

# Changing attitudes in a changing financial world

An Experian white paper

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# Change in Financial Services

Change is perhaps one of the most written about topics of all time and has led to a plethora of well known quotes by wise and intelligent people, the sort of quotes that tell us change is good and full of opportunity, the sort of quotes we nod in agreement at and then go back to doing exactly what we were doing beforehand.

What is also well documented is the pace of change, not only is it still happening but it's happening at a rate of knots that would leave an occasional visitor to this planet dizzy in their attempts to understand what we had been up to whilst they were away. For millions of years we were happy bumbling along in caves and then in the space of 66 years we had gone from working out how to fly a powered plane 20 yards to flying to the moon. Change at such a pace, comes around because either we have to, to thrive and survive, usually led by public demand expectation, or we discover something new that enables it to happen at a greater pace.

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## **So what is happening in our day to day world within Financial Services, what is changing and how should we react?**

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Clearly the change won't be quite so dramatic, or take 66 years, but the public demand and expectations exist and the new world of social media is the discovery that both enables it at pace and indeed judges you on your lack of it! The last 10 years have seen marketing theories come and go but nothing has moved the need to change on further than the last 3 or 4, commonly known as the credit crunch.

I am sure there were many millions of dutiful citizens filling in their census survey on March 27th, counting their children and letting the government know we are still here and doing x or y. All very factual and useful in an adding up sort of way and perhaps not too long ago very useful information for marketers. Generally all we needed was a name, some idea of earnings and dependents and bingo we had ourselves a prospect list. However if you were taking stock of what had factually changed whilst filling out the form, you might also have wondered what your answers would have looked like had they asked for attitudes to life, loans and pensions and how they had changed. Without doubt the change swing-o-meter needle would have been far greater round the dial than it was for the pure factual questions asked for in the census.

### Attitudes, do we really have to bother?

It is these changing and evolving attitudes that marketers now need to understand more than ever, not just understand but utilise, react to and learn to listen out for constantly. Of course we still need the cold hard facts of data, in effect the bread and butter of marketing. However there is no question that it is simply not enough, the need to consider customer attitudes is essential. Until now this was a 'nice to have', a flavour provided by market research, but your customers are out there now telling you and I what they think.

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## It raises the critical question, are you ready to listen and change?

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Some of you might be thinking, 'I suppose so, but it seems rather tricky' or words to that effect. So in order to move further up the convinced scale perhaps we should examine why one should concern themselves with such a perceived unknown variable at a time when we are all stretched in simply delivering business-as-usual campaigns.

We argued earlier that change happens because it has to for us to thrive and survive or something happens outside our control that forces us to change. In today's financial world those two elements have combined to change people's behaviour in an unprecedented way and a determined change of behaviour starts with, in most cases, a change of attitude.

### Changing attitudes towards credit in the UK

With the Bank of England reporting a 7.7%<sup>1</sup> decline in the availability of credit many households are still finding credit difficult to come by, something largely out of their control, so for many it's not an option anymore and even if it was, evidence is pointing towards a much more cautious approach to taking it.

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## As such there is a significant shift towards living within ones means, preparing for the future and cutting back on luxuries and the 'nice to haves'

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This attitude is perhaps best summed up in behavioural terms, as moving from 'buy now, pay later' to save now and buy later. The use of credit is now taken seriously by many consumers and is more often than not (as we will see later) used to simply get by rather than expand one's portfolio of luxury goods.

So now we see credit as a totally different element in many consumers lives, it's perhaps a grudging acceptance that they need it to survive, rather than a passport to more possessions. This fact alone should warn us that the element of 'want' has moved to 'need' and when in need customers want understanding and interaction far more than before. Attitudes to borrowing have therefore changed and their attitude to the credit provider is perhaps one of caution. Help them in times of need and the relationship will last and prosper, ignore them and attitudes will harden to the point of negativity with no return.

# The role of Social Media

## Influencing attitudes

Perhaps the above goes some way to explaining differing attitudes and shows in a snapshot the sort of interaction customers expect in the credit world. OK so we get it, customers' behaviour and attitudes change, however at times, no matter how hard we try, we occasionally get it wrong; we win some we lose some.

