets and thus products and the micro-trends affecting consumer habits. In fact, many of the product managers had very little understanding about the financial industry and of the products they were selling. Rather than finance experts they were marketers who had moved up from the very functions that her sales force were negotiating contracts with. For the most part, the product managers' industry knowledge was acquired on the job.

It wasn't a secret that churn rates in the industry were high. Financial products had become increasingly commoditised and with so many providers it was hard to stand out from the crowd. Competition was based on price and any feature differentiation was so fleeting that it lasted only as long as the changes you had introduced went unnoticed by competitors. Customer acquisition rate and volumes had thus become the most important performance indicator.

Her findings left Kate reeling. She had never expected to encounter such emotion and, had she smelled a whiff of desperation in the product managers she talked too?

She felt inspired too by the trove of information she had uncovered and it encouraged her to go

further. Next, she decided, it was time to go and talk with the average man-on-the-street type customers.

She quickly discovered that while her friends were generally not inclined to use online resources to shop for banking products they did on occasion shop for basic insurance policies. They were loyal to their banks, generally having higher net worth and enjoying personal banking services. When she explored beyond her circle she started to encounter interesting things.

For younger couples, the arrival of a first child sparked the first earnest thinking about their financial situation. Many had no idea where to start and couldn't afford a financial planner, didn't know they could get free advice from their bank and so started surfing the web and using online resources to piece together a financial plan.

Middle, double-income families in their late forties started to take pension planning seriously at about this time. While many had diligently built wealth in real estate they hadn't actually properly thought about their pensions beyond that. Again, lack of knowledge about how to go about it frustrated them when using online resources as they often felt they just went around in circles.

People with lower incomes who had small amounts of debt between £500 and £2,500 were intense users of online resources like Finance.co.uk, Zopa.com and MoneySavingExpert.com, unsuccessfully attempting to juggle their way out of debt. They focused on banking products, such as loans and credit cards accepting ever higher interest rates from providers willing to extend them short-term credit.

After two weeks of field discovery, talking to consumers, product managers and bank advisors, Kate felt it was time to share her insights with the Finance.co.uk team. ■