

Current Industry Perceptions...



As the old saying goes, "Perception is reality."
If that is the case, then all of us who work in the financial services industry are evil, take advantage of the disadvantaged, and are turning easy profits at the expense of those less fortunate.

I have worked in this industry for nearly ten years. I have had the opportunity to meet hundreds of people, from executives of the biggest operators to owners of small family-run businesses. Never have I met one who would qualify as evil, malicious or who has profited without a great deal of hard work or risk-taking. So is perception really reality?

Changing Outsider and Insider Perspectives

BY JIM HIGGINS

Google the word “perception” on the Internet and you will get a number of interesting definitions. One of the most attention-grabbing came from the online encyclopedia Wikipedia. It reads “Many cognitive psychologists hold that, as we move about in the world, we create a model of how the world works ... As we acquire new information, our percepts shift.” In other words, maybe perception is reality based on what you know today, but it changes as you gain more information over time. If this is the case, then we must continue to change the percepts of our unique segment of the financial services industry so that all observers see it for the reality that it really is.

We all know too well that there are many perceptions about our industry, some true and many not so accurate. One of the easiest ways to address this may be to look at it from two perspectives — The Outsider's View and the Insider's View.

Let's start with the Outsider's View. The Outsiders are comprised of a variety of different groups who typically do not use or need the services provided by our industry. They often either do not understand the benefits that consumers derive from managing their finances in cash or simply believe that they have a better way.

Unless you recently arrived from another planet, you have likely seen the almost daily media stories about the high cost of cashing checks at check-cashing outlets - allegedly as high as 10 percent of its face value. Also, there are the so-called legalized loan sharks that make high-cost payday loans at typical interest rates of 500 percent or more. Consumer advocates have done a very effective job of spreading their opinions of our core services to the media to create a negative perception of our industry.

Regulatory and legislative bodies, often in reaction to this misinformation, are making it more and more difficult to do business in these areas, either by establishing stifling regulations and restrictions or, at the worst extremes, regulating our services out of business in some states.

Also negatively influenced by the media and consumer group perceptions are real estate agents and landlords. Believing that



operators of these businesses are often unscrupulous or attract an “undesirable element” into their neighborhoods, they often make it difficult to acquire good retail locations in areas where potential customers who truly need our services live, work and shop. Recently, we have even seen municipalities changing local zoning ordinances in order to keep check cashing or payday advance owners and operators from opening stores in their communities.

Another outside view is that of the traditional financial institutions themselves. So

often we hear that the only good method of financial management is to have a bank account. The primary goal of most financial literacy programs targeting the “unbanked” is to get them to open a bank account.

The fact is, having a bank account may not work for everyone under certain conditions. This was evidenced in the research done by Dr. Angela C. Lyons, Assistant Professor at the University of Illinois-Champaign Urbana, for the FDIC regarding the effectiveness of its MoneySmart financial literacy program. Her study concluded “... that participants who do not plan to open an account are not yet in a financial position to maintain a healthy account, and thus would not necessarily be best served by a program that strongly encourages them to enter mainstream banking.” Many unbanked consumers are better served, given their financial condition, by managing their finances on a simple cash basis. Our industry provides them with a variety of services that facilitate their ability to do this effectively and efficiently. Nonetheless, the perception is that not having a bank account makes one a less effective, and perhaps less intelligent, financial manager.

As business owners, even our direct relationships with banks have been affected by negative perceptions. In an effort to manage the perceived risk of violating anti-money laundering compliance and other financial crimes, many banks have simply stopped doing business with money services businesses (MSBs) clients, purely based on the misunderstood reputation of the category. Fortunately, the industry's strong trade association, FiSCA, has rallied to the cause through their testimony before congressional committees and regulatory com-

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missions, as well as dozens of written documents, letters and articles to confirm the reliability of compliance by MSBs. They have brought the issue to the forefront at FinCEN and with all other agencies involved in the regulation and oversight of the Financial Services industry. Fighting these ill informed perceptions remains an uphill battle but with continued effort, will hopefully soon be won.

Finally, there is the general public's view of our business. Supporting our earlier discussion on perception being reality, most consumers who manage their finances through traditional banking methods do not understand the needs of unbanked consumers. The general public typically maintains checking accounts to manage their transactions. They have credit cards or lines of credit to address short-term cash shortages. They also have savings accounts and investment portfolios to accumulate and manage wealth. They cannot imagine why someone would pay to cash a check or visit a payday lender, title loan store or pawnbroker to access some quick cash.

In most cases, their perception of these businesses is established by what they read in the media, and these perceptions would not encourage them to enter one of our facilities, much less use our services. This image is further reinforced when the retail facility is generic, rundown and dingy. They would not be comfortable doing business in a restaurant called FAST FOOD, a coffee shop called COFFEE or a convenience store called FOOD MARKET. They have become more accustomed to branded services such as SUBWAY, STARBUCKS or 7-ELEVEN when it comes to buying services in those categories. So why would we expect them to perceive a business called CHECKS CASHED or PAYDAY LOANS any differently?

If we look at the Insiders' points of view, we see things as our customers see them, and the way we ourselves see them. Our customers often see us as offering valuable services where they can

accomplish the things they need to do quickly, efficiently, and with the respect and level of customer service they often do not experience in other business dealings. Surveys conducted by both FiSCA and many independent operators have indicated that our consumers are very satisfied with our level of service, hours of operation, speed of transaction, services offered and, even a surprisingly high percentage of them, with our pricing.

