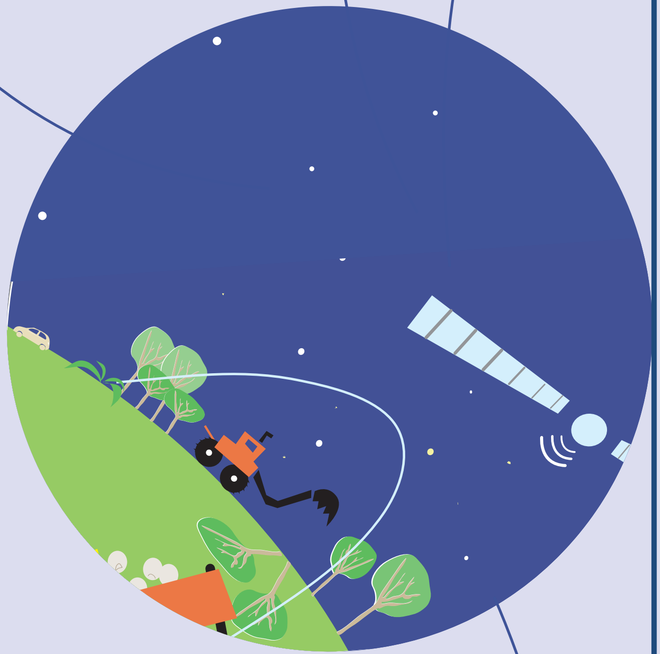


Notes from Turkey

Ipsos KMG

Ipsos KMG

www.ipsos-kmg.com

We as Ipsos KMG serve our clients from different sectors as business partners when it comes to answering their marketing needs. As a part of this understanding, we would like to share with you this booklet which aims to inspire you with some interesting information.

In the section which has been gathered from the studies held by Ipsos KMG, we initially present you the results of our opinion poll research "Turkish Barometer'. Following this we give you the consumers outlook on global economy, the latest views on the Turkish economy and the latest trends in the consumption and usage habits.

Our advertising and branding professionals have also gathered the results of their research held from 2008 and have come up with important information that will be useful for your communication strategies. You can find this information on the section 'Special Topic: 'Clues on advertisement recalled in Turkey".

In our booklet we have also included some of the results from 3 different studies.

- Internet & social media
- E- commerce
- Being a child in Turkey (Aged 4-14)

In our last section, we share some articles on different sectors which will hopefully help you gain new perspectives.

Warm regards,

Ipsos KMG

Content

Voters Pulse

- Satisfaction and Expectation Index
- Who to vote?
- Performance of the government vs. opposition

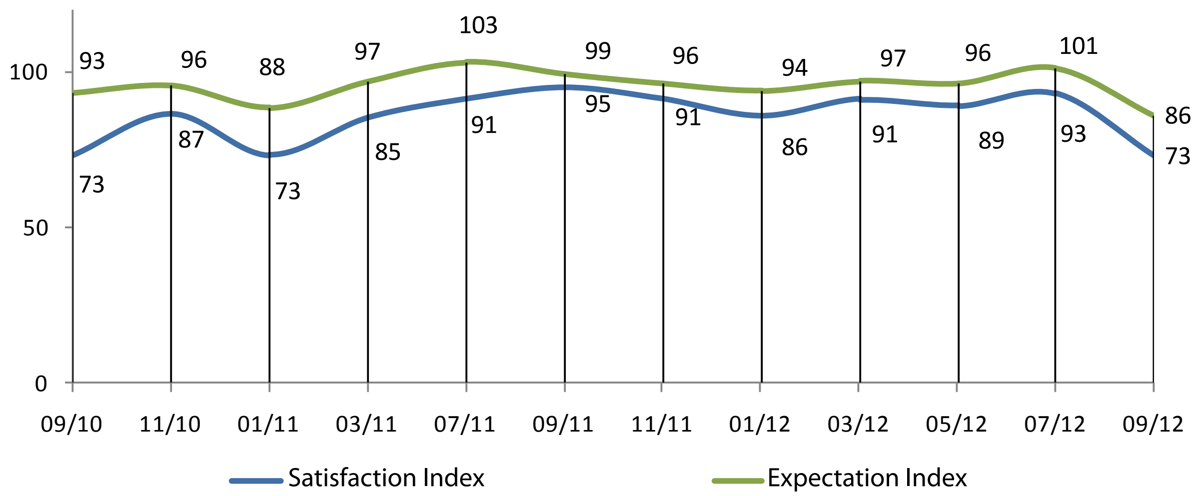
Ipsos KMG Social Research Institute, has been conducting the **"Turkish Barometer"** research every two months, since January 2010.
The research is being conducted with the18+ population, with a sample representative of the urban population.
The findings on the following pages, include data that are based on this research

Satisfaction and Expectation Index

September 2012, shows a big decrease both in terms of satisfaction and expectation index's when compared to the previous periods.

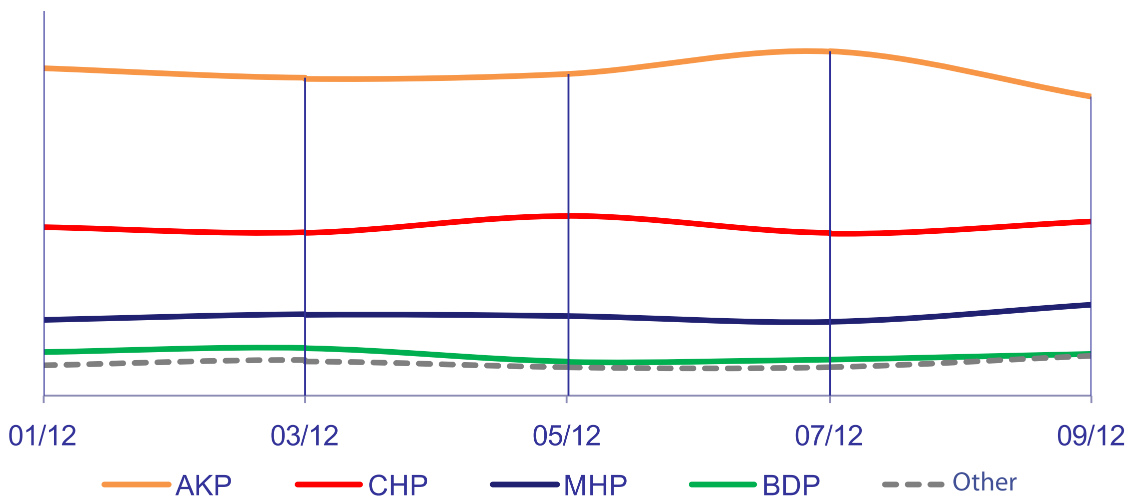
Satisfaction index has dropped back to the level of 73 for the first time since the September 2010 and January 2011. This can be interpreted as 'those who are dissatisfied with the current situation in the country are more than those who are satisfied'.

Expectation index is down to 86 for the first time. This shows that those who have a positive outlook in terms of the countries future are decreasing.



Who would you vote for if there was an election this Sunday?

Turkish Barometer delivers the results of a possible election in a chart displaying comparative gaps between the competing parties, instead of delivering exact percentages. The chart below, shows how the voters choices differ over different intervals. In September 2012 there is a slight decrease in the preference of AKP, and a slight increase in CHP and MHP in comparison to July 2012. CHP's voters support is similar to that of May 2012.



The performance of the government

In September 2012 the only index value which stays over 100 is 'health'. In all other areas the government shows significant decrease in performance. There is a 14 point decrease in the overall performance of the government compared to July 2012. The topics in which the governments political performance index decreases significantly are education, foreign policy and security/ terrorism.

The 4+4+4 practice in education, foreign policy regards Syria, increase of terrorist activities have all had a negative impact on the governments performance.

Governments Political Performance Index

	07/11	09/11	11/11	01/12	03/12	05/12	07/12	09/12	Difference
Overall performance	109	107	105	104	104	107	107	93	-14
Health	132	130	131	124	117	124	133	129	-4
Education	116	117	116	107	106	112	112	93	-19
Economy	107	108	104	100	101	107	104	90	-14
Foreign policy	112	112	109	104	109	107	106	88	-18
Democracy/Human Rights	99	101	100	96	95	100	99	88	-11
European Commission	99	99	100	96	96	98	96	85	-11
Unemployment policy	81	86	84	84	82	85	93	80	-13
Safety/Terrorism	78	76	81	89	86	86	71	54	-17

The performance of the government and opposition

There is a 6 point increase in CHP's performance in general. MHP's performance increases by 11 points. Increase in BDP's performance is 3 points.

Government and Oppositions Performance Index

	03/11	07/11	09/11	11/11	01/11	03/11	05/11	07/11	09/11	Difference
AKP	102	109	107	105	104	104	107	107	93	-14
CHP	59	57	61	61	63	63	59	58	64	+6
MHP	54	41	52	41	44	48	48	48	59	+11
BDP	39	48	42	30	30	36	33	33	36	+3

Economic Situation in The World

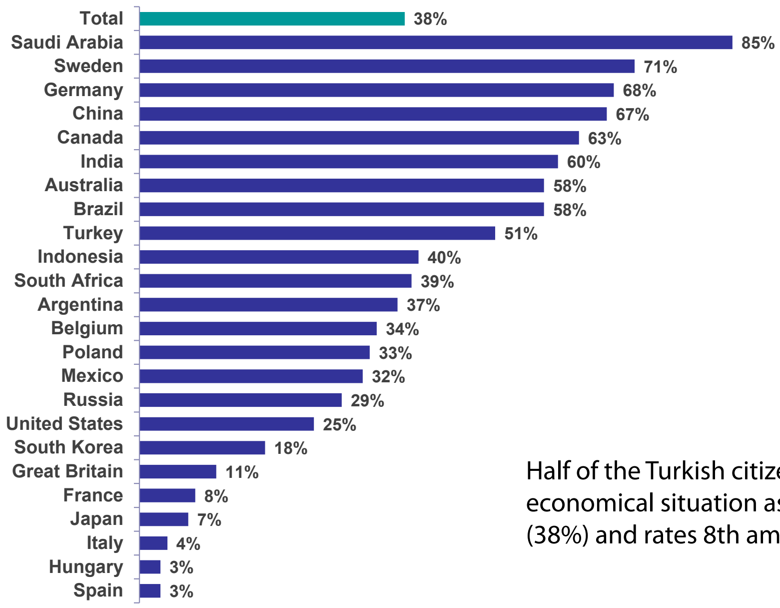
What is New with the Turkish Economy?

Economic Situation in The World Global @dvisorEconomic Pulse – August 2012

Ipsos, takes part in a study called Global @dvisor, which includes Turkey among 24 countries* and conducted via online methodology Within the 'economic pulse' section of the study, country citizens have been asked to evaluate their countries current economical situation.

* Argentina, Australia, Belgium, Brazil, Canada, China, France, Germany, Great Britain, Hungary, India, Indonesia, Italy, Japan, Mexico, Poland, Russia, Saudi Arabia, South Africa, South Korea, Spain, Sweden, Turkey and the United States of America.

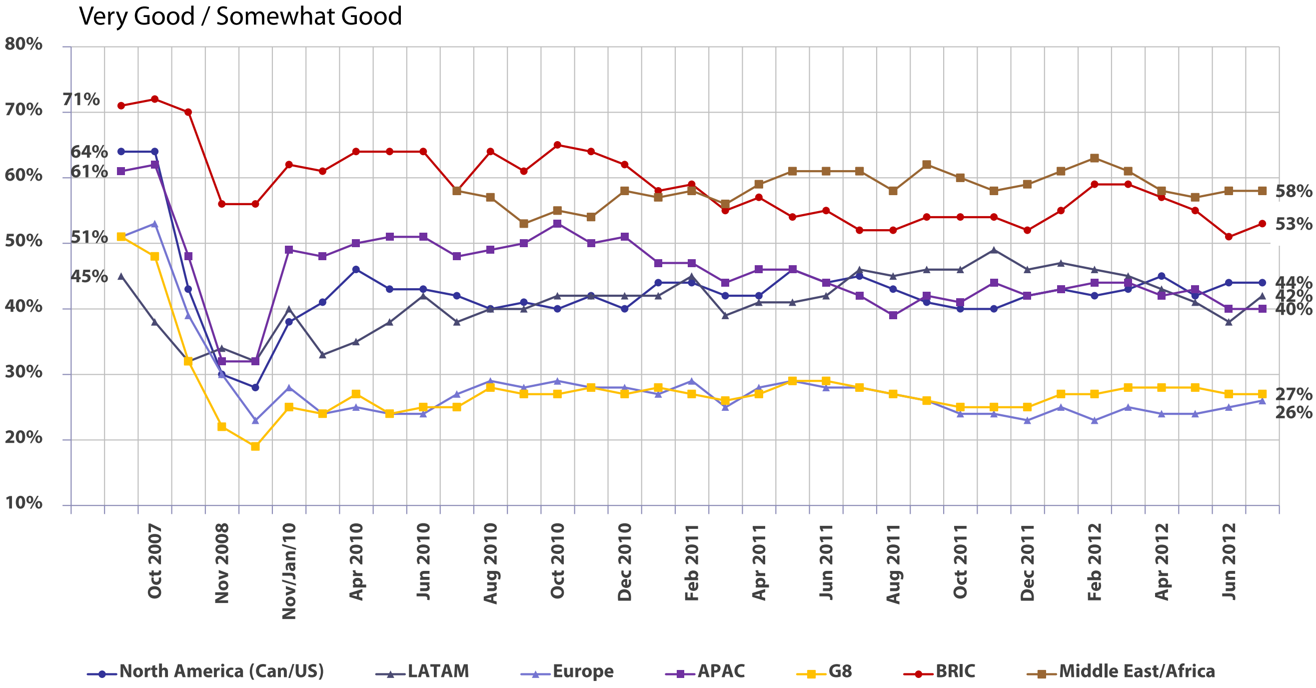
Citizens who Assess the Current Economic Situation in their Country as "Very Good/ Somewhat Good".



Half of the Turkish citizens (51%) evaluate the currrent economical situation as being 'good'. This is above the average (38%) and rates 8th among 24 countries.

Citizens who Assess the Current Economic Situation in their Country as "Very Good/ Somewhat Good". By All Region

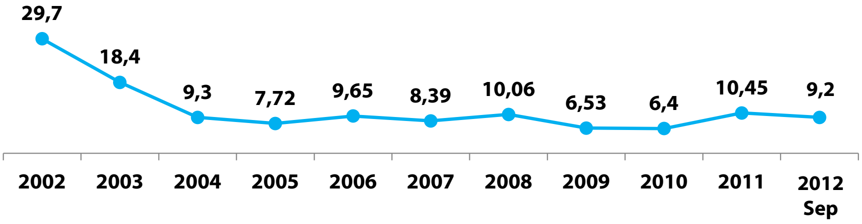
Economical level before the 2008 global crisis has not been recovered by any of the regions. Middle East & Africa has been thesessed as the best performing in terms of economics in the last years.



Macroeconomic Indicators

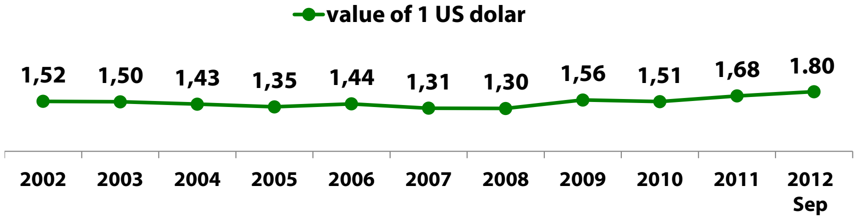
TÜFE

The consumer price index, which had been at its lowest increase rate for the past 10 years, showed a significant increase in 2011 reaching 10.45%. It has been 9,19 from September 2012.



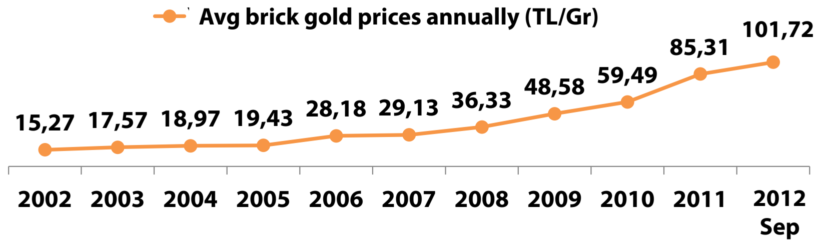
US dollar index trends

Value of an US dollar showed a significant increase in 2009 and a slight decrease in 2010. Reached its highest average in the first 9 months of 2012.