In the past the results of not reacting to attitudes has been limited at best, there were more people going in the bucket than leaking out the bottom, overall we were winning. If this was ever an argument then now it is falling flat on its face. The advent of social media has meant customers have access to millions of likeminded people across the UK and potentially the world.

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**As we know, the British like to queue and don't like to complain, well not face to face at least. However give them access to a keyboard, social web site and a willing audience and they can wreak havoc in minutes.**

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If you don't engage with them, react to and respect their attitudes then hundreds of virtual friends they have never met will know in minutes.

It is hard to avoid casting an eastwards glance across the globe to see what social media can do to governments and a country's infrastructure.

If such word of mouth can do this to a nation, imagine something on a smaller scale focused on your business; it might not cause an overnight rebellion in the staff canteen, but you might find yourself in an uncomfortable position to say the least. Clearly social media requires more one-to-one engagement and it can be used as a hugely positive tool, we have discussed in some length how best to engage and listen to social media customers in our white paper entitled 'Managing Customer Engagement' so for now we will leave such matters alone and continue to focus on ever changing attitudes and required actions.

So in summary the UK is taking a much more cautious attitude, they see prices rising and times remaining difficult. As such there is almost a sense of getting prepared and planning ahead, the attitude has shifted from attack to defence, from want to perhaps need.

We have moved in to a new financial world we find difficult to accept or perhaps one that we accept with wildly different views to say four years ago. In times such as these your customers need and expect more support and for you to understand the situation they find themselves in. React to these changing behaviours and attitudes and a hugely strong partnership can be forged, ignoring it is an option, but remember where the power lies these days!

# Changing Attitudes

## Changing Attitudes; some facts about credit and future beliefs

Experian has conducted and gathered exhaustive customer data surveys for its new Financial Strategy Segments 2011 (FSS) customer segmentation tool. We know the world of financial services has moved on in the last few years so it is important for organisations to use the latest data and insight to build their understanding of today's consumers.

### What are customers' visions of the future?

- In Aug 2008 10.1%<sup>2</sup> of the UK thought they would be likely to be made redundant or out of work in the next 6 months
- By Oct 2010 this figure had risen to 12.4%<sup>2</sup>, so clearly the feeling of insecurity is growing
- Customers within the 'Accumulated Wealth' FSS segment, (high earning families with high assets and expensive homes) think they are through the worst with figures dropping from 13.2%<sup>2</sup> to 9.5%<sup>2</sup> accordingly
- The younger generation have a completely opposite view, those classified in FSS as 'Bright Futures' (young professionals with good earnings prospects) have moved from 6.6%<sup>2</sup> to 12.2%<sup>2</sup>
- This feeling of insecurity is dominating the younger generation and time and time again we can see and show examples of how they are battening down the hatches and preparing for a life within their means.

### What if Mortgages rise by an average of 20% per month for a year? How would customers cope with existing commitments?

- Encouragingly the UK seems to have been taking steps to cope with over 27.9%<sup>2</sup> in Aug 08 saying they would fall behind commitments compared to just over 16%<sup>2</sup> in Oct 10
- The younger groups lead the way with 11.8%<sup>2</sup> of 'Bright Futures' (young professional with good earning prospects) saying they would fall behind with payments if their costs increased, compared to 1 in 5 (19.1 per cent<sup>2</sup>) in 2008
- However this scenario throws up a worrying trend of those struggling with current lifestyles and commitments and their inability to cope. In the same period the FSS group 'Family Interest' (growing families with middle income and high commitments) moves from 21.6%<sup>2</sup> to 25.8%<sup>2</sup> in the same period.

