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Money Spent on Marketing Financial Products Beats Financial Education

The Consumer Financial Protection Bureau (“CFPB”) recently released a [study of consumer financial services marketing](#), which found that it can be difficult for consumers to find objective information. The study focuses on the size and scope of the financial information field. The study was commissioned to understand the wide range of information sources consumers could be exposed to in making financial decisions. The study’s results give an overall indication of the relative amounts spent in the U.S. on financial education and on the marketing of certain types of financial products. We expect that the CFPB will use the results of the study to develop priorities in the areas of financial education, policymaking and supervision, and enforcement.

The key takeaways:

- The results show that financial services companies spend about \$17 billion each year on marketing, about \$54 a person per year. This excludes marketing of retirement products, college loans, and investment products.
- By comparison, the report estimates the nation spends only about \$670 million dollars on financial education, about \$2 a person per year. This excludes consumer purchased education.
- The total amount spent annually by financial institutions and other financial service providers on consumer financial products and services, including both awareness advertising and direct marketing, is approximately \$17 billion.

Financial services providers spend approximately \$5.5 billion on awareness advertising annually.

Method

- 50% of the \$5.5 billion was spent on television advertising
- 16% was spent on newspaper advertising
- 15% was spent on display ads
- 9% was spent on radio ads
- 5% was spent on magazine ads
- 5% was spent on outdoor ads (for example, billboards)

Product Focus

- 56% of approximately \$5.5 billion in awareness advertising was spent on credit- and loan-related products (including credit cards, mortgages, vehicle loans, and home equity loans)
- 24% was spent on advertising related to banking services (including checking, savings, and general banking promotion)
- 19% was spent on advertising related to other services (including ATM networks, credit counseling, check cashing, and consumer financial promotions)
- More than 40% of the approximately \$5.5 billion spent on awareness advertising is spent on marketing credit cards

Financial services providers spend approximately \$12 billion on direct marketing annually.

- 44 % of the approximately \$12 billion in direct marketing was spent on internet display and search
- 16% was spent on direct response television advertising
- 22% was spent on direct mail
- 5% was spent on direct response newspaper ads
- 3% was spent on direct response magazine ads
- 4% was spent on social networking
- 2% was spent on direct response radio ads
- 2% was spent on advertising emails
- 2% was spent on other methods

In addition to policymaking and enforcement, the CFPB's Office of Financial Education is expected to use the results of the study to calibrate financial education efforts in the context of the broad array of financial information consumers receive. For example, consumers receive financial education from housing counseling, credit counseling, school-based financial education, financial counseling and coaching, and community-based financial education. According to the CFPB before the study it had limited data about the scope and scale of the efforts put forth through financial education sources, especially the total dollar amount spent to reach consumers.

The research and analysis described in the report was conducted by the Boston Consulting Group under contract with the CFPB.

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Jonathan L. Pompan, a partner in the Washington, DC office of Venable LLP, co-chairs the firm's Consumer Financial Protection Bureau ("CFPB") Task Force. His practice focuses on providing comprehensive legal advice and regulatory advocacy to a broad spectrum of clients, such as nonbank financial products and services providers, advertisers and marketers, and trade and professional associations, before the CFPB, the Federal Trade Commission, state Attorneys General, and regulatory agencies.