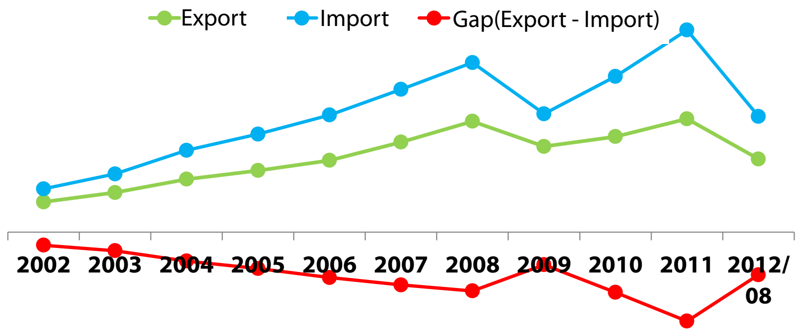
Gold Price Trend

Gold has shown a noticable increase of 43%, in 2011 reaching 101TL in the first 9 months of 2012.



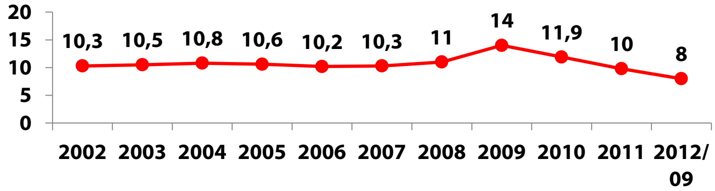
Export - Import

Both export and import have grown since 2009, but since increase on import is higher than that of export, current account deficit has also increased.



Unemployement Rate

The unemployement rate which had shown a significant increase in 2009 is on decrease for the past 3 years. Number of unemployed reached its lowest level in 2011 for the past ten years.

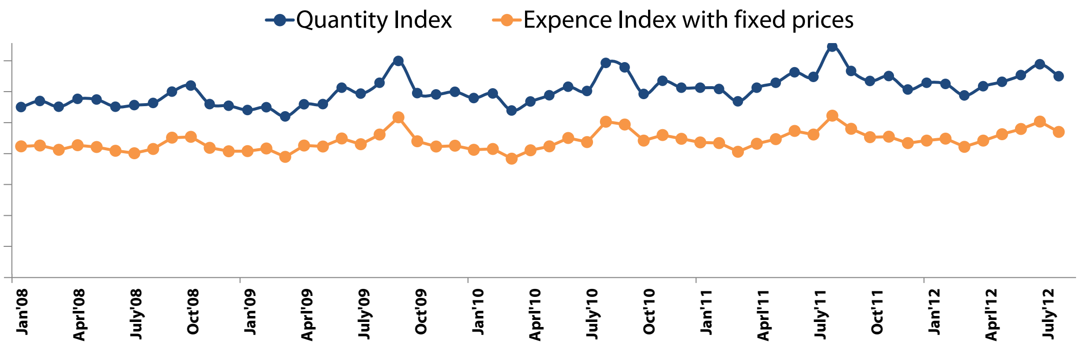


Recent Trends in Consumption and Usage Habits

Monthly Household Consumption Quantity and Spending Index : More than the quantity, increasing prices contribute to spending

Last 12 months (ending September)	2008	2009	2010	2011	2012
Spending Index with fixed prices	86	87	87	91	93
Quantity Index	116	117	121	127	129
Price Index	618	667	701	743	824

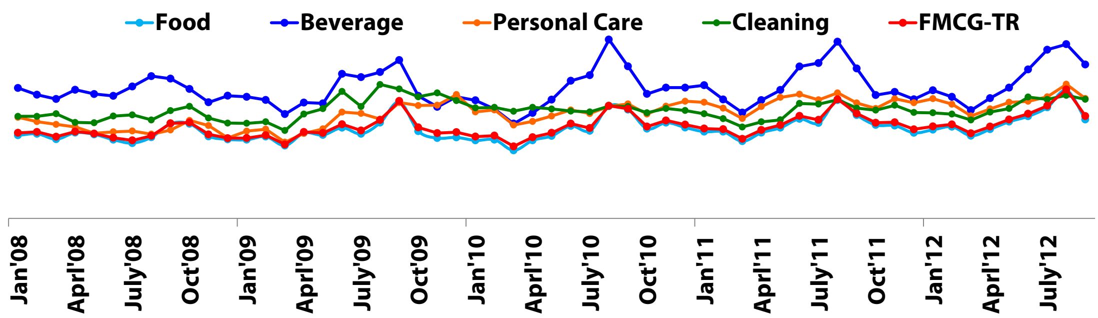
Monthly Household Consumption Expence Index



Monthly Spending Index of main categories: Cleaning and food have shown the highest spending increase since last year

Last 12 months (ending September)	2008	2009	2010	2011	2012	Share
Total FMCG products	**123**	**127**	**127**	**133**	**137**	**100 %**
Food	125	125	124	130	133	**86 %**
Beverage	163	160	159	166	166	**13 %**
Personal Care	132	131	143	149	150	**8 %**
Cleaning	140	143	147	141	146	**6 %**

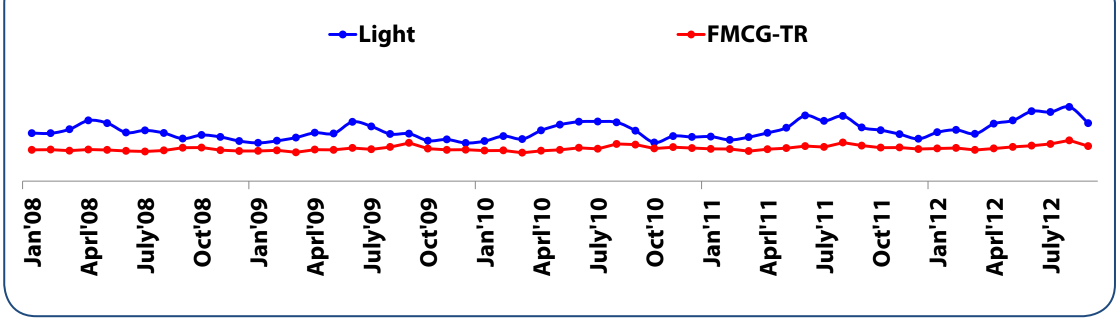
Monthly Household FMCG Expence Index (Fixed Prices)



Monthly Spending Index on Light Products: Comparing to last year spending increase made to light are very in line with the overall market

Last 12 months (ending September)	2008	2009	2010	2011	2012
Total FMCG products	**123**	**127**	**127**	**133**	**137**
Light	**197**	**183**	**192**	**199**	**223**

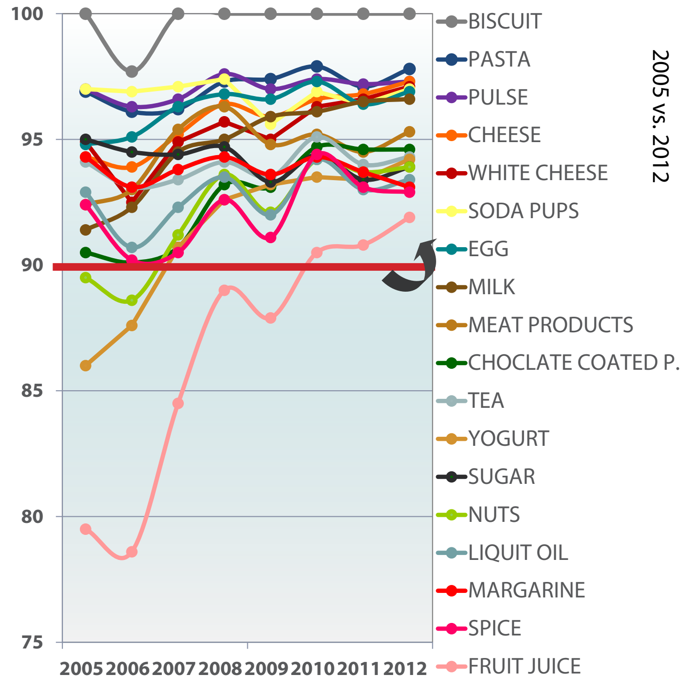
Monthly Household FMCG Expence Index according the product line (Fixed Prices)



BASIC NEEDS

90%+ PENETRATION

“ Products which have come to a saturation point, reaching 9 households out of 10 ”



Most of houseold increase per **FRUIT JUICE**

Most increase per household spending **NUTS**

Most increase per household purchase **FRUIT JUICE**

Most increase in purc-hase frequency **FRUIT JUICE**

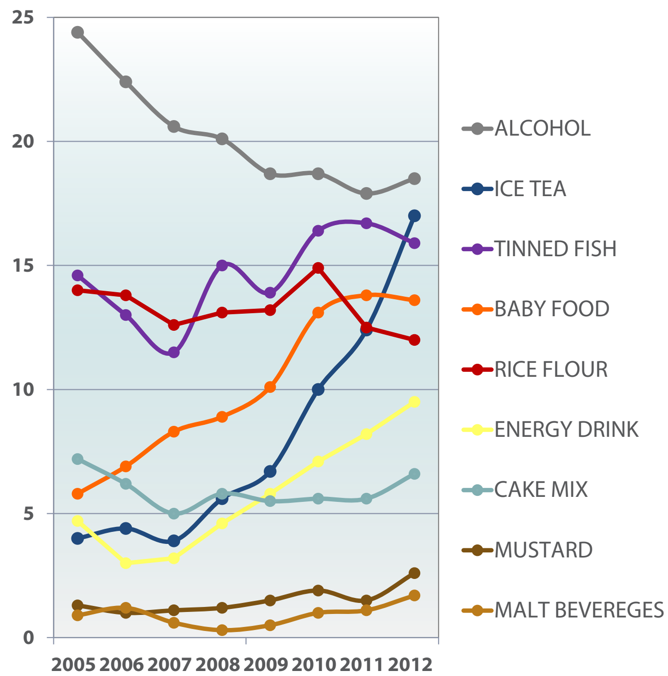
Most increase per shopping spending **NUTS**

Most increase in amount per shopping **CHOC.COATED PRODUCTS**

PRODUCTS YET TO BE DISCOVERED

%0-20 PENETRATION

“ Products which take place in less than 1 out of 5 households ”



Most of household increase per **ICE TEA**

Most increase per household spending **MALT BEVERAGES**

Most increase per household purchase **MALT BEVERAGES**

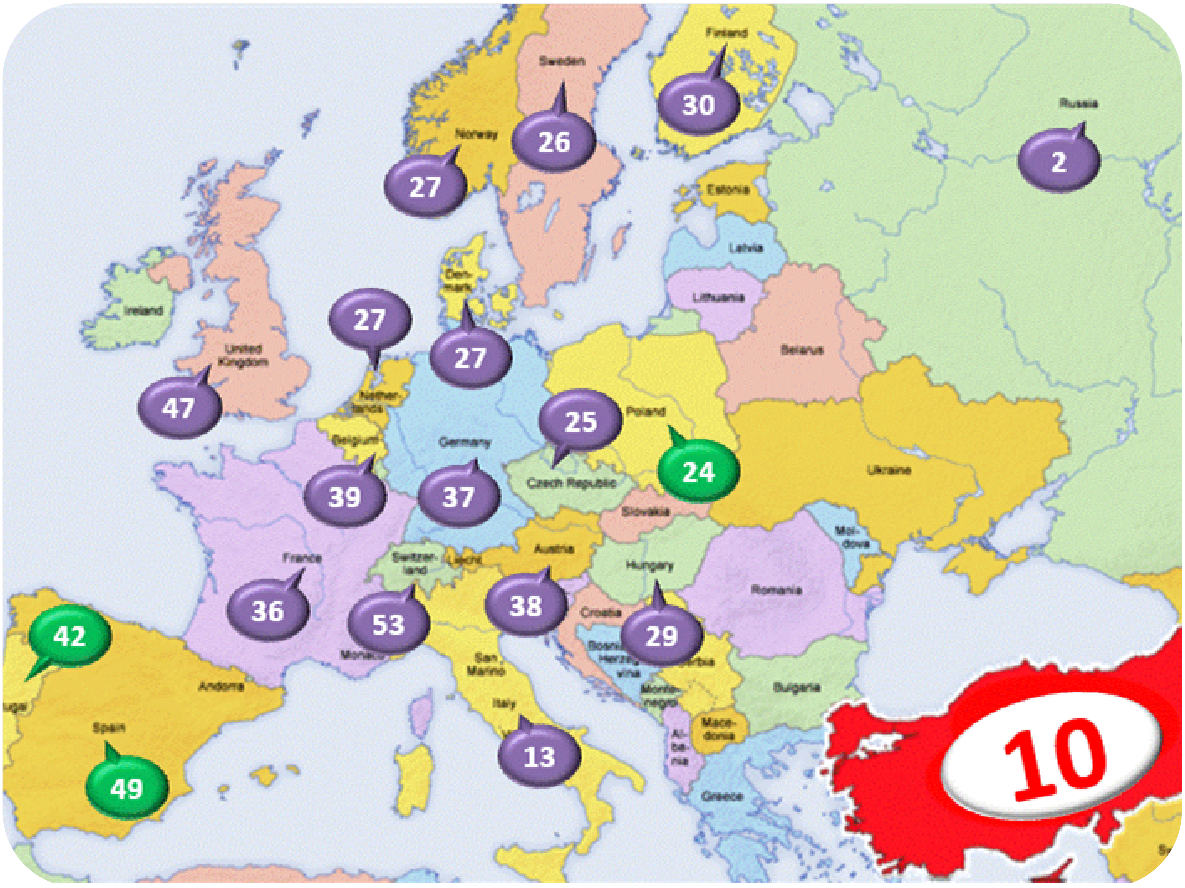
Most increase in purchase frequency **ICE TEA**

Most increase per shopping spending **ALCOHOL DRINKS**

Most increase in amount per shopping **MALT BEVERAGES**

THE INCREASE IN PRIVATE LABEL PRODUCTS IN TURKEY İS ONLY 10%!

Increase in Market Brands %



When compared to European countries, share of PL products are comparatively low due to two main reasons:

Discounts stores are a relatively new concept in Turkey, so these brands are yet not mature eough.
No name products without packaging is a common preference for discount products and the strong traditional trade network.

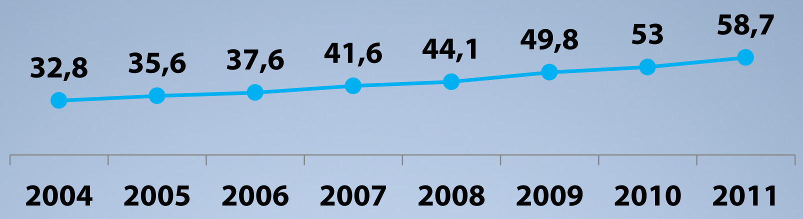
Markets with similar trade structure like Italy and Russia have show a similar trend, which supports this hypothesis.

The country with highest share in PL products is Sweden, followed by Spain and UK. There has been an increasing trend in market share in Poland, Spain and Portugal during the last year.

Source: PLMA International 2011, www.pmrpublications.com & Ipsos KMG Household Panel

> **Fridge, washing machine and pc ownership stays nearly stable whereas dishwasher ownership is on an increasing trend.**

Dishwasher Penetration %



Penetration

99%	Washing Machine
40%	Computer
84%	Mobile Phone
60%	Land Line
99%	Refrigerator

Special Topic: Clues about the most recalled ads in Turkey

This section is based on the weekly AD*WATCH scores which are being conducted by Ipsos KMG since 2008. This research is independent of categories with the purspose of measureing awareness/likeability levels and is conducted weekly. The following data are based on the analyses of AD* WATCH 2011 results.