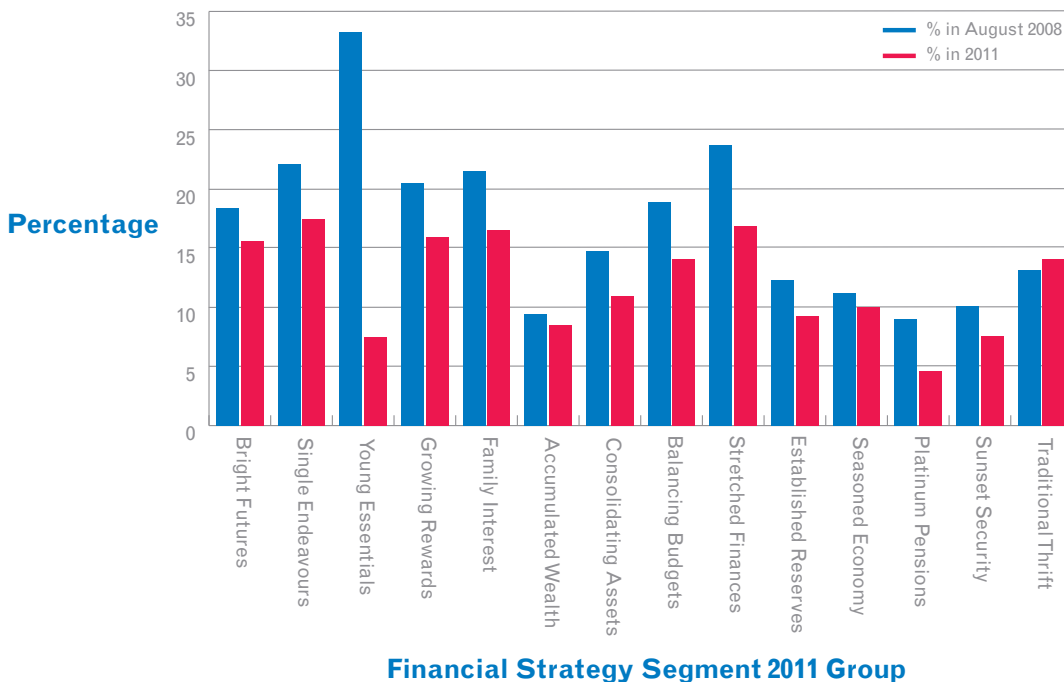
This trend of certain groups wanting to do the right thing but failing is a common thread across all the data collected. But before summing up some of the key groups we need to look as to how these views of the future have manifested themselves in actual behaviour.

- In the world of credit the UK population is reducing its reliance on credit for everyday living with 11.6%<sup>2</sup> in Aug 08 stating that was how they survived to 10.4%<sup>2</sup> in Oct 10
- Once again the theme of the younger generation making huge strides is proven with the figures dropping from 23.3%<sup>2</sup> to 12.5%<sup>2</sup> in the same period for those in FSS segment 'Young Essentials' (lower incomes renting affordable accommodation), whilst again those in the 'Balancing Budgets' segment, (middle years with average incomes and expenses) have risen from 12.8%<sup>2</sup> to 13.8%<sup>2</sup> in the same period
- Indeed 7.5%<sup>2</sup> of those in the 'Young Essential' segment will take credit without thinking of the consequences, a huge drop from 33%<sup>2</sup> in Aug 08.

The story is the same when asked if they were struggling to the next pay day.

- In the same period the UK dropped from 24.5%<sup>2</sup> to 19.4%<sup>2</sup> replying that they were
- But our 'Single Endeavours' group leads the way with a drop from 41%<sup>2</sup> to 22%<sup>2</sup>
- Those currently struggling with families, lower income and high commitments, FSS segment 'Stretched Finance' has remained static at 41%<sup>2</sup>.

### Consumers buying on credit without even thinking about it



### Changing Attitudes; some facts about savings and investments

So far we have looked very much at the world of credit, how the UK has reacted to it either being withdrawn or indeed a desire to move away from it, however the world of savings and investments also backs up this change in attitudes. Overall the savers are quite optimistic with approximately 60.9%<sup>2</sup> of the population believing their savings will remain at the same level or grow within the next 12 months. Perhaps of some concern is the outlook of the pre-retirement groups with 45.5%<sup>3</sup> of 'Established Reserves' (good savers whose financial commitments are reducing) and 52.8%<sup>3</sup> of 'Seasoned Economy' (experienced in making their money go further) believing that their level of savings will decrease in the next 12 months.

- There has been a lift of circa 2%<sup>4</sup> year on year for cash ISA's with even those families struggling making headway in this area or if not headway hanging on to them for the future protection
- Savings accounts in banks and building societies have shown a marginal growth and NS&I accounts have risen again in 2011
- Perhaps the only losers in the savings and investment market are the Bonds that tie in money for a longer period, the attitude clearly prevails that the consumer will save whilst he or she can, but with uncertainty in the future they need access to it as and when needs be and to be fair with the rise in people believing they will be made redundant in the next 6 months few people are tying funds up for much longer.