Frankly, the bigger concern about Insider's perceptions is with those held by many of our own operators. There are still far too many in this business who do not consider the need to present a professional retail environment, advertise or promote their business, train their staff in customer service skills or create a brand as being important enough to warrant investments of their time or resources. Far too often I have heard many an operator say, "Our

"BUT IMPROVING THE INDUSTRY'S PERCEPTION IS NOT THE ONLY REASON TO ADOPT A MORE SOPHISTICATED STRATEGY REGARDING BRANDING YOUR BUSINESS."

business is different from other retail businesses. People need our services and they will visit our facilities regardless of how they look, how we treat them, and whether or not we advertise our services." Luckily, not everyone believes that!

The industry is fortunate to have a number of progressive operators. These visionary businesses understand that we are a specialized form of retail with the same need to create a brand identity and personality as all other successful retail businesses. Brand identity is much more than just a catchy name or an attractive logo. It is the way a company defines itself -from the quality of its services and the attitudes of its employees, to the appearance of its facilities and its presence in the communities in which it operates.

These perceptive businesses understand the importance of the image that their facilities project to the outside world. Their retail locations are clean, bright and inviting. They communicate the variety of services offered and relate them to the many different types of customers they serve through lifestyle photos and multilingual messages. They go a long way toward changing the perceptions of what outsiders think about our industry. The days of identifying our stores as just CHECKS CASHED or PAYDAY LOANS with a big gaudy sign are long gone. There needs to be an organization that stands behind that service. One that has an identity and personality in the community. One that understands the needs of its customers and offers a variety of services to meet those needs.

But improving the industry's perception is not the only reason to adopt a more sophisticated strategy regarding branding your business. A recent study on the impact of brand in small business enterprises (SMEs) presented at the Australia/New Zealand Marketing Academy Conference in December 2005 concluded that "Brand-focused SMEs are able to achieve a distinct performance advantage over rivals by essentially getting back to the 'branding basics': that is, understanding customers' needs and brand perceptions, creating relevant and valued brands, supporting the brand consistently over time, effectively communicating the brand's identity to internal and external stakeholders, and creating a coherent brand architecture." This study was based on a body of research conducted throughout the United States from 1991 through 2005 and provided empirical evidence that small businesses need not

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have enormous budgets to be brand-focused, they simply need to incorporate a branding strategy into their business plan to achieve a competitive advantage over their rivals. In studying this industry, it's easy to see why the Financial Services

changing perceptions of both the Outside and Inside points of view.

Many of these successful organizations take active roles in the communities where they operate. They sponsor charitable events; they work with community groups

financial services to their customers. Most successful centers help their customers pay their bills by offering money orders and electronic utility bill payments. MasterCard® or VISA® prepaid debit cards can act as virtual accounts, providing direct



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Centers that have invested in creating a brand and extending it visually into their retail facilities are the ones that are consistently growing and thriving in our industry. They are the models of what the industry can be and are contributing a great deal to

for food drives, clothing drives, disaster relief efforts; they sponsor flu shots for children or partner with vendors for scholarship programs or educational advancement.

Progressive operators also understand the value of offering a full complement of

deposit or savings programs for their unbanked customers. Beyond payday loans, many stores are offering expanded loan products such as signature loans, installment loans, even mortgages or lines of credit. Partnerships with credit unions or local banks have even given birth to cross-selling each others' services, allowing consumers to open accounts, make deposits or apply for loans right in the store where they cash their checks. Others prepare taxes, provide e-filing services, and facilitate Refund Anticipation Loans. There are even some that have established relationships with nonstandard auto insurers to act as marketing offices. They refer customers to agent call centers to initiate policies and process cash payments for premiums. These types of initiatives are all building a legitimate position in the financial services pyramid, dramatically enhancing the image of our industry and expanding the base of consumers we service.

This sophistication of the industry has also caught the attention of the capital markets. In the last few years, several IPOs have occurred as investors have begun to understand the value of companies that truly fill a need in the market. This progress has also contributed to the positive changes in perception regarding our industry. The capital infusions into these operations have created national or multi-regional chains that are setting the new standards for success in this category.

Over the past ten years, our industry has made a great deal of progress in improving its image, but there is still much to be done. To achieve complete success, we need all operators to buy into this progress. More and more, it is becoming important for all financial services providers to be

proactive on impacting the industry's image and to make investments in upgrading their businesses. This is an investment in your future, not an additional, unnecessary expense. Collectively, every provider has the ability to change perception, but it

means being unified in our philosophy. This needs to become each and every operator's responsibility, not just something to be left to the big chains. In fact, it is the small, independent operators that make up more than three-quarters of the storefronts

across the country. These are the highly visible facilities that can continue to detract from our industry reputation or can change the perceptions that will create tomorrow's better reality for us all. ■

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Jim Higgins is a marketing consultant specializing in the financial services industry. With over 25 years of marketing experience, he has served in executive capacities for industry leaders such as Dollar Financial Group, Banco Popular's Popular Cash Express, and United Check Cashing. For more information contact jh@graficoinc.com.