Turkey representative - 12 cities
15-60 age
AB, C1, C2, D SES groups
Male/Female
300 interviews weekly
1200 interviews monthly

AD*WATCH sample

Ipsos ASI
The Advertising Research Specialists

1. STORY

2. CONTINUOUS CAMPAINS

3. COMEDY

4. CELEBRITY

5. BRANDING & MESSAGE

6. MUSIC

7. TIME

8. AD TEST

Ipsos

Ipsos ASI
The Advertising Research Specialists

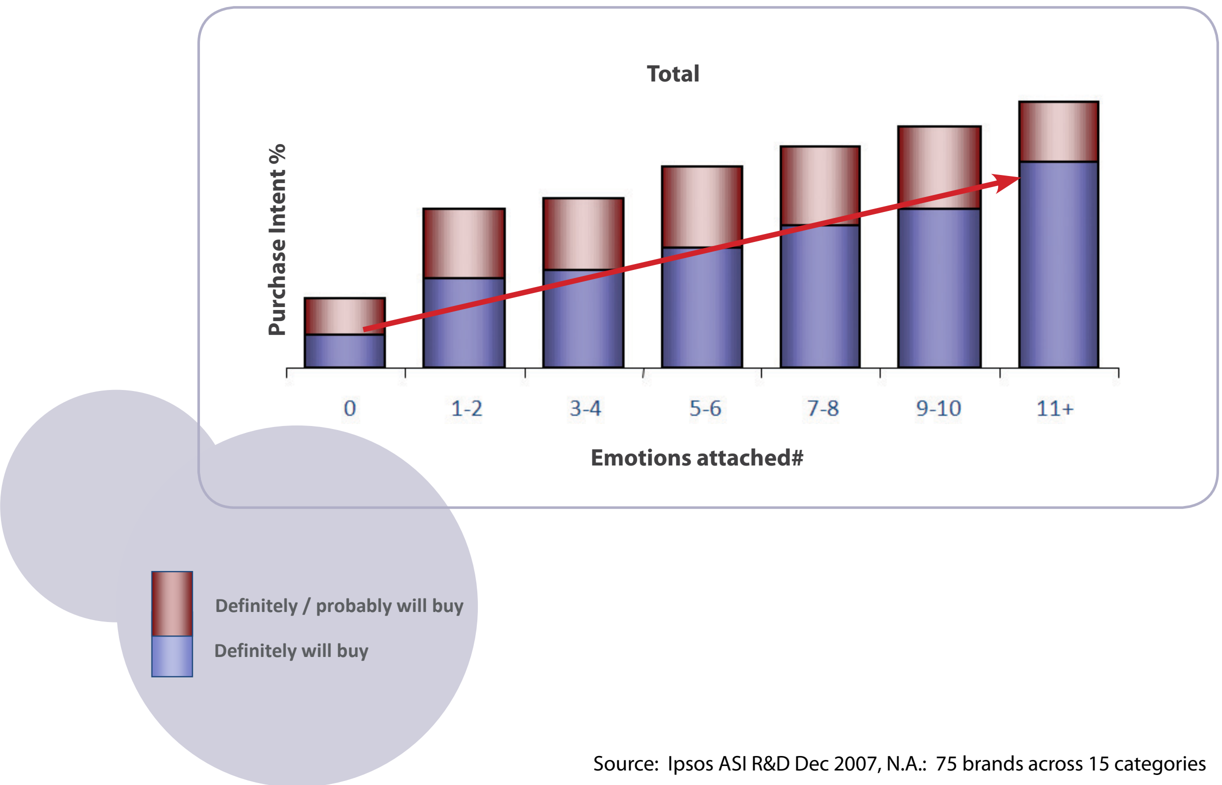
The Recall Rate Of Strategic Ads Are Higher

Strategic advertisement based on a story set up are recalled more than tactical campaigns.

Ads With An Emotional Message Are More Readily Accepted By The Consumers

Emotions & Purchase Intent

The more a brand builds an emotional connection with consumer, the more its purchase intent level.



Source: Ipsos ASI R&D Dec 2007, N.A.: 75 brands across 15 categories

2. CONTINUOUS CAMPAINS

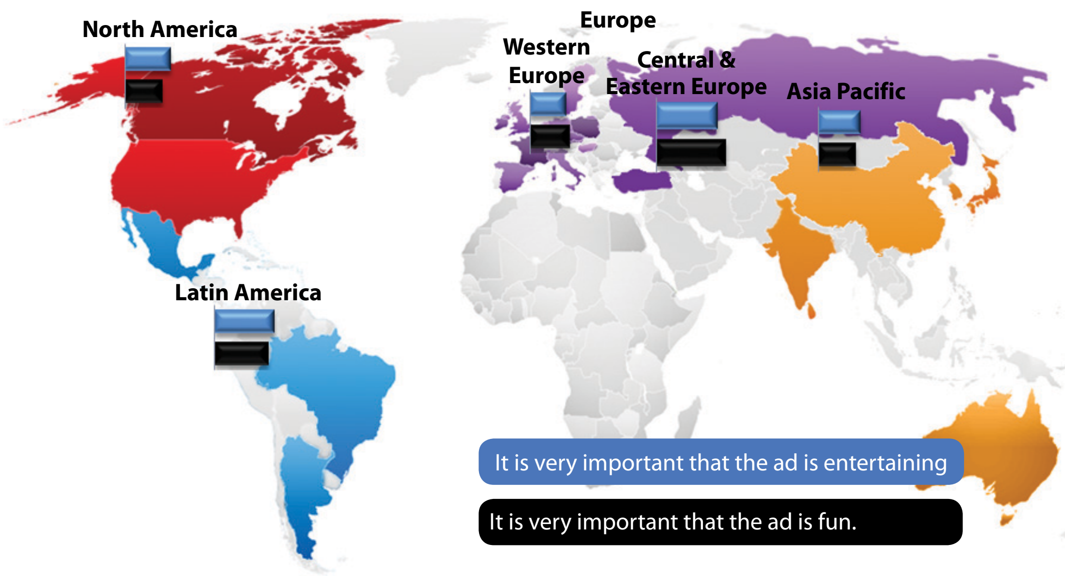
Continuous campaigns are remembered more

Continuous campaigns are weak in giving new info and this effects persuasion.

Continuous use of the same celebrity also helps recall

3. COMEDY

Entertainment Helps Recall



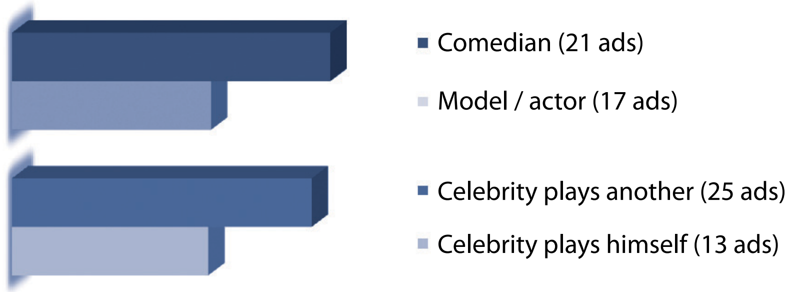
Comedy theme is more attractive for CEE than Western Europe & North America

Source: Ipsos Global Advisor, December 2009 (n=21623)

4. CELEBRITY

Use Of Celebrity Increases Reach

If credibility of celebrity is weak persuasion is effected negatively

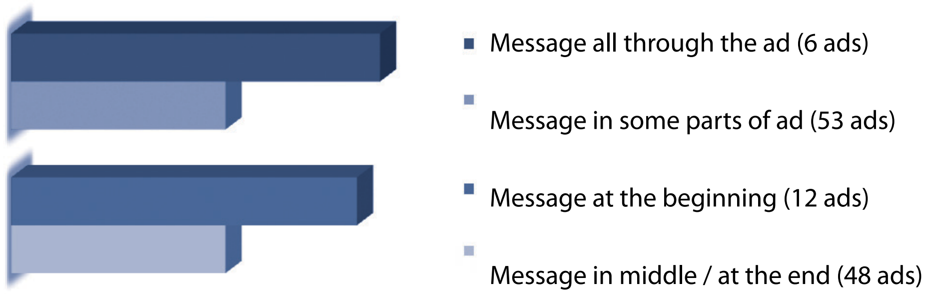


5. BRANDING & MESSAGE

Seeing The Brand Early Helps Reach

Reach & persuasion power of ads which mention brand in 1-4 sec.s is very high.

Continuing To Emphasize Message All Through The Ad Is Effective

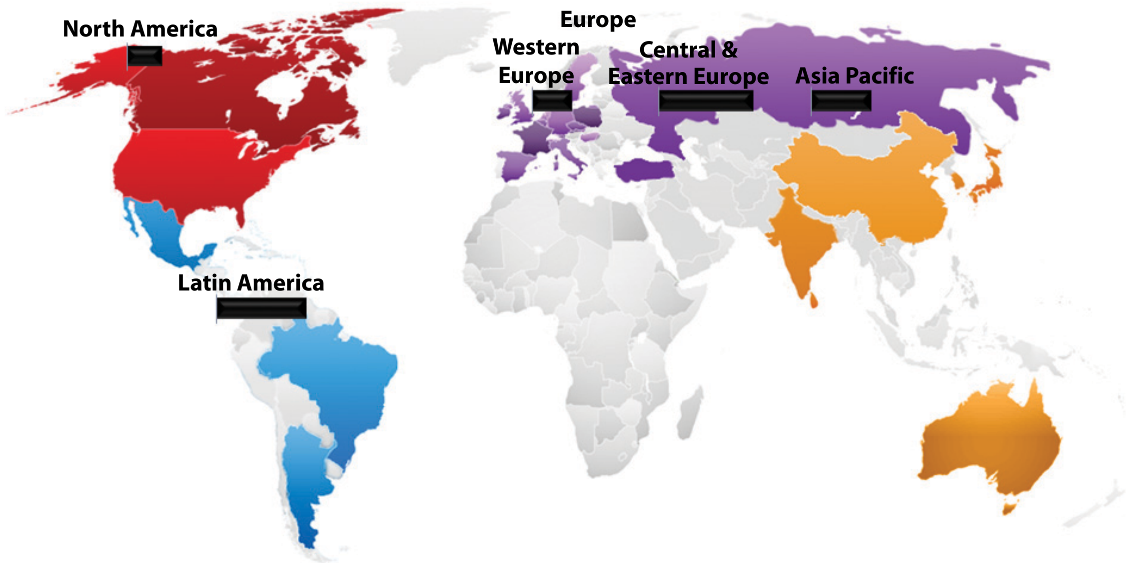


Ads Supported With Music Are Recalled More

It is critical that the music is not suppressing the voiceover.

- With music (49 ads)
- Without music (9 ads)

Music is much more important in CEE



It is very important that there is music in the ad

Source: Ipsos Global Advisor, December 2009 (n=21623)

7. TIME

It is Important To Use Time Effectively!

■ < 45 sn. (18 ads)

■ > 45 sn. (40 ads)

15" ads are supportive when used after main campaign.

Effective 15 Sec. Ads

Most effective 15 sec. ads;
Focus on product & brand.
Has one simple clear message.
Has a visual message.

Uneffective 15 sec. ads;
Has a confusing story telling style.
Message is confusing & long.
Have more than one issue that needs to be explained.

Before investing in advertising, get your ad tested first

Understanding your advertising campaigns impact beforehand, and being able to see its possible effect on your brand, your communication strategy and consumers brand choice is important in the success of your advertising in the long run.

Ipsos ASI next*connect

With Next*Connect strengthen your sucess in communication

Next*connect, is IPSOS ASI's most flexible online communication test tool.

For details contact: : yasemin.ozen@ipsos.com

Latest Releases:

Syndicated Research findings by Ipsos KMG

Internet and Social Media
Online Shopping
Being a child in Turkey (Aged 4-14)

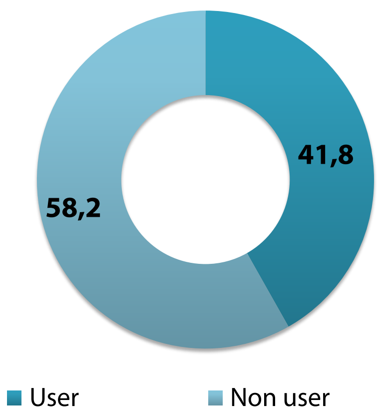
Internet and Social Media

16,7 million social media users, state the first three channel through which brands could reach them to be Facebook, the brands own website and TV respectively. An interesting outcome for a country known to be as a TV addict!

Internet Usage

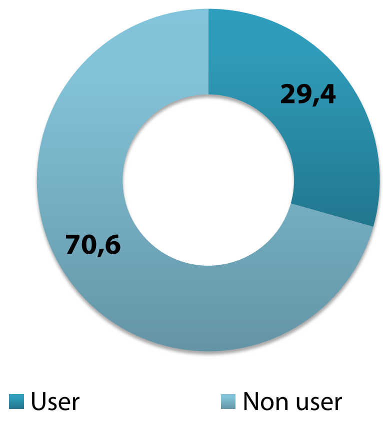
In Turkey, 42% of those above the age 15 use the internet.
More than half (55%) of the internet users login to the internet on daily basis.

Onternet usage (15 +) :



Baz: 4000

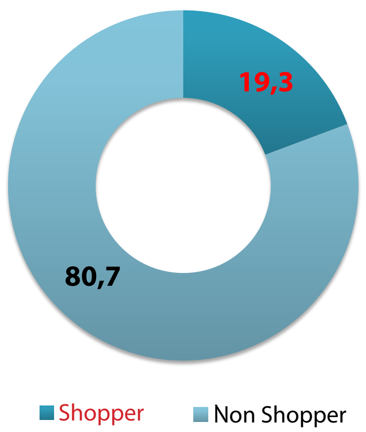
Internet connection from mobile



Base: 1670 (Internet user)

Online Shopping

One fifth (19%) of the internet users do online shopping.
First preferred method of chargement is a credit card.
The most purchased item is ticket sale/ hotel reservations.



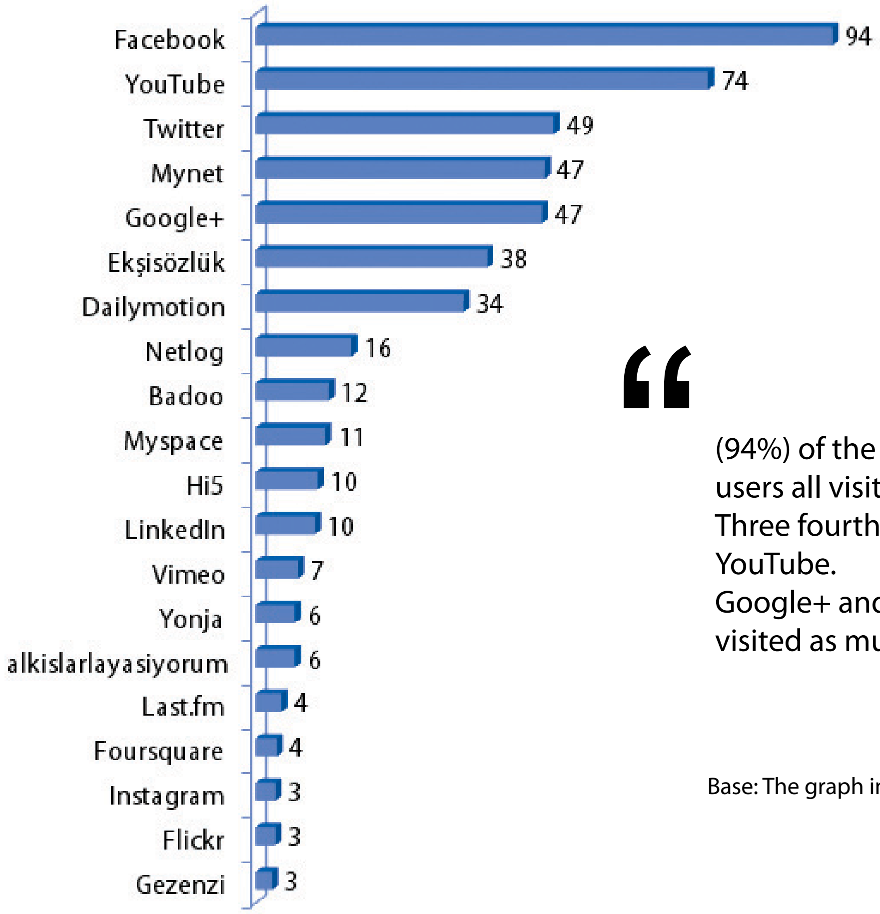
Sosyal Media Usage

41% of the internet users follow social media. Main reason to follow social media is to be able to follow the current news and agenda.