### Changing Attitudes; some losers

There are of course losers in the financial services market at the moment and these would be best described or perceived by the consumer as the 'nice to have' products and services. We see a drop in life insurance, a rather marked drop in Private Medical insurance and despite the increased feeling of job insecurity a drop in income protection policies. In the case of our 'Balancing Budgets' FSS segment this kind of policy has virtually halved in volume over the last three years.

It would appear that the UK consumers are cutting back on such insurances and cover and almost self insuring by increasing readily available savings and cutting back where they can on the need for credit or indeed a life dependant on credit.

### Changing attitudes; developments in Financial Strategy Segments 2011

Data can only tell us so much of course, within FSS pure attitudinal research must also be blended with such data to create a view of today's world. However for the latest update of FSS it could be argued that never before has the information shown such a swing from previously held beliefs and behaviours. Before moving on to discuss what we need to do as financial organisations going forward it is best to remind ourselves of the key facts that the data has shown us, referring to attitudes but also what is happening in the market place.

- The UK consumer is moving towards self-reliance, living within their means and creating a financial buffer zone for the future
- This change is being driven either through a lack of credit or a shift in attitudes learning from the past, especially in the younger age groups who have made significant strides towards living within their means
- The perceived view is one of rising prices and unstable job security
- Life on credit is reducing and for many it is needs-based not want-based
- Consumers are seeking help and guidance, shopping around for best deals but also enhanced service levels and engagement; they want business to provide products and services that understand these needs
- The younger generation is making the most headway, they have reacted more quickly than any other group and are better prepared for potential issues than families and those working hard on a tight budget
- In the middle age bracket, the gap is widening between those coping and planning and those still stuck in the credit trap, however those in the trap are trying just as hard with limited success
- Savings and investments are growing but instant or short term access to funds are essential
- These savings are potentially at the cost of more lifestyle insurance products, such as PMI, it would appear the attitude is bank the money and self-insure
- The consumer can now tell the world of their experiences much more quickly than you can market to them.

# Taking Action

## Enhancing Insights

Hopefully we have now gone some way to understanding the consumers' underlying attitudes and the changes in real behaviour they are showing in their use of financial products. So for now let's assume we must take these changing attitudes into account whenever we communicate with a customer through whichever channel they choose.

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**For any business to be successful in this arena then a clear and unhindered view of the customer overlaid with such attitudes is essential.**

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More often than not this is going to require a database on which to store and make these communication decisions. This database needs to be linked to and capture everything the customer is telling you, capturing complaints, service calls and social media discussions on your brand or offering. These new layers need to enrich your existing data sets. Clearly external data, such as Experian's Financial Strategy Segments 2011 can enhance this to a much greater degree. Whatever the chosen approach, a multi-dimensional view is now critical!

Most organisations will already be operating a segmentation view, usually based on propensity, a type of behaviour and sometimes even value-based. These are still relevant but ensure you build a picture of the attitudes within your key segments, why do they do what they do, are they for or against you, why do they use your products in their lives and what is their end goal in using them? This latter point will almost certainly have changed from your beliefs a few years ago. It may well be that further segmentation is needed as clear dividing lines become visible, but start with what you have, in most cases it's better than starting with nothing at all.

### Turning new insights into new actions

When you understand the key drivers of customer segments, their attitudes and what their long term goals are, ensure you let them know how such a product will benefit them. At acquisition stage it is of course essential to get your key messages over, but these must be blended with reasons as to why such a product will help them meet their goals in the short and long term. If you can't see a reason yourself and be convinced of it, the empowered and ever more focused customer is going to see straight through it, at this point change your proposition! Get the creative and message right; use attitudinal insights to drive your creative briefs and copy.

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## Stay engaged and stay in tune with the customer, constant dialogue moving them through the relevant product ranges is essential.

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Don't wait for them to think of leaving, by then it's too late. Find reasons to upgrade or enhance their product set, but each time remind them of the benefits. A great rate and quick fix is not a benefit to the customer just a feature, they will engage if you explain how this helps them in the long-term and during times of uncertainty. Use your range of channels to good effect; potentially enhance digital and social media channels to enable more granular levels of quick contacts on a one-to-one basis. Reassurance is essential to customers now but traditional channels cannot always react quickly enough or indeed will not prove cost effective in more bespoke communications.



