

Digital Thought Leaders

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“The promise of an IT based society is self expression, choice, freedom and individuality”



In the mid nineties, a small group of people transformed the face of British banking. Led by Richard Duvall they created a new brand, a new image and a new attitude. The bank was Egg, and now he's doing it all over again, creating the first lending exchange - Zopa - dubbed the 'eBay for money'.



Making sense of a digital world

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In the mid nineties, a small group of people transformed the face of British banking. Led by Richard Duvall they created a new brand, a new image and a new attitude. The new bank was Egg - the first mainstream online bank of the digital networked economy. Richard is still in finance and still online, but this time creating a lending exchange. Zopa - the 'eBay for money' - is ripping up the banking rulebook and could mark the start of a new era in personal finance.

Speed read

Egg was the pioneering bank of its day, with a success that rode on the back of wider social trends.

By gaining deep insight into consumers, new market needs can be uncovered.

The growing group of independently minded 'freeformers' represent a major new market, receptive to new products and new processes.

Zopa taps into these trends and its model cuts out the middlemen to let those transacting get a better deal.

Apart from eBay, exchanges are yet hit critical mass, so their influence remains deceptively small. However their natural fit with the technical and social landscape of the digital networked economy makes them candidates for playing a fundamental role in how people transact across hundreds of markets.

The Egg story

"We had a simple idea", explains Duvall, "banks should work better because people deserve better. And we had a key organizational idea which was to create a structure that allowed the business to reinvent itself every year".

Today most consumers take for granted the flexibility in banking products and expect 24/7 online support, but Duvall's team were working on this in the mid 90s when it did not exist. Then the twin pillars of banking were the instant access and notice accounts, and credit cards were sold for a staggering 20% in interest fees, "propped up by feeble loyalty schemes" comments Duvall.

"Egg was simple. It offered a great rate, and fitted with what consumers would have created themselves". Copied by hundreds of brands, the offers of cashback and low rates then became ubiquitous.

"Egg also accelerated the online adoption of financial services. We launched it expecting 30,000 customers, and instead we got 300,000. We just were not prepared for this and for the first four to five months of Egg's life we were swamped, drowning in the demand" explains Duvall. "We wrote to people every month to explain what we were doing to improve the service for them, but this was a time when our whole business was under real stress".

Challenging convention

The notion of a bank manager apologising to their customers was revolutionary. On top of that Duvall's team gave them an extra financial reward - additional interest benefits - and this "proved the defining moment in the creation of the Egg brand". Today the brand still researches well, among non-customers as well as loyal Egg users. The team had succeeded in creating something new.

Reflecting on how they got there, Duvall plays-up the importance of focus groups and insight panels in designing the product and its marketing.

"So Egg's product strategy was simple," he reflects. At a time when many banks were spending £150 per customer on acquisition the same new customers ended up costing Egg only £20. They supplemented this with "a massive enhancement of the interest rates which was where much of the marketing budget went."

People came to Egg. They came in their tens of thousands, swamping the call centre and drowning the business. To the disbelief of the financial service industry, they also turned out to be relatively high value customers as well. “What was clear was that the theme here was that the customers were in control.”


“It was simple, by talking to our customers we learned what they really wanted: simple banking, great rates, no small print, no dirty tricks and for the offers and deals to be permanent rather than a seasonal price promotion consumers would see through”

Relationships; intimate relationships

“The concept we pitched to *The Prudential* was ‘dancing with customers’. We wanted the experience of our customers to feel different; intimate, like dancing. When the customer moved forwards we’d move back. We designed our whole business to dance with customers. We trained people for 8 weeks to be empathetic and dance with customers. We wanted a unique relationship with them.”

And the name?

“Actually calling it ‘Egg’ was our customers’ idea” Duvall beams – enjoying practicing what so many marketers only preach. “We ran focus groups and insights and boiled them down to Oxygen, 360 degrees or Egg. My concern was that Egg was too frivolous, but in research the recall was 100% and people really liked it. There was a cut-through in the name, but it was the customers who told us this. On the few occasions we didn’t listen we’d really risked getting things wrong.”