15+ internet users		
May,2010	May,2011	May,2012
%39,4	%40,4	%41,4

22.9 Million internet users
16.9 Million social media users

Most visited Social Media Websites



“(94%) of the social media users all visit facebook (%94), Three fourths (74%) visit YouTube.
Google+ and Mynet are visited as much as Twitter.”

Base: The graph includes 3% and more

Social Media and Brands

Tops 3 brands talked about in Social Media

adidas | trendyol | markafoni = NIKE

Tops 3 brands being followed on social media

TURKCELL | TÜRK HAVA YOLLARI | markafoni

Top 3 trustworthy brands on social media

TURKCELL | TÜRK HAVA YOLLARI | NOKIA Connecting People

Online Shopping

According to the 2011 data of Bankalararası Kart Merkezi (BKM)* the turnover of internet shopping is 20 billion TL. An increase of 20% is expected at the end of this year.

Notes on Online Shopping

One third of those who shop online, they do not only shop for their own or household purposes but for commercial purposes also

Among those who do commercial shopping, 'clothing' is the most frequently shopped category.

3 women out of 4 shop for clothing whereas one shops for cosmetics.
Males shop also for electronics and computer producs as well as clothing.

Among those who shop online, one fifth also shop from international websites.

International online shopping is also common among males.
Among international shopping main category is electronics and computer followed by clothing.

*National Bank Cards Center

Being a child in Turkey (aged 4 - 14)

This study has been carried out in urban and semi urban households in Turkey all belonging to ABC1C2 ses groups. In each household only 1 child between the ages 4-14 has been interviewed. During the study the mothers of the household have been given a journal to keep on behalf of their children as well as a questionaire which included question on the life styles of their children.

Favorite popstars

Hadise: %18

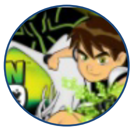
Tarkan: %15

Murat Boz: %12

Favorite cartoon characters

Pepee: %12

Caillou: %12

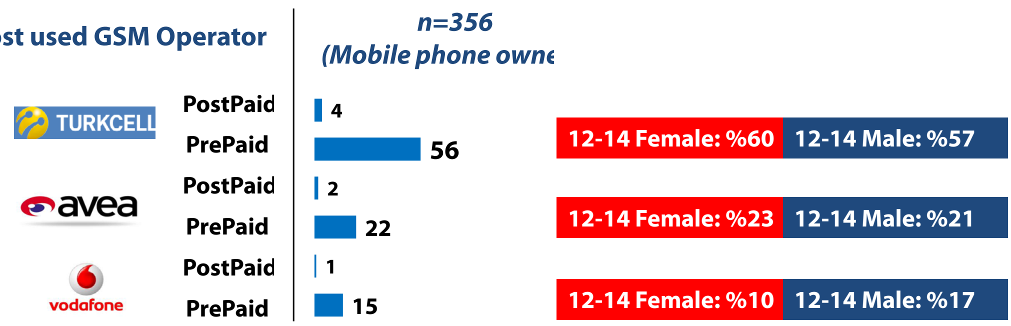


Ben 10: %11

Mobile phone usage/GSM operator

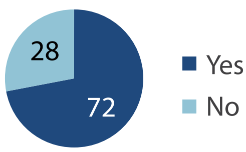
Among those children btw the ages 8-11, 18% use a mobile phone. This rate is upto 54% among 12-14 years old . The most used GSM operator is Turkcell.

Most used GSM Operator

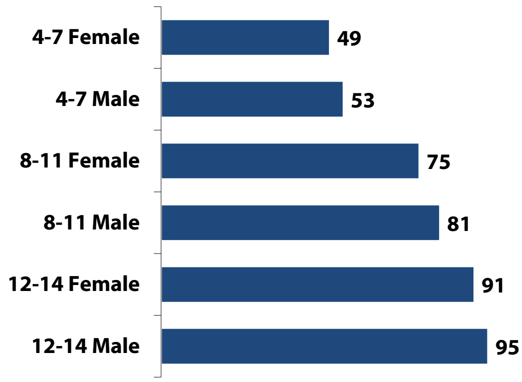


Internet Usage

Among the 4-14 age children, nearly 3/4th (72%) use the internet. Internet usage increases with age.



n=1500



Frequency of Internet usage

n=1091
(Internet users)

Product Category & Brand Choice

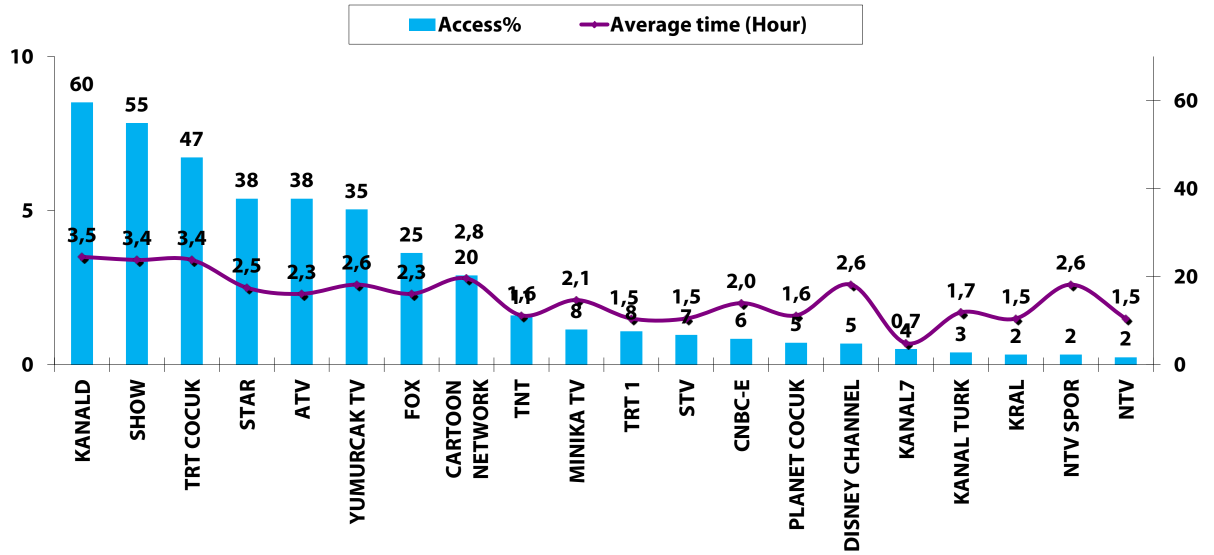
Ülker takes the first place with 12% in chocolate covered products, %13 in biscuits and crackers.

The most preferred brand in ice cream is Algida (18%).

n=1500	CATEGORY CHOICE	BRAND CHOICE	TOP BRAND CHOICE	
Chocolate and chocolate coated products	64	23	ÜLKER	%12
Chips and snacks	63	24	Doritos	%8
Fruit juice	57	24	DİMES	%7
Ice cream	55	22	ALGIDA	%18
Biscuits and crackers	54	19	ÜLKER	%13
Soda pops	50	29	Coca-Cola	%20
Gums and sweets	49	14	FALIM	%6
Cakes	42	15	ETİ	%7
Milk	40	15	BİM	Dost %4
Floavored milk	38	15	BİM	Dost %2
Flavored yoghurt and fresh cheese for kids	34	15	DANONE	%11
Bottled water	32	11	Erikli	%3
Ready made puddings	30	8	DANONE	%4
Buttermilk	25	8	sütaş	%4
Fruit Flavored Sodas	21	8	SIRMA	%1

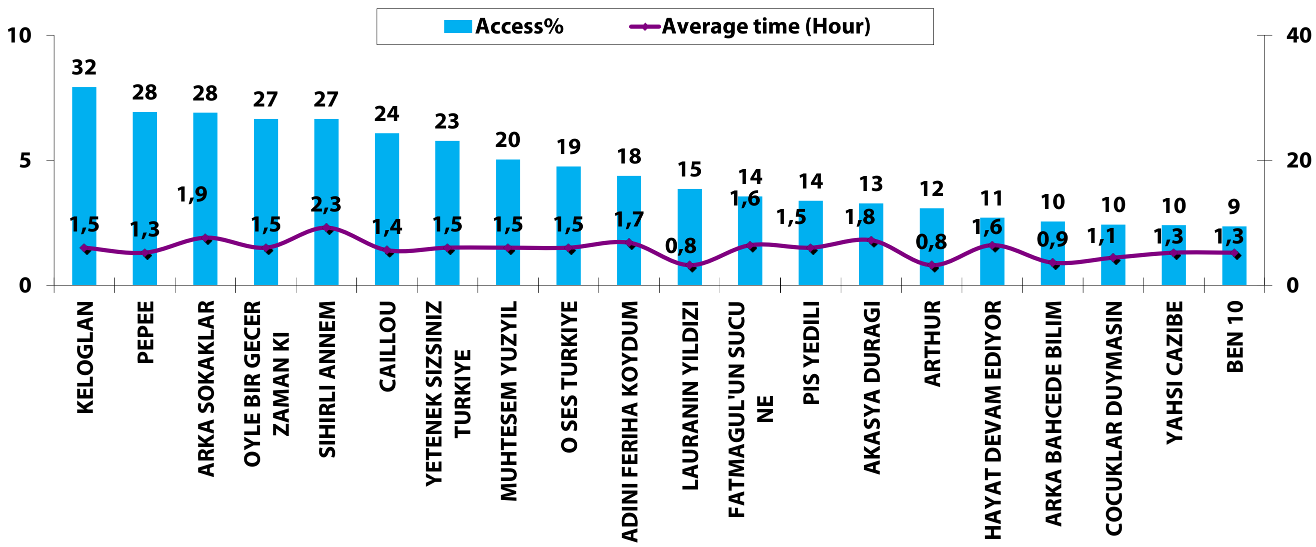
Access to TV Channels

TV chanels watched by children btw. the ages 4-14 are Kanal D (60%), Show TV (55%) and TRT Çocuk (47%).



Access to TV Programs

Series watched most by children are Keloğlan (32%) and Pepee (28%). This is followed by Kanal D series Arka Sokaklar and Öyle Bir Geçer Zaman ki which target adults.



Selected Reading Pieces.. Just for You..

In this section we share articles with you on different sectors which can provide you different points of view.

1- How do you really leverage social media/ Top Ten Tips
Those brands which are perceived as "innovators" have long since taken their place in the social media. Here is an article which might give you some hints on how to use social media succesfully.

2- Customer Loyalty Isn't Enough, Grow Your Share of Wallet
Companies spends lots of time and money in order to increase, sustain and measure their customer loyalty . But does this increase their share of wallet? Are "satisfied" customers enough for growing the share of wallet? Find the answers in the article that was published in the Harvard Business Review from late 2011.

3- Getting Vitamins from food and beverage is first priority of consumers

4- Healthy food for Kids
The concepts of "healthy living", "increasing the quality of life", "living longer and healthier" have been in our lives for some time. As a result, we often come across words as "antioxidant", "probiotics" which we never knew existed in our childhood days. Ipsos international online survey results, held in 24 different countries including Turkey show if we have been able to fully embrace these concepts or not. We also provide another article on what parents consider as "healthy food" and what they expect to happen when they feed these to their children.

5- Reputation Snapshot for the Banking Industry Global – 2012
What are the main expectations of the consumers from 24 countries from the financial sector. How and if this expectation differs in Turkey. This study which provides insights on the financial sector while also giving us hints on the concept of "Glocal".

How do you really Leverage Social Media?

Ipsos ASI|digital's Top 10 Tips

Ipsos

Ipsos ASI
The Advertising Research Specialists

"The **power** of social media is it forces **necessary change.**"

– Erik Qualman

Author of "Digital Leader: 5 Simple Keys to Success and Influence" & "Socialnomics: How Social Media Transforms the Way We Live and Do Business"

Facebook's share price may be falling, and the lawsuits may be filing in, but that is not an indication that the relevance and importance of social media is weakening. Just a few years back Facebook was considered a fad. Now it is a fad with 850+ million users worldwide. And, Social Media is so much more than Facebook, and the traditional Social Media sites, like Twitter, Google+ and Pinterest. It also includes communities, blogs, apps, and video sharing sites.

Social Media is not waning. Social Media is here to stay. And, what a great prospect for marketers. It provides the medium that allows brands to actively interact with customers and identify strong advocates. It provides a great canvas for experimenting and innovating, both by marketers and by customers. And so it provides a refreshing new means of brand expression, combined with consumer self-expression.

With news stories about Facebook continuing to make the front pages (or above the fold online) asking what Social Media means for marketers, we thought best to focus, not on what it means, but on how best to leverage the medium for brand building success. We have previously noted many of the strategies: we just thought we would provide a check list for quick reference.

1) Plan Ahead

Social Media does require a different model, or approach, than traditional media. However, a lot of the same lessons apply to making it a success, because after all it is still communications. But, it requires a **"broadcast mindset". It also moves from push to pull.** So of course the first step, after you have chosen to engage, is to develop your Social Media plan. **Remember, there is no one recipe or formula for success.** But a few key steps help brands succeed:

- **Set your brand objectives:** What are the intentions behind engaging in Social Media? What are you trying to achieve for the brand? Is it Awareness? Appreciation? Action? Advocacy? How is that different from traditional mediums? How will it complement other initiatives? Is it better to invest in paid media or owned media?

  And once your objectives are set, give the medium a chance. Keep the objectives consistent. It takes time for organic growth to build. And it takes time to determine the best use of a new format.

- **Measure your objectives:** Once you have set your objectives, define your Key Performance Indicators to answer: how do the activities compare to other mediums? To other social media channels? To your competitors? With an understanding of what worked and what didn't, you can understand how to improve.

- **Reset and Re-engage: There is still a lot to learn about the power of Social Media, for everyone involved.** Once you have finished one initiative reflect on what you discovered. Observe, then iterate and evolve. Get better!

- **Remember multi-channel opportunities:** It may require a different approach than traditional media, but Social Media can, and should, still be a part of an integrated campaign. When developed in conjunction with traditional creative, social media creative can provide a seamless and multi-channel experience with more engaging and interactive content. Just like when Oreo turned 100! http://www.oreo.com/birthday

2) Maintain a consistent brand Big Idea

Define a brand communications platform. Then apply it to all media. Then ask yourself, "how does it translate to Social Media?" That same brand communications platform should also drive the choice of Social Media, and the corresponding message. And it should tie back to your pre-defined objectives.

3) Know Your Brand's Social Media Voice

You are speaking, tweeting, blogging and chatting on behalf of your brand, and your brand's personality. **Be authentic and credible.** Try not to confuse or overlap your personal voice with your brand's voice.

4) Not all vehicles are created equal: choose the right one for your brand

Just because there is a Facebook, a Twitter or a Pinterest does not mean that you need to leverage Facebook, Twitter and Pinterest. Before you even decide which social media vehicle to leverage, understand which sites your (potential) customers frequent. Prioritize the sites that your target prioritizes. But also determine if the site's focus aligns with what your brand is hoping to achieve. Then determine how social interaction occurs on the site. You do not want to go counter to how consumers interact with their friends, family and peers or you risk minimizing credibility.

5) Remember that in Social Media, consumers have more control

But don't look at that as a negative, as if brands are out of control (because they are not). Look at it is as a positive and meaningful way to impact change and **co-create with the people that love your brand as much, if not more, than you do.**

For example, Brand Advocates often leverage the power of Social Media to pass along your branded message and communications to their family and friends, along with their endorsement. This re-transmission effect will positively benefit the impact of your message on your brand.

And, if consumers are passionate enough to engage in a conversation about a brand, then they are often passionate enough to help you move your brand forward. Embrace that energy. Plan for it. Leverage it for new ideas and new programs. Nike decided to 'just do it'. So did Nokia, Dell, Starbucks, to name a few.

> " Social Media has made the web all about **me, me, me.** "
>
> – Erik Qualman

Author of "Digital Leader: 5 Simple Keys to Success and Influence" & "Socialnomics: How Social Media Transforms the Way We Live and Do Business"

6) Keep it Simple

We know from our lessons learned on brand communication that simplicity cuts through better. If it is complicated, you have lost most of your audience before you have even started. This can be even truer for social media, especially if you can only use 140 characters.

7) Keep it Engaging

Content should be fresh. And it should be excellent. It should tell a brand story that provokes conversations that consumers want to engage in, and share with family and friends. It should even generate "next expressions", or consumer generated stories. Even for Coca-Cola, which has the largest fan page on Facebook, a "like" is important, but a "share" is even more so because the brand recognizes that re-transmission, which drives Earned Media, helps build stronger brands.

Commit to continuously updating your content. Commit to keeping it relevant and appropriate. Experiment with new ways to ensure engagement. Leverage the platform – don't just post the same creative that is developed for traditional mediums. For example, the medium allows for the seamless integration of message and technology.

And a further example, online content can be longer (it is a lean-in medium after all), and it can further develop the brand story. Our multi-media pre-tests demonstrate that online content has the potential to be 'better' for these reasons.

Remember, social video is growing. According to Visible Measures' "Q1 2012 Social Video Advertising Report", in Q1 of 2012, the number of views of social video ads served to English speaking audiences was approximately 1.33 billion. This represents an increase of 72% over Q1, 2011.

8) Be Social. Be Social. Be Social.

Social Media is about conversations between people, and between people and brands. **Create conversations always. And listen and engage in the ongoing conversation always.** @Starbucks is a great example of a brand always interacting. Did we mention, be social?

9) Embrace your mistakes

There are great examples of social media success stories. But there are also examples of initiatives that did not turn out the way they were intended because consumers leveraged the power of the medium. (makeyourowngaplogo.com is still helping consumers design new Gap logos). After all, we are still human. But the hidden opportunity is in listening to what consumers have to say, to do something positive about it, and to even admit the mistake. That vulnerability can actually make you more interesting to your potential consumer.

10) Avoid Mistakes through Consumer Co-creation

As we mentioned in Tip 5, co-creation is a powerful tool. Engage with your brand advocates early on to innovate and fuel content excellence and to make sure you are on the right path for your brand. But then confirm more broadly before you go live.

Should you leverage Social Media? Absolutely!
Embrace it for its differences and its similarities to more traditional communications.
And use those to your advantage.

About Ipsos ASI

Ipsos ASI is the advertising and communications market research company you can consistently count on for the best quantitative and qualitative results that point the way to the most profitable actions. Ipsos ASI is part of the Ipsos organization. Founded in Paris, France, in 1975, Ipsos is the only independent, publicly-listed research company that is controlled and managed by research professionals. Ipsos is a leading global research company focusing on six core specializations: Advertising, Marketing, Media, Opinion and Customer Relationship Management research, and Data Collection and Delivery. With offices in 66 countries, Ipsos conducts research in more than 100 countries.

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FIRST

Customer Loyalty Isn't Enough. Grow Your Share of Wallet

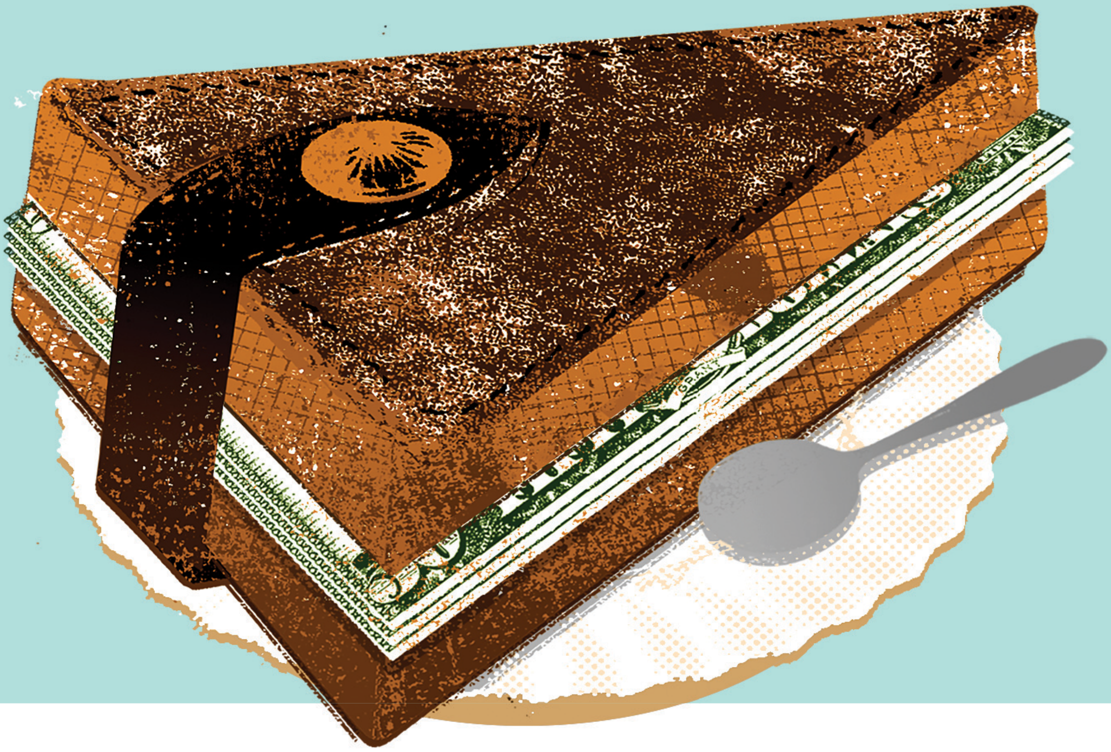

ILLUSTRATION: GARY NEILL

A new tool—the Wallet Allocation Rule—shows the best way to pull ahead of competitors.

by Timothy L. Keiningham, Lerzan Aksoy, Alexander Buoye, and Bruce Cooil

Companies spend a great deal of time and money trying to improve customer loyalty by measuring and managing metrics like satisfaction and Net Promoter Scores. But traditional gauges of loyalty correlate poorly with what matters most: share of wallet. This is the percentage of a customer's spending within a category that's captured by a given brand, or store or firm. Customers may be very satisfied with your brand and happily recommend it to others—but if they like your competitors just as much (or more), you're losing sales. Making changes to increase satisfaction won't necessarily help. This doesn't mean traditional metrics aren't valuable; it can be very useful to know whether your customers are satisfied and would recommend you to their friends and colleagues. But these measures in themselves can't tell you how

You can't assess brand performance as if it existed in a vacuum—but that's exactly what most managers do.

your customers will divide their spending among you and your competitors.

Walmart had a rude awakening in this regard. In 2008, guided by extensive customer feedback, it launched Project Impact, a remodeling initiative designed to improve customers' experiences. It removed unsightly stacks of pallets from the aisles, trimmed distracting endcap displays, and thinned out overstuffed shelves. As expected, satisfaction scores rose. But same-store sales entered their longest decline in the company's history. "The customers, for the most part, are still in the store shopping," Charles Holley, Walmart's chief financial officer, recently observed, "but they've started doing some more shopping elsewhere." Even as satisfaction increased, share of wallet fell.

If traditional loyalty metrics don't link to share of wallet, what does? To find out, we undertook a two-year longitudinal study of more than 17,000 consumers, looking at purchasing in more than a dozen industries and in nine countries. We asked a broad array of questions and collected ongoing purchase histories and satisfaction and loyalty ratings. Our analysis—to our knowledge the largest and most rigorous of its kind—revealed an elegant correlation: The rank that consumers assign to a brand relative to the other brands they use predicts share of wallet according to a simple, previously unknown formula, which we've named the Wallet Allocation Rule. From company to company and industry to industry, the correlation between a brand's Wallet Allocation Rule score and its share of wallet was remarkably consistent—the average was greater than 0.9 (a perfect correlation is 1.0). Even more important, the correlation between *changes* in the Wallet Allocation Rule score and in a customer's share of wallet was a robust 0.8. The correlation between changes in satisfaction or intention to recommend and in share of wallet was very weak—only 0.1.

The essential distinction of the Wallet Allocation Rule is that it takes into account both rank—Is your brand a customer's first choice? Second?—and the number of brands in the set the consumer uses. Knowing these two values allows you to confidently predict share of wallet. (For a step-by-step demonstration of the calculation, see the exhibit "Using the Wallet Allocation Rule.") For example, if your brand is one of only two a customer uses for a given purpose, the rule shows that the difference between being her first choice and being her second can have a major financial impact. In such a situation, even being tied has grave consequences: Half of each dollar you could be collecting from the customer is going to your competitor instead. The flip side is that the negative impact of being second diminishes as the consumer's choice set increases.

The Rule in Practice

The new rule has important implications for strategy. To understand what drives changes in share of wallet, managers need to shift their focus from drivers of satisfaction to drivers of rank.

First, you can't assess brand performance as if it existed in a vacuum. That sounds obvious, but in reality it's exactly what most managers do, measuring customer satisfaction or using other metrics that are based on customers' perceptions of their brand alone. As a result, the

USING THE WALLET ALLOCATION RULE

Don't let the math scare you. Calculating a company's share of wallet requires just three steps and the application of a straightforward formula.

1 Establish the number of brands (or stores or firms) customers use in the product category you want to analyze. Let's say that Stuart, Mary, and Joe all buy Acme, Mega, and Brand X detergent.

2 Survey customers and obtain satisfaction or other loyalty scores for each brand; convert the scores into ranks. In the case of a tie, take the average—for instance, if two teams tie for first place, assign each a rank of 1.5.

The chart below shows the ranks of the three detergents according to the satisfaction scores provided by Stuart, Mary, and Joe.

	ACME	MEGA	BRAND X
STUART	3	1	2
MARY	3	2	1
JOE	3	1	2

3 To arrive at a brand's share of wallet for a given customer, plug the brand's rank and the number of brands into the Wallet Allocation Rule formula:

SHARE OF WALLET=

$$\left(1-\frac{\text{RANK}}{\text{NUMBER OF BRANDS}+1}\right)\times\left(\frac{2}{\text{NUMBER OF BRANDS}}\right)$$

Stuart's share of wallet for Acme detergent:

$$\left(1-\frac{3}{3+1}\right)\times\frac{2}{3}$$

$= (1-0.75) \times 0.67$

$= 0.25 \times 0.67$

$= 0.1675$, ROUNDED TO 17%

Repeat the calculation for each customer and brand. To obtain a brand's overall share of wallet, take the average of all customers' share-of-wallet scores.

	ACME	MEGA	BRAND X
STUART	17%	50%	33%
MARY	17%	33%	50%
JOE	17%	50%	33%
BRAND SHARE OF WALLET	17%	44%	39%

loyalty objectives used to evaluate and compensate managers usually have to do with achieving a certain satisfaction rating (which rarely boosts share of wallet), not with improving a brand's rank (which actually does).

Second, the rule makes it possible to craft strategies that directly affect brand performance and then measure the impact on share of wallet. Think about how a company typically tries to improve share of wallet. The effort often boils down to launching initiatives intended to make customers happier and then measuring satisfaction. As Walmart discovered, even initiatives that result in happier customers may have little or no positive impact on the top line. Instead, companies should understand exactly why their customers use each of the brands they do. If you're not number one, you should ask your customers why they prefer your competitor and use the insights you gain to move up the ranking ladder. The Wallet Allocation Rule is clear on this point: If you can't improve your rank, you can't improve your share of wallet. (See the sidebar "How to Improve Your Rank.")

Let's look at a composite case, drawn from our research, that illustrates how a full-service grocery retailer might put the rule to use. The grocer surveys its customers and finds that they are generally very happy with their experience—53% give the store a nine or 10 on a 0-to-10-point "would recommend" scale. However, despite these good scores, only 43% of customers rank the grocer as their first choice. The unpleasant implication is that 57% either prefer one or more of its competitors or consider the grocer to be tied with one of them. Using the Wallet Allocation Rule, the grocer calculates its average share of wallet and that of its three main competitors. Multiplying these estimates by its customers' average monthly grocery spend and the number of its customers who also patronize the competing stores, the grocer determines that its top three competitors are extracting a total of $425 million from its customers' wallets—some of which it could capture by moving up in the ranks.

Returning to the store's customer surveys, managers learn that the top two reasons its satisfied customers recommend the grocer are the superior quality of its produce and the ambience. This is not surprising; management has worked hard to differentiate the grocer on these parameters. What attracts the store's customers to the competition? The survey indicates that for Competitor One, the primary attraction is everyday low prices. Competitor Two also competes on price, but largely through rotating deep discounts. Competitor Three's main appeal is the convenience of its locations.

The managers immediately realize that if the grocer is to move up to first place in more of its customers' minds, it can't simply enhance what it already does well; stocking even better produce or improving the aesthetics might further delight customers who already rank it first but would be unlikely to change the minds of the rest, who are mainly interested in low prices and convenience.

The grocer can't compete on price in every category, so its managers decide to drop prices on its most commonly purchased staples, reasoning that customers who are already attracted to the store for its produce and ambience will then have less reason to shop at its strongest competitor, the everyday-low-price store. Surveys after the price change find that 49% of customers now peg the grocer as their first choice (a gain of 6%) and that the number of stores customers regularly shop in has dropped from 2.5 to 2, on average. These changes, when plugged into the Wallet Allocation Rule, translate to a seven-point increase in share of wallet. It's the equivalent of shifting $62 million from competitors' registers into the grocer's own.

Many companies could see this kind of revenue jump if they decided not to pursue customer satisfaction for its own sake and focused instead on how satisfaction and other loyalty boosters could help them pull ahead of the competition. If growth is what you're after, stop watching your scores and start paying attention to your rank. The path to winning has always been the same. It's not just how many points you score that matters—you need to score more than your competitors do.

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> If growth is what you're after, stop watching your scores and start paying attention to your rank.

Timothy L. Keiningham is the global chief strategy officer and an executive vice president at Ipsos Loyalty. **Lerzan Aksoy** is an associate professor of marketing at Fordham University. **Alexander Buoye** is the vice president of analytics at Ipsos Loyalty. **Bruce Cooil** is the Dean Samuel B. and Evelyn R. Richmond Professor of Management at Vanderbilt University's Owen Graduate School of Management.

HOW TO IMPROVE YOUR RANK

Boosting your brand's rank means minimizing the reasons your customers turn to your competitors. Below is a simple process you can implement right away.

FOLLOW the Wallet Allocation Rule to establish the share of wallet of each competitor your customers use.

DETERMINE how many of your customers use each competitor.

CALCULATE the revenue that goes from your customers to each competitor.

IDENTIFY the primary reasons your customers use your competitors.

PRIORITIZE your opportunities to improve your share of wallet: Estimate the costs of addressing each reason your customers choose a competitor and weigh those costs against your potential financial return in each case. Remember to take into account the cumulative impact of addressing issues that apply to multiple competitors.

Getting Vitamins from Food and Beverages is First Priority for Consumers

Protein, Minerals, Fiber, Omega 3 and Antioxidants Less Important

While food and beverage products may contain different vitamins, minerals and supplements, consumers value most those products that are a good source of vitamins.

This is the latest finding from a global study conducted by Ipsos Marketing, Consumer Goods.

Consumers from around the world were given a list of vitamins, minerals and supplements that could be found in food and beverage products and asked to rank which ones were most important for them to include in their diets. Vitamins were ranked highest in importance among global consumers–with protein, minerals, fiber, Omega 3 and antioxidants lagging behind. Probiotics, soy and folic acid were least important among the general population.

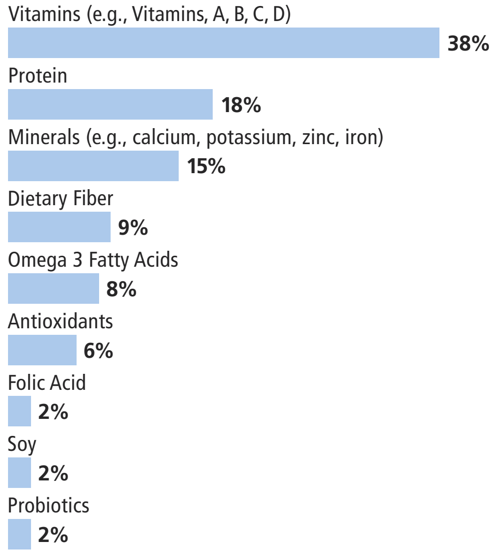
The Resurgence of Vitamins

Lauren Demar
Global CEO,
Ipsos Marketing,
Consumer Goods & Shopper

It may at first glance seem that the health benefits of vitamins are old news. However, recent discoveries about vitamins may boost consumer perceptions around food and beverage products that contain specific vitamins. According to Lauren Demar, Global CEO, Ipsos Marketing, Consumer Goods & Shopper, "Recent scientific breakthroughs about the potential of vitamins to prevent and alleviate serious health conditions will open doors to innovation for food and beverage companies. For example, while consumers may traditionally link Vitamin D to bone health, there is mounting evidence that Vitamin D may have a positive impact on a wide range of health issues, including heart disease, cancer, and diabetes, to name a few. It is therefore imperative for food and beverage marketers to stay on top of the latest breakthroughs in health and wellness from the scientific community, and then find ways to translate these breakthroughs into viable innovation and communication platforms."