Egg
Breaking new ground in banking. Another range of offers launching. The brand’s personality and mission are communicated in every aspect of their customer communications.

The new breed of freeformers

Times change, consumer expectations shift, lifestyle goals move. “Society is undergoing this enormous transformation and I wanted to form a view about what was happening in this new world, what was happening with customers, where it was all going.”

Two years ago Duvall left Egg, looking for new ways to apply his thinking to a new brand and new market. He describes a “great outburst of freeforming going on” and began working with consumer researchers to unravel what it means. He found that the freeform trend tends towards more independent, entrepreneurial lifestyles and has been a rapid social transition for a large and growing group in the UK.

Duvall also started to notice a new type of consumer emerging, “defined by their values and beliefs, the choices they make, where they spend their money. They refuse to be defined by anyone, they don’t trust corporations or the state. They value authenticity in what they buy and they want to lead ‘authentic’ lives.”

While this may resonate with many of our private experiences, if Duvall is right – that this “is a large part of the population and a group that sets the trend for others” – then there are some enormous implications for marketers.

This model of multiple incomes and a new generation of self reliant consumers Duvall argues is part of a much wider trend. These people will look to themselves and then their network of friends for advice about what to do, where to go and how to get there. He believes the group is about 7m people growing 20% per year. As part of this Duvall cites new family structures (one partner retaining a corporate role while both invest in this new venture) as one of many examples of the more complex social climate it creates.

One size fits null

This links neatly into the well-documented quest for individuality. “Once upon a time the world was just a mass market. We bought the same foods, went on the same holidays, listened to the same music, did the same things. Today is a new era of uniqueness. Those homogeneous markets of the 70s and 80s are over: you pick your own playlist for your ipod and build your own package holiday, your shopping loyalty isn’t to the iconic retail brands but to resources that can be cultivated to define your taste. There’s a migration to mass exclusivity”

Enter technology

Digital technology is one of the critical enablers in Duvall’s world. The predisposition may have long been there, but the technology lets people become what they aspire to. “Asking people

about the use of mobile phones reveal some interesting findings. When you ask people about how they'd feel if it was taken away and you'll hear words like 'naked', our relationship to technology has changed."

Shifts in society

If Duvall is right, then there's a permanent shift happening in society; a shift most marketers have not yet responded to and a shift that will have some pretty large implications. One outcome is the growth of start-ups and micro businesses

"This is the time for entrepreneurship, small firms setting up in the consumer markets and using word of mouth to spread their world"



But he's deeply sceptical about whether most corporates can make the change.

"This is much more fundamental than just a shift in the way people communicate. Information technology was the enabler of these trends but not the end of the story". These behaviour changes are about identity, communication, people, markets, brands and trust. Duvall's belief is that this is nothing compared to what will come: "We're seeing the transformation of society".

The eBay for money

Duvall's journey of discovery led him to create a new consumer finance business, Zopa. Dubbed the 'eBay for money', Zopa is a lending exchange that introduces buyers and sellers of money together; a banking service with no bank in the middle. They match lenders and borrowers and let both sides benefit from the efficiency of the market. The model may seem simple, but the implications are profound.

As exchanges go, this may seem a massive leap from selling the contents of the garage on eBay, but Duvall is already claiming thousands of happy lenders and borrowers, and a notable level of trust emerging in the brand. Like Egg the financial advantages for the customers are clear: "because there's no bank in the middle everyone gets a great deal - borrowers are getting the best rate in the UK market right now."

"People are becoming much more demanding on services. The old mass market formats just aren't enough any more.

"The promise of an IT based society is self expression, choice, freedom and individuality"

Before the sceptics write off the market as being limited to a tiny cluster of trustworthy early adopters, it's worth hearing some of the other trends Duvall's team have started spotting: "we're seeing local people wanting to invest in people like them, and in their local community" - he cites older Indian business people in London wanting to invest "in people who were like them twenty years ago". These are new social desires that have no outlet through the traditional world of finance, rather like the low cost cards and the 'notice' accounts of the nineties.

Start-ups or upstarts?

So what is Zopa? A finance brand that "wants to turn money on its head" and no doubt will enjoy rattling the big institutions cages along the way. The shift in consumer attitudes to money means people are behaving like small businesses, seeing the assets of their home and their income streams blur together. The Zopa brand premise is that 'People are better than banks' and that as an individual you're better able to decide where to put your money than a faceless bank is.

Not surprisingly Duvall is convinced that these new models for new businesses will stretch across many sectors, "they are transforming retail also right now and it's hard to imagine a sector that won't be touched in some way."

Implications? Our take...

The digital networked economy has created a whole new set of tools that firms are (to varying degrees) starting to get to grips with. The familiar starting point is to take most traditional communications, relationships and models and allow them to work through the new digital channels. That's been a necessary - and conceptually straightforward - step since the mid nineties, but one that leaves the wider business largely untouched.

If the whole mindset of consumers is undergoing massive change, and the digital networked economy enabling relationships that were never before possible, then firms need to be thinking about the much bigger picture. Only by understanding the possibilities of these new networked economy can firms reinvent themselves to match the needs of what we're transitioning into. The ecology of suppliers, partners, competitors and customers is changing breathtakingly fast and that's a much bigger challenge than bolting in email capabilities to a call centre, or running customer service sessions online.

For firms that are agile and quick to colonise these new spaces – Egg, Google, Friends Reunited, and maybe Zopa – the pickings should be rich and fast. The individual revolution is happening and it's both a fundamental social shift and a disruptive one. In periods of rapid change there isn't the time for traditional five year strategies, waves of validation research and perfect product finessing; in Duvall's words, you have to just "go for it. Periods of great change are exciting and motivating, but you have to move fast to reap the spoils". Duvall is a champion "innovate like heck, trust your own instincts and have a great time."

Duvall's passion is infectious, but if he's right then this is the stuff that makes empires; and also makes them crumble.

Zopa
The 'eBay for money' exchange launching some of its first offers to borrowers and lenders in the UK. Cutting out the middleman gives all parties a better deal.

Welcome to Zopa

2% Bonus to Lenders Find out more

"Our borrowers are better than banks"

"Our lenders are better than banks"

Zopa bites

The independent 1.12.05

Actions

Reflect on the social trends: do they feel right to you, do they reflect what you're seeing, and if so, then how will they impact your market?

Zopa's economic model cuts out the middlemen; no wholesalers and retailers. Take a look at your business and the value chain it sits in: is there scope to remove some of your 'middlemen'?

Try out the exchange: If you need to borrow or want to lend, why not put it to the test?

Are there potential exchanges in your markets?

Resources & Links

Zopa.com – the new exchange for lenders and borrowers

EBay.com – the global exchange giant

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About Digital Thought Leaders series

In times of huge economic and social change, knowledge becomes a critical success factor. We created the Digital Thought Leaders interviews to bring you closer to people and brands shaping the digital networked economy. They are based on private interviews or lectures we've participated in, and are published monthly. We also publish similar insight papers to accompany our own talks and training workshops, to unlock the potential of your team.

About the author

Danny Meadows-Klue has been a commentator on the digital networked industries since 1995. He managed the UK's first online newspaper and has helped run web businesses ranging from mass market portals and consumer magazines, to online stores, search and email services. Among his industry roles he is the co-founder and former chairman of the UK and European Internet and Interactive Advertising Bureau, and has been lecturing on digital marketing for more than a decade. He set up Digital Strategy Consulting in 2000 to help firms accelerate their own digital networked media strategies.



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