Demar continues, "Beyond product innovation, food and beverage marketers need to think hard about how they will market products that offer new potential benefits of vitamins. Issues such as consumer education, reasons to believe and preservation of the fundamental attributes of taste and convenience must be addressed. There's also the issue of how the competitive set for products with added vitamins and nutrients will evolve over time. Will such products continue to compete with other products in the category, as they do today, but with the added point of difference of enhanced health benefits? Or will there be a point when the health benefits become the key driver of choice, and the product itself is just a carrier for these benefits? In the latter case we would expect to see products with added vitamins become substitutes for each other over time, even when the products are from different categories. They could even become substitutes for vitamins themselves."

Percent of Consumers Ranking Vitamins, Minerals, or Supplements as Most Important to Include in Diet



Note: Data reflects aggregate responses from consumers in 24 countries. Complimentary data for each country are available from Ipsos Marketing upon request.

According to the Harvard School of Public Health, Vitamin D may provide health benefits linked to:

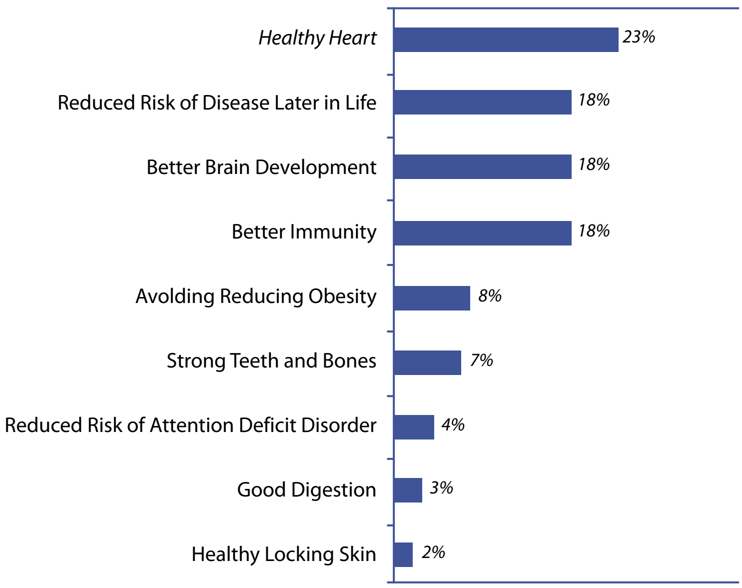
- Heart disease
- Cancer
- Diabetes
- Multiple Sclerosis
- Flu and common cold

Source: http://www.hsph.harvard.edu/nutritionsource/what-should-you-eat/vitamin-d/index.html

Healthy Foods for Kids—What Do Parents Want?

Wednesday, September 14, 2011
New York, NY – The top benefits parents want their children to receive from eating healthy foods relate to heart health, reduced risk of disease, brain development and immunity. This is the latest finding from a global study conducted by Ipsos Marketing, Consumer Goods.
Parents from around the world were given a list of benefits their children may receive from eating healthy foods and asked to rank which benefits were most important. On a global basis, healthy heart was ranked highest in importance, followed closely by reduced risk of disease later in life, better brain development and better immunity.
Differences in priorities were found to exist across countries. For example, heart health was most important to parents in Spain, Turkey, Belgium, Russia, and Great Britain. Reduced risk of disease was most important to parents in France, Italy, Sweden and Germany.
According to Lauren Demar, Global CEO, Ipsos Marketing, Consumer Goods & Shopper, "It is not surprising that parents in different countries have different motivations for feeding their children healthy foods. They are influenced by their unique value systems, the availability of different foods and medicines in their countries, and the messages they receive from their local media and governments. Interestingly, governments not only influence consumers, but also exert an increasing influence on food manufacturers."

Most Important Benefit Children Receive from Eating Healthy Foods
- According to Parents in 24 Countries -



Complimentary date for each country are avaliable from Ipsos Marketing upon request.

(Click to enlarge image)

Parents See More Support from Government
Clearly, parents want their children to eat healthy foods and have specific expectations about the benefits their children will receive – from heart and brain health to disease prevention and immunity. Increasingly, parents are finding more support from their local governments as new regulations may force sweeping changes about how packaged foods are marketed to children. Legislation already exists in several countries that restrict food advertising to children, including Sweden, Norway, Canada, the United Kingdom, South Korea and France. Most recently, the U.S. is proposing that foods advertised to children must meet certain criteria in terms of the healthy ingredients they contain. The World Health Organization is getting involved as well – by making recommendations to its Member States to limit children's exposure to the marketing of less healthy food options.
"Manufacturers are feeling the pressure from all angles to market healthier food to children," continues Demar. "Parents are demanding nutritious and functional foods to serve their children while new regulations are restricting marketing efforts for less healthy food options. At the same time, manufacturers need to appeal to children by offering great-tasting food with 'kid appeal', as children still influence food purchases in many countries."
Demar concludes, "It is a whole new world for marketers – but we are already seeing them step up to the challenge. Today we see healthy options for kids in a wide range of categories, including beverages (juice boxes fortified with calcium), dairy (milk with DHA Omega-3), cereal (gluten-free options), and snacks (fruit chews containing Vitamin C). As for tomorrow, we can expect innovations in kids' foods that go beyond health basics, such as vitality boosting snacks, beverages to replace snack occasions, and hunger-suppression products – and we can expect new marketing strategies that will be just as exciting."
These are the findings from a study conducted by Ipsos Marketing, Consumer Goods via the Ipsos Global @dvisor Monthly Syndicate, an online survey of citizens around the world. Interviews were carried out between February 2nd and June 13th 2011. For this survey an international sample of 18,680 adults aged 16-64 were interviewed in a total of 24 countries. Among the total sample, we identified 6,654 parents with children under the age of 18. The countries included Argentina, Australia, Belgium, Brazil, Canada, China, France, Great Britain, Germany, Hungary, India, Indonesia, Italy, Japan, Mexico, Poland, Russia, Saudi Arabia, South Africa, South Korea, Spain, Sweden, Turkey and the United States of America.

Opportunities beyond Vitamins

Our data indicates that there are opportunities to market different nutrients and supplements to different consumer segments. For example, the perceived importance of vitamins and protein in one's diet decreases with age; on the contrary, the perceived importance of Omega 3 and antioxidants increases with age.

Percent of Consumers Ranking Vitamins or Supplements as Most Important to Include in Diet

By Age Group	Under 35	35 – 49	50 – 64
Vitamins	41	37	34
Protein	20	17	14
Omega 3 Fatty Acids	5	8	12
Antioxidants	4	7	9

Note: Minerals and other supplements not shown in chart above because they did not show significant differences by age group.

Differences between countries exist as well. Protein is more important to consumers in China, India, Japan, South Korea and Turkey than to consumers in other countries. Minerals like calcium, potassium, zinc, and iron are more important to consumers in Argentina, Hungary, Poland, Russia and Saudi Arabia than to their global counterparts.

Demar concludes, "When innovating in the area of functional foods, it is important to look at demographic segments – consumers will have different needs based on their life stage, culture and environment as well as the nutritional products currently available to them."

These are the findings from a study conducted by Ipsos Marketing, Consumer Goods via the Ipsos Global @dvisor International Omnibus, an online survey of citizens around the world. Interviews were carried out between January 14th and January 24th, 2011. For this survey an international sample of 18,829 adults aged 16 – 64 were interviewed in a total of 24 countries. The countries included:

Argentina, Australia, Belgium, Brazil, Canada, China, France, Great Britain, Germany, Hungary, India, Indonesia, Italy, Japan, Mexico, Poland, Russia, Saudi Arabia, South Africa, South Korea, Spain, Sweden, Turkey and the United States of America.

Complimentary access to the data in this report for each of the 24 countries is available upon request from Ipsos Marketing, Consumer Goods.

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About Ipsos Marketing

Ipsos Marketing – The Innovation and Brand Research Specialists – is the Ipsos brand for Marketing Research.

Ipsos Marketing helps clients to develop and launch new products and services and reposition existing brands, understand the success factors behind their brands and maximize the impact of their marketing decisions. Supported by specialized teams, Ipsos Marketing offers an in-depth understanding of the drivers of consumer choice and of the challenges faced by marketers. Our leading-edge solutions integrate qualitative and quantitative research, using engaging digital tools as well as advanced modelling and forecasting techniques.

Ipsos Marketing is a specialization of Ipsos, a global survey-based market research company that offers expertise in Advertising and Marketing research, Customer and Employee Relationship research, Media, Content and Technology research, and Social and Corporate Reputation research. Ipsos is present in 67 countries, with a leading position in both mature and emerging markets. In 2010, it achieved global revenues of 1,140.8 million Euros, Marketing research contributing to 47% of Ipsos' total global revenues.

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Pointofview

Reputation Snapshot for the Banking Industry

Ipsos

Ipsos Public Affairs
The Social Research and Corporate Reputation Specialists

Reputation Snapshot for the Banking Industry

Four times a year, the Ipsos Global Reputation Centre conducts research on the issues impacting various business sectors and the reputations of companies in those sectors. In this installment, we look at companies in the banking sector.

Key findings are:

- Public attitudes toward banking regulation vary widely across the world. There is a clear rift between developed economies, especially Europe and North America, where consumers tend to clamor for increased regulation and emerging markets where regulation is often perceived as sufficient if not excessive.
- Globally, the issue consumers want banks to tackle most is transparency, followed by creating and maintaining local jobs. Financial strength is a key concern in several emerging markets. In contrast, Europeans and Canadians are highly sensitized by perceptions of excessive profit and executive compensation. Concern about banks' responsible lending practices and repaying government financial assistance is far more prevalent in the U.S. than it is anywhere else.
- Support for regulation is intimately related to distrust of banks.
- For companies in the financial industry, as for those in other sectors, trust is largely a function of familiarity – unless familiarity derives from negative associations.
- Banks with a strong, consumer-oriented, local footprint tend to enjoy a trust premium. However, leading U.S. consumer banks and several European banks strongly associated with the 2008 financial crisis receive lower levels of trust than their levels of familiarity should warrant. In contrast, universally known credit card processing companies have far more in common with highly-trusted consumer goods companies than they do with card issuers when it comes to their reputation.

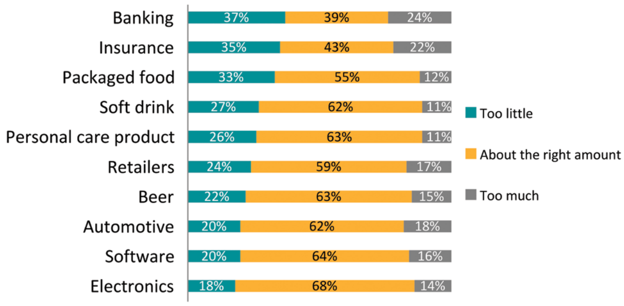
Globally, Banking Industry Tops All Others on Support for More Regulation

When it comes to global attitudes about the need for more regulation, no sector shows as much polarization as the banking industry.

Worldwide, the banking industry leads all other major economic sectors in consumer support for increased regulation: 37% of adults surveyed across 24 countries say there is too little regulation of banking companies – a higher proportion than for any of the nine other industries studied.

However, the banking sector also tops all other sectors when it comes to perceptions that it is overly regulated – an opinion shared by 24% of adults globally.

Attitudes pertaining to the regulation of insurance companies mirror those toward the regulation of banks. Generally speaking, pro and anti-regulation sentiment when it comes to banks extends to the entire financial services industry.



Q. For each of the following types of companies please indicate whether you think there is too much regulation, about the right amount of regulation, or too little regulation

Attitudes Toward Banking Regulation Vary Widely Across Regions

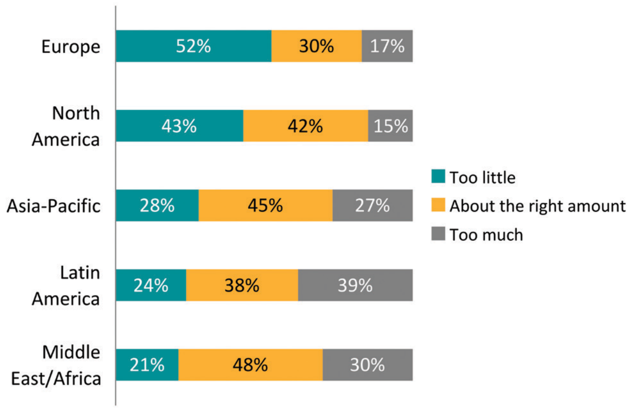
While roughly half of consumers surveyed across Europe and North America think that banks are not sufficiently regulated, only about one quarter in the rest of the world are of the same opinion.

Among the 24 countries surveyed, majorities of respondents in the U.K., Spain, France, Germany, Belgium, Australia, and Korea, and pluralities in the U.S., Sweden, and Hungary believe there is too little regulation of banks.

In contrast, majorities in Brazil and Indonesia say there is too much regulation.

In many other countries, including both economically advanced and emerging markets, the dominant view is that there is "about the right amount of regulation". This opinion is expressed by majorities in Japan, Saudi Arabia, and Russia and by pluralities in Canada, India, South Africa, Mexico, China, Poland, and Turkey.

Uniquely, Italy shows the highest degree of polarization with nearly equal proportions of respondents each saying there is not enough, too much, and the right amount of regulation.



Q. For each of the following types of companies please indicate whether you think there is too much regulation, about the right amount of regulation, or too little regulation

Globally, Top Expectation for Financial Services Industry Is More Transparency, but Concerns Vary Greatly Across Regions

On a global level, the #1 issue consumers want the financial services industry to tackle is operating transparency, as 51% of respondents select it among the three they think are most important to address. It is followed by creating and maintaining local jobs, selected by 42%.

Another key finding of the research is that concerns vary greatly across regions, suggesting that banks may be well advised to customize their corporate communications to each market.

Asian consumers are those who clamor the most for increased transparency, notably Koreans, Chinese, and Indonesians. Consumers from the Middle East, Africa and Russia tend to be especially concerned about the ability of banks to create and preserve jobs in their country. And generally speaking, men and women across Asia and Latin America expect banks to demonstrate financial strength.

The picture in North America and Western Europe is far different.

American and British consumers focus far more on financial institutions' responsible lending practices and on repaying government loans or financial assistance than do their counterparts elsewhere. In fact, these are the top two issues for U.S. consumers, reflecting that their attitudes towards banks are very much shaped by the 2008 financial crisis and, more specifically, the subprime mortgage crisis, the collapse of the housing market, and the bailout of financial institutions by taxpayers. The focus on these issues suggests that consumers in the U.S. and U.K. long to turn the page and return to "normal".

Other Europeans as well as Canadians tend to respond to the financial turmoil and economic woes they have experienced in the past several years by consolidating around measures to curb excessive profits and executive pay. The extent to which these two issues are correlated (with a coefficient of .82) indicates that they are widely seen as being hand-in-hand. Continental Europeans' and Canadians' concerns about financial institutions could equally apply to large corporations from any sector. Their emphasis on profits and executive pay at a time when growing income disparity is widely debated reflects varying degrees of ambivalence about unbridled free-market capitalism, of which banking, investment, and insurance companies are seen as the ultimate embodiment.

The U.S. and U.K. consumers focus on the cause and the aftermath of the 2008 financial crisis, i.e., responsible lending and paying back the government while other Europeans and Canadians are consolidating around measures such as curbing excessive profits and executive pay.

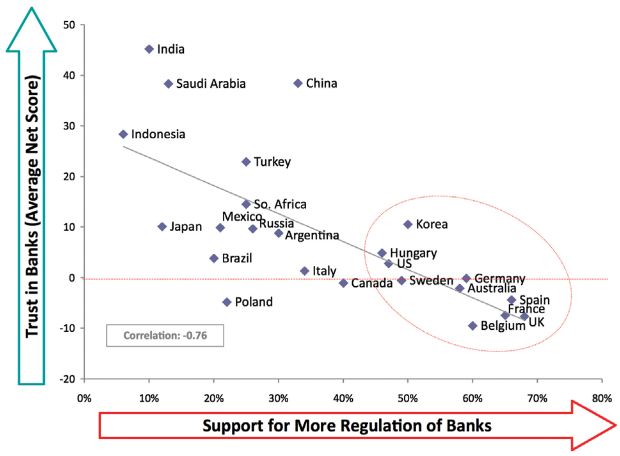
Q. When it comes to the financial services industry (banks, insurance companies, and investment companies), which three of the following issues do you think are most important to address?

Regional Differences	Far More Important* in...	Far Less Important* in...
#1 in all regions except North America (#7)	Korea, China, Indonesia	Sweden, US
Few differences across regions; #1 in So. Africa, Russia, Turkey, Saudi Arabia, Poland, Brazil, Australia	So. Africa, Russia	India
Wide variations across countries. Ranks higher in Asia and Latin America (#2 both) than in Europe (#7) and North America (#5)	Russia, India, Indonesia, Japan, Mexico, Argentina	Korea, Germany, Hungary, Poland
#1 issue in US and UK	US	Russia, France
#1 issue in France, Sweden Hungary, Canada,	France, Sweden, Hungary	Indonesia, Russia, Mexico
#2 in Brazil and Turkey	Brazil, Turkey	France, Japan, Hungary
#2 in France, Belgium, Germany, Sweden, Italy, Canada, but non-issue in many markets	France, Belgium, Germany, Sweden, Italy	Turkey, Brazil, Russia, Indonesia, Mexico, Argentina
#2 in US, #3 in UK, much lower elsewhere	US	-
Non-issue in most countries except India, Turkey and Saudi Arabia	India	-

** At least 15 points higher/lower than global average*

Support for Regulation and Distrust of Banks are Intimately Related

Consumer attitudes towards the regulation of financial services companies are intimately related to their level of trust – or distrust – in them. More precisely, there is a very strong inverse relationship between the average "net trust score" for banks in a given country and the percentage of consumers in that country who feel they are insufficiently regulated: the correlation coefficient is -.76. In other words, the more consumers trust banks, the less likely they are to favor increased regulation. A graphic representation where countries are plotted on these two variables shows that the appetite for more government oversight of banks prevails where banks are least trusted – in Europe, Australia, Korea, and the United States.

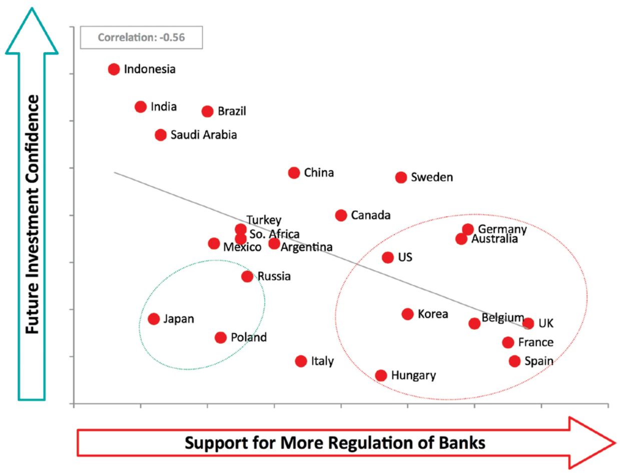


Q. How does each company or organization compare with other major companies or organizations, based on the following attributes: "Is a company that I trust" (Average net score -- top 2 box [% above average] minus bottom 2 box [% below average] – for 21 banks)

Q. For [Banking Companies] please indicate whether you think there is too much regulation, about the right amount of regulation, or too little regulation. (% Too little regulation)

Support for Banking Regulation also Correlates with Loss of Confidence in One's Ability to Invest in Future

Besides showing a great deal of distrust toward banks, countries with strong support for increased oversight of banks are often those where consumers are least confident in their ability to invest in the future, e.g., to save for retirement or their children's education. There are, however, a few countries showing low support for regulation despite low future investment confidence – Japan, Poland, and Russia.



Q. Compared to 6 months ago, are you NOW more or less confident of your ability to invest in the future, including your ability to save money for your retirement or your children's education? (% More)

Q. For [Banking Companies] please indicate whether you think there is too much regulation, about the right amount of regulation, or too little regulation. (% Too little regulation)

How Countries Rank on Attitudes Toward the Banking Industries: A Clear Rift Between Developed and Emerging Markets

Comparing the rank of 24 countries on their level of support for increased regulation of the banking industry, as well as on two highly correlated variables – distrust of banks and loss of investment confidence – brings to light a sharp divide between developed and emerging markets.

Every one of the 12 most "pro-regulation" countries has a higher GDP per capita (based on International Monetary Fund data in U.S. dollars for 2011) than any of the 12 most "anti-regulation" countries with the sole, but notable, exception of Japan.

Two European countries (Spain and France) rank in the top five on all three metrics (pro-regulation, distrust of banks, loss of economic confidence). Four other countries rank in the top half on all three metrics, of which three are European (the U.K., Belgium, and Italy) and the other is the U.S.

In contrast, three emerging countries rank in the bottom five on all three metrics: Indonesia, India and Saudi Arabia. Another four countries rank in the bottom half on all three metrics, consisting of China, South Africa, Turkey and Mexico.

	Pro-Regulation of Banking Industry	Distrust of Banks	Loss of Investment Confidence
UK	1	2	7
Spain	2	5	2
France	3	3	4
Belgium	4	1	6
Germany	5	9	16
Australia	6	6	14
South Korea	7	18	9
Sweden	8	8	19
US	9	11	11
Hungary	10	13	1
Canada	11	7	18
Italy	12	10	3
China	13	23	20
Argentina	14	14	12
Russia	15	15	10
South Africa	16	19	15
Turkey	17	20	17
Poland	18	4	5
Mexico	19	16	13
Brazil	20	12	22
Saudi Arabia	21	22	21
Japan	22	17	8
India	23	24	23
Indonesia	24	21	24

Q. For [Banking Companies] please indicate whether you think there is too much regulation, about the right amount of regulation, or too little regulation. (Rank based on % Too little regulation)

Q. How does each company or organization compare with other major companies or organizations, based on the following attributes: "Is a company that I trust" (Rank based on average net score -- top 2 box [% above average] minus bottom 2 box [% below average] – for 21 banks)

Q. Compared to 6 months ago, are you NOW more or less confident of your ability to invest in the future, including your ability to save money for your retirement or your children's education? (Rank based on % Less)

Trust in Banks Is Highly Correlated with Economic Confidence in Asia, Africa and the Middle East – but Not Elsewhere

In emerging countries, trust in banks, the perception that banking regulations are sufficient and economic confidence tend to fuel each other. Where consumers view banks as reliable and valuable economic actors benefiting society at large, they do not see a need for further regulation. In these markets, confidence in the banking system goes hand in hand with – and may even drive – investor confidence, which undoubtedly impacts economic growth in a positive way. In fact, looking at all markets studied across Asia, Africa and the Middle East, the net trust score of banks and the percentage of consumers rating the economic situation of their country as "good" go hand in hand.

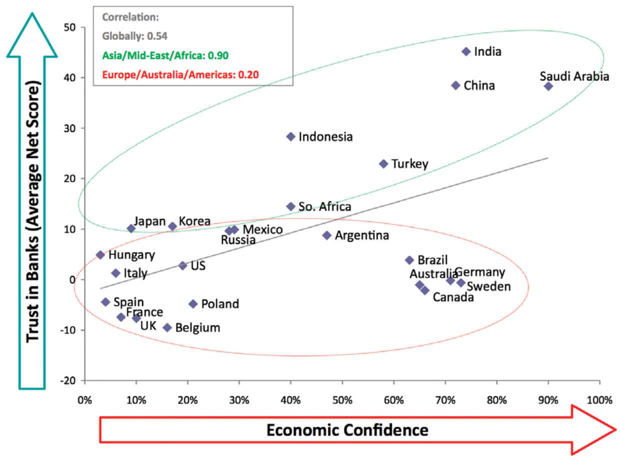
In Western countries, notably those most hit by the 2008 financial crisis and recession that ensued, the relationship between sentiment toward the banking sector (usually negative), attitudes toward sector regulation (dominantly in favor of more) and investment confidence (generally poor) could be described as a vicious circle. Undoubtedly, distrust in the banks, borne from the financial crisis, explains support for increased regulation. However, it is very likely that distrust in banks is reinforced by widespread perceptions that the industry is insufficiently regulated and/or that it resists submitting itself to increased regulation, or addressing issues of concern to consumers.

Some might think that banks are best off sitting out the storm and waiting for the economy to improve in the expectation that economic recovery will lead U.S. and European consumers to warm up to the banks and to their interests. We do not believe that this is a realistic scenario.

Our research shows that distrust in banks tends to be accompanied by deflated confidence in one's ability to invest in the future. It suggests that the loss of trust in banks consecutive to the financial crisis may have played a role in Western consumers' loss of confidence in their ability to invest in the future. And that an uptick in the level of trust in banks might contribute to a renewal in investor confidence.

However, contrary to Asian or Middle Eastern markets, Western markets do not show any parallel between the current economic climate and the level of consumers' trust in banks. Across a meta-region that includes all of Asia, Africa and the Middle East, the correlation of the net trust score of banks and that of the percentage of consumers rating as "good" the economic situation of their country is extremely high (with a coefficient of .9). However, across another meta-region comprising Europe, North America, and Latin America, there is virtually no correlation between the average net trust score of banks and the percentage of consumers rating the economic situation of their country as "good" (coefficient of only .2). Hence, we do not believe that the banking industry can count on an improvement in the economic climate to necessarily make American or European consumers more trusting of banks.

Instead, each bank will have to assess its own reputation and what has shaped it, what issues they are confronted with across their various markets in their footprint, and which message they need and can credibly convey to consumers in these markets in order to gain – or regain – consumer trust.



Q. Now, thinking about our economic situation, how would you describe the current economic situation in ...? Is it ... (% very good/somewhat good)

Q. How does each company or organization compare with other major companies or organizations, based on the following attributes: "Is a company that I trust" (Average net score -- top 2 box [% above average] minus bottom 2 box [% below average] – for 21 banks)

Among 21 Leading Global Institutions, the Great, the Good and the Ugly

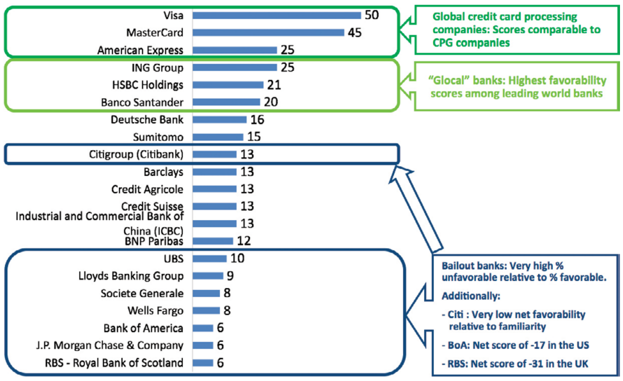
One of the best indicators of reputation is the net favorability score. We have compared how each of 21 banking companies perform on this metric.

The global net favorability score of the banking sector is +13. It is calculated by taking the percentage of respondents across the 24 countries with a favorable opinion (37) and subtracting from it the percentage with an unfavorable opinion (24). Interestingly, 10 of the 21 financial institutions studied each received a global net favorability score within three points of +13. However, three clusters of institutions clearly stand out: one with incomparably higher scores (the “Great”), one with notably higher-than-average scores (“the Good”) and one with notably lower-than-average scores (“the Ugly”).

Each one of these three distinctive groups consists of institutions that share defining characteristics:

- The “Great” consist of three global credit card processing companies (Visa, MasterCard and American Express) whose trust scores are akin to those of global consumer goods companies.
- The “Good” consist of three banks (ING, HSBC, and Santander) described as “glocal” because their respective footprints span multiple continents and they receive ratings typical of well-anchored local banks
- The “Ugly” (as in “ugly duckling”) include banks that have received widely negative media coverage since the financial crisis of 2008. All of them were to some extent “bailed out” by their home country’s taxpayers. They include the four major U.S. consumer banks – Bank of America, Citi, JP Morgan Chase, and Wells Fargo) as well as RBS (the Royal Bank of Scotland), Société Générale and UBS. What they have in common is not so much a low net favorability score (although nearly all do) but a relatively high percentage of unfavorable opinions (which is why Citi is part of the club despite showing an average net favorability score).

Looking at global net favorability scores, three types of financial institutions clearly stand out – two in a positive way, and one in a negative way.

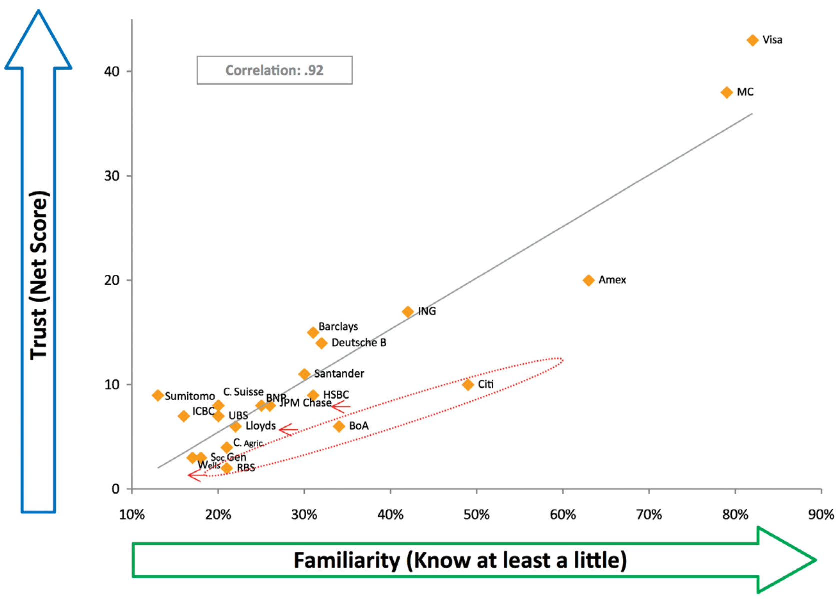


Q. Now, taking into account all of the things which you think are important, how favorable or unfavorable is your overall opinion or impression of each company or organization? (Average net score -- top 2 box [% very/mainly favorable] minus bottom 2 box [% very/mainly unfavorable])

For Banks, Just as Companies in Any Other Industry, Familiarity Generally Leads to Trust… Except When Familiarity is Based on Negative News Coverage

For leading global financial institutions across 24 countries, the relationship between familiarity and trust is almost purely linear. The correlation between the average level of familiarity with 21 banking companies and their net trust score shows a very high coefficient of .92. In other words, the more one knows a bank, the more likely one is to have confidence in it. However, there is an exception to this rule: it does not apply if familiarity is the result of exposure to negative news coverage, which is the case of banks most associated with the financial crisis of 2008.

On this graph, while most are plotted very close to the trend line, a number of banks stray from it. What these outliers all have in common is having received widely negative media coverage in and since 2008. This is most true of Bank of America, Citibank and RBS, but also of Wells Fargo, JPMorgan Chase, Société Générale and UBS – those banks referred to earlier as the "ugly ducklings".



Q. For each of the following organizations, please indicate how well you feel you know each one, taking into account all the ways you have learned about or had contact with it. Would you say that you know the organization very well, somewhat well, just a little, that you have heard of the organization but know almost nothing about it, or that you have never heard of it. (% Top 3 Box)

Q. How does each company or organization compare with other major companies or organizations, based on the following attributes: "Is a company that I trust" (Net score -- top 2 box [% above average] minus bottom 2 box [% below average]

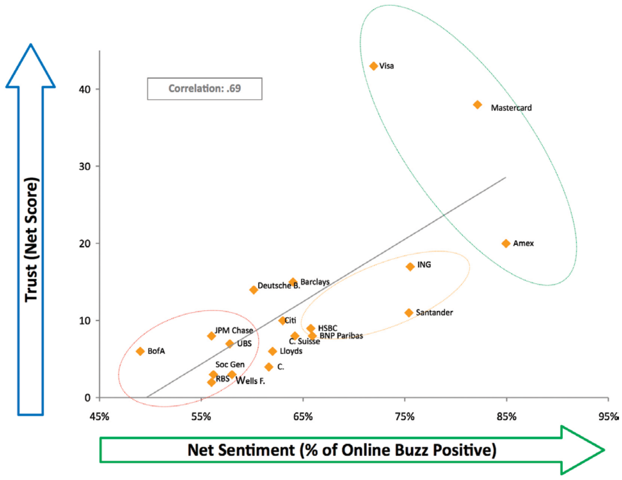
The Level of Trust Reflects the Tone of the Online Buzz

A comparison of the "online sentiment" expressed about the various financial institutions during a 12-month period spanning April 2011 to March 2012 confirms that the level of trust that they receive from the general public largely reflects the tone of the online conversation about them. Indeed, the global buzz around credit card processing companies (based on mentions on all types of news sites, blogs, forums, and social media in a variety of languages) is widely positive – much more so than the tone of the buzz around most banks. However, the "glocal" banks stand out here too, especially Banco Santander and ING Group. At the other end of the spectrum, the six banks with the lowest proportion of net positive online sentiment are all "ugly ducklings". Bank of America is the only one among the institutions studied around which more sentiment expressed online is negative than positive.

This suggests that, while familiarity with most banks was built primarily through personal experience, positive word of mouth about their products and services, and advertising, familiarity with the "ugly ducklings" is more likely to result from exposure to news reports and commentary linking them with negative or controversial events (e.g., risky lending practices, foreclosures, government bailout, executive pay and bonuses, etc.)

For banks whose trust level is commensurate to their level of familiarity and whose online buzz skews positive, the way to increase their favorability and trust ratings is first and foremost to increase their visibility. Their reputation is likely to benefit from marketing and advertising.

However, for banks whose trust level is lower than could be expected given their level of familiarity – those that have been the object of extensive, repeated negative media coverage and been turned into ugly ducklings – simply growing their visibility without addressing the causes for a poor image would not result in trust gains. It could actually backfire.



Q. How does each company or organization compare with other major companies or organizations, based on the following attributes: "Is a company that I trust" (Net score -- top 2 box [% above average] minus bottom 2 box [% below average]

NetBase: % of all online sentiment in relevant languages (English, French, German, Portuguese and Spanish) between April 2011 and March 2012 with a positive tone

Home Court Advantage

As a Rule, Leading Domestic and "Glocal" Banks Enjoy a Significant Trust Premium…But U.S. and Other Home Countries of Banks Associated with the 2008 Financial Crisis Are Notable Exceptions

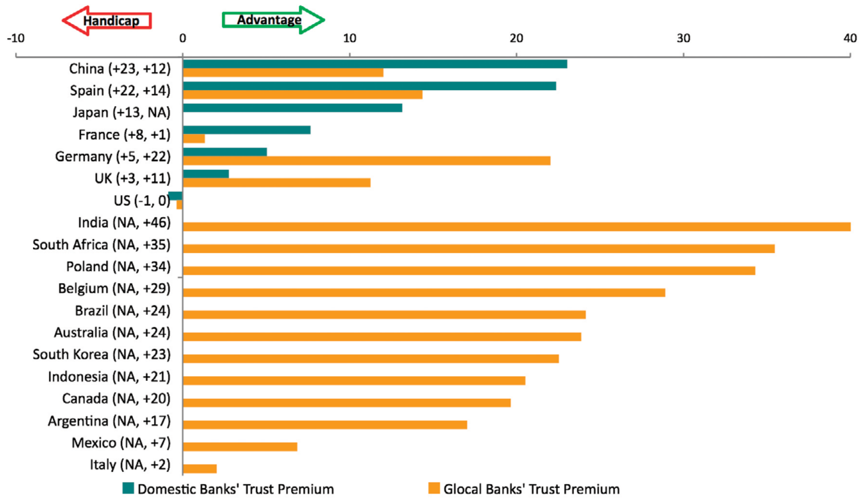
In most of the countries that are home to the headquarters of at least one of the banks studied (excluding the three credit card processing companies), domestic banks receive, on average, a net trust score that greatly surpasses that of all banks. In China (ICBC), Spain (Santander), and Japan (Sumitomo), the gap is particularly wide.

However, this is not the case in the U.S. where the four major consumer banks enjoy no premium whatsoever. In Germany (Deutsche Bank) and the U.K. (Barclays, HSBC, Lloyds, and RBS), domestic banks fare better than all banks on average, but they trail the "glocal banks", defined as the banks headquartered in another country but enjoying a strong local presence.

In fact, the average net trust score of all relevant "glocal banks" is higher than the average score for all banks in every one of the 24 countries, with the notable exception of the U.S. In 10 countries, the gap is 20 points or more in favor of the "glocals".

These findings suggest that banks perceived as "local" – regardless of where they are headquartered – enjoy a significant trust premium. In fact, the lead that "glocal" banks have over local banks in the U.K. and Germany suggests that they may enjoy an inherent advantage. This analysis also brings to light that banks associated with the 2008 financial crisis do not enjoy a home court advantage.

Difference Between The Average Net Trust Score Of Domestic/Glocal Banks And That Of All Banks (Excluding Credit Card Processing Companies)



	Domestic	Glocal
Argentina		Santander, HSBC
Australia		ING
Belgium		ING
Brazil		Santander, HSBC
Canada		ING
China	ICBC	HSBC
France	BNP, C. Agric., Soc Gen	Barclays, HSBC, ING
Germany	Deutsche B.	ING
India		HSBC, ING
Indonesia		HSBC
Italy		ING
Japan	Sumitomo	
Mexico		Santander, HSBC
Poland		ING
South Africa		Barclays
South Korea		Citi
Spain	Santander	Barclays, ING
UK	Barclays, HSBC, Lloyds, RBS	ING
US	BoA, Citi, JPM Chase, Wells F.	Santander, HSBC, ING

Q. How does each company or organization compare with other major companies or organizations, based on the following attributes: "Is a company that I trust" (Net score -- top 2 box [% above average] minus bottom 2 box [% below average]

Benefits and Drawbacks of Being a Flagship Carrier

For financial companies that bear the name of their home country in their corporate trademark, the explicit association can be an advantage or a liability. A look at the image of several banks whose name clearly defines them as American, German, Chinese or Swiss suggests that it is driven, a least in part, by that of the country's image as a financial hub – especially among consumers who are not very familiar with these banks. In fact, it is quite possible these banks may be mistaken for their country's central bank.

Regardless of their actual relationship with the financial crisis of 2008, the two financial institutions measured in the study whose corporate trademark includes the word "America" or "American" show net trust scores that are significantly lower than could be expected given their familiarity ratings:

- Considering that Bank of America is the second best known of 18 banks measured (excluding the three credit card processing companies), its global net trust score of +6 stands out as being particularly low. In fact, Bank of America receives the lowest net score of any bank not only in the U.S., but ranks at or close to the bottom in markets as diverse as Argentina, Australia, Canada, and Sweden.
- With a global awareness of 91% and a familiarity rating of 63%, American Express could also be expected to receive a much higher net trust score than it does (+20). However, unlike Bank of America, Amex does not suffer from a particularly high proportion of "distrusters". Amex's image problem is that it leaves too many people sitting on the fence because their level of familiarity is not deep enough.

One bank whose image likely suffers from its association with its country of origin is the Industrial and Commercial Bank of China (ICBC). In China, ICBC is universally known and earns a stellar net trust score of +60. However, among those who are aware of it in countries such as Brazil, France, India, Italy, Mexico, Turkey and the United States, it receives more negative trust ratings than most other banks. Clearly, ICBC is not well-known outside of China and its global familiarity score is the second lowest of all banks measured, ahead of only Sumitomo's. It appears that ICBC's image is primarily a reflection of negative attitudes towards China as an economic power.

On the other hand, Deutsche Bank seems to enjoy a reputation premium just because many consumers think of German companies as being well-managed – an image trait on which Deutsche Bank excels. Also, geographic and cultural proximity may explain why Deutsche Bank receives among the highest net trust scores in all countries neighboring Germany (especially Belgium, France, Hungary, Poland and Sweden). Interestingly, Germany's neighbors tend to trust Deutsche Bank more than do German consumers. The pro-German bias of non-Germans observed in the survey may explain why the buzz about Deutsche Bank between April 2011 and March 2012 has been more positive on English-language websites than it has been on German-language websites (according to a Netbase analysis).

As for Crédit Suisse, there is no clear indication that its reputation is impacted by negative attitudes toward Swiss banking secrecy laws. Globally, its net trust score is commensurate to its relatively very low familiarity score and it is actually higher in Switzerland's neighboring countries (especially in France).

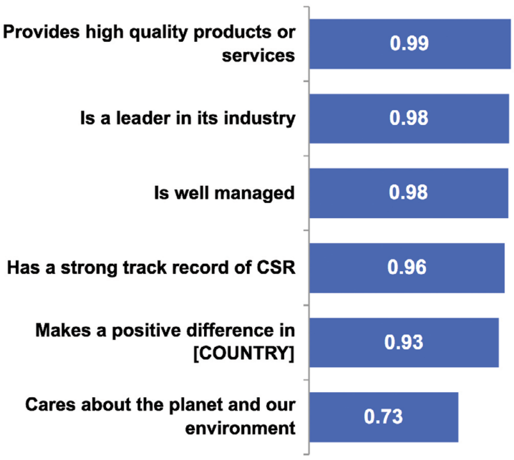
What Differentiates Banking Companies From One Another?

Among six characteristics driving the reputation of banks, three prove to be equally important: quality products and services, leadership, and good management. A strong track record and making a positive difference in one's country follow close behind. In contrast, caring about the planet and the environment is not as important.

However, each of the three "atypical" groups of financial institutions also stands out on one driver:

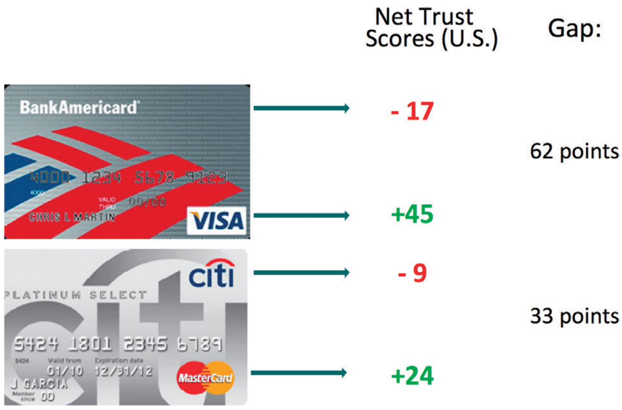
- For credit card processing companies, it is leadership – a characteristic on which Visa, MasterCard and American Express receive particularly higher ratings in comparison to their trust ratings.
- For the other two groups, the "glocals" and the "Ugly Ducklings", the defining driver is making a positive difference in the country. It is a characteristic on which the "glocals" get notably high ratings and the "ugly ducklings" especially low ones.

Correlation Coefficient of Average Top-2-Box Rating on Each Driver with Average Top-2-Box Rating on Trust (All 21 Banks)



Why Do Credit Card Processing Companies Get All the Love – And the Issuers None of It?

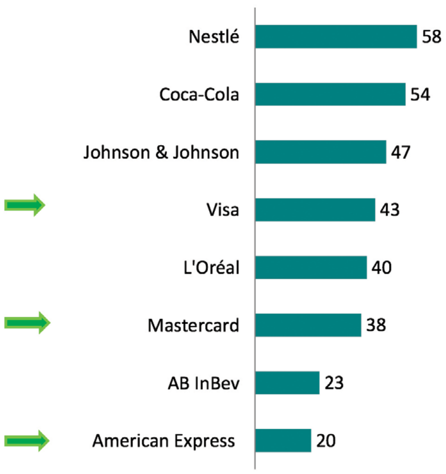
In the U.S., the gap in trust between card processing companies, especially Visa and MasterCard, and leading card-issuing banks, such as Bank of America and Citi, is particularly wide. The contrast is striking considering that credit cards tend to be co-branded, e.g., Citi MasterCard. In the case of Visa and Bank of America – two historically related companies with a close relationship – the former enjoys a net trust score that is 62 points higher than the latter.



When it comes to their reputation, global credit card processing companies have much in common with consumer product companies – and probably more than they do with banks.

At a global level, Visa's net trust score is just four points shy of Johnson & Johnson's; MasterCard's net trust score is almost equal to L'Oréal's, and American Express' is close to that of AB InBev's.

Net Trust Scores (Global)



Q. How does each company or organization compare with other major companies or organizations, based on the following attributes: "Is a company that I trust" (Net score -- top 2 box [% above average] minus bottom 2 box [% below average]

The list of traits Visa, MasterCard and Amex share with consumer product categories (e.g., CPG, food and beverage, electronics, and communications) is long. Chief among them are:

- Nearly universal awareness (a global average of more than 90% for each of the three companies)
- Assurance of global acceptance, providing a guarantee of access to all products and services one may need or want, pretty much anywhere on earth
- Convenience
- Proximity and tangibility (cards are kept in a wallet, a pocketbook or just a pocket, within inches of one's body, always at hand; they fit in the hand; consumers establish an intimate, nearly symbiotic relationship with them that is reinforced with each usage)
- Visibility (ubiquitous logo, which is seen whenever one takes out and uses one's card, or one enters an establishment which promotes self-identification with the brand)
- Positive association with trusted products and services one buys with cards and with the merchants who accept them

What Do "Glocal Banks" Do Right?

HSBC, ING, and Santander, the three banks with a strong local presence across most of the countries studied, share several traits that may explain why they tend to be more trusted than are other global banks.

- All three seem to have succeeded in having consumers think of them as local banks wherever they operate, despite having a name or a logo that provide clues as to their geographic origin. This association can be ambiguous enough so that it is beneficial among those who identify with the assumed geography (e.g., HSBC in Greater China, Santander across the Spanish-speaking world) without alienating anyone else. One can speculate that the same could apply to TD in the United States.
- They have been spared the stigma of being associated with Wall St. or the City – and of being seen as responsible for the financial crisis.
- They arguably enjoy a more consumer-oriented positioning (vs. business or "high finance"), which is more conducive to trust. In markets where it represents a large part of their consumer business (e.g., ING and HSBC in many countries), being associated with online banking may be beneficial in leveraging on perceptions of convenience and intimacy (direct relationship), placing them in the same space as consumer product brands.

How Can the "Ugly Ducklings" Regain Consumers' Trust?

Before proffering recommendations about what banks can do to grow, or recover trust from consumers, it may be helpful to consider what they should not do. Or more specifically, what those that are the most strongly associated with the 2008 financial crisis and suffer from a serious trust deficit should not bank on.

For one thing, they should not count on economic recovery to turn the tide. While there is a strong relationship between trust in banks and economic confidence in many parts of the world, it does not appear to be the case for banks associated with the 2008 financial crisis and suffering from a serious trust deficit. The problem will not solve itself.

Secondly, these banks should not expect that increasing familiarity will help them rebuild trust. While familiarity is usually an excellent predictor of trust, the familiarity/trust relationship does not apply to companies facing a reputation crisis. Consumers who strongly distrust a company are more likely to turn a deaf ear to advertising, no matter how much of it comes their way.

What they can do is tell their story, but only to those who are open to listening. Banks need to identify the profile of those who are already on their side, those they might be able to convince, and those they most likely won't. Then, they should focus on those who are favorably inclined and turn them into advocates, and on those who are neutral or have no opinion and may be rallied to their side.

For example, in the U.S., the proportion of adults who would speak highly of a bank they are aware of is 16% (average of 21 institutions). However, several demographic groups show much higher percentages and can therefore be more likely to be counted on as advocates: business owners (32%), business decision makers (32%), adults under the age of 35 (23%), and those with a college degree (21%).

Banks most strongly identified with the 2008 financial crisis and its aftermath will need to take ownership of their reputation and address head-on the issues that matter most to consumers. Chiefly, they should provide evidence to consumers across all geographies and demographic groups that they are operating transparently. However, they will need to customize their message to each country's consumers. For example, in the U.S. and the U.K., they should place a great deal of emphasis on their responsible lending practices and on the actions they have taken to pay back taxpayers.

Finally, in order to guide their communication efforts, banks should test all potential messages for relevance, credibility and trust-raising impact on the various target audiences.

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