# Summary

To complete our roundup of the ever changing customer attitudes and how businesses need to react to them it might be worth remembering or considering these few critical steps:

- Make a decision, are you going to enter the world of customer attitudes or not? If so create a plan of how you will overlay such data on to existing segments, not just the data itself but the infrastructure you will use to do so
- Capture everything you have on your customers including attitude and build a picture of why they chose you (or indeed didn't!), and what they want to achieve and what their pain points and needs are
- Does overlaying attitudes require new segments or open up new opportunities; we can see the younger generation is changing more than ever, but within the population there is now significant diversity between those succeeding and those still struggling
- At the point of initial engagement understand and support them, show how your product benefits them both now and long term
- Stay engaged on a much more granular level, seek out opportunities to help remain in contact and ensure you capture their latest thinking at critical touch points
- Maximise your channels; traditional channels still work but for pure service or contact messages ensure you blend cost effectiveness with the customers chosen channels
- Customers hold the power in word-of-mouth communications, they have changed and so must you. Get it right and they will become loyal and let others know, get it wrong and they will let thousands of others know.

1 Reported in January 2011 Bank of England statistics showing unsecured credit in Q4 2010 as a 7.7% decline in the availability of credit

2 Financial Strategy Segments combined with YouGov quarterly DebtTracker survey data (August 2008 to October 2010)

3 Financial Strategy Segments combined with YouGov monthly Household Economic Activity Tracker (April 2009 to November 2010)

4 Financial Strategy Segments combined with YouGov annual Financial Services Oracle (2009 to 2011)

### About the author

Clive Gosling has a wealth of experience in senior project and marketing roles spanning some 20 years. Initially working in the retail sector Clive was programme manager for the Boots Advantage card trials and subsequent national launch. The resulting expertise in CRM led him to be Head of Sales, Product and Marketing for Barclays and Woolwich personal lending, followed by spells as Group Marketing Director for Cattles PLC, Marketing Director for a pre paid card company before setting up his own consulting business. With 4 years consulting experience in the service sector and having worked with numerous clients both large and small, Clive is able to bring both the real world practicalities of day to day business and the in depth customer intelligence Experian can provide in to a seamless business solution that is both achievable and profitable.

Having been there and done it, Clive brings a sound commercial focus to any engagement with ability to find new channels and intelligence led opportunities. Primarily focusing on the ever changing Financial market within the Experian consulting team, engagements have spanned everything from gaming halls and football clubs to insurance businesses and far eastern theatres. As such a broad range of experience, business acumen and marketing experience can be brought to bear on any client issues.

### About Financial Strategy Segments 2011

Financial Strategy Segments 2011 is a person and household level segmentation which provides an unrivalled depth of insight into the financial behaviours of UK consumers. It classifies all adults in the United Kingdom into 14 household level groups (A–N) and 50 household level types (which are then further split into 93 person level types). Financial Strategy Segments has been built with the latest available data to reflect changes in behaviour during the economic downturn, supporting the targeting of products and services that are relevant to the consumer's needs. These are distinct financial lifestyle types which comprehensively describe the underlying factors which influence consumer behaviour, such as typical financial product holdings, behaviour and future intentions, as well as summarising their key socio-economic and demographic characteristics.

Financial Strategy Segments 2011 covers a wide range of financial services product holdings including: short and long term credit, savings and investments, life and pensions, personal and general insurance and current accounts. It also covers insight into behaviours towards their financial products including information and research sources sought to inform decisions, channel preferences for purchasing and day to day management of products, loyalty and switching behaviour and attitude towards, and management of, debt. Financial Strategy Segments was built using over 300 individual data variables, across a series of key dimensions and is made up of more than 150 financial propensity models.

**For more information, please visit [www.experian.co.uk/fss](http://www.experian.co.uk/fss)**

### About Experian Ltd

Experian is the leading global information services company, providing data and analytical tools to clients in more than 90 countries. The company helps businesses to manage credit risk, prevent fraud, target marketing offers and automate decision-making. Combining its unique information tools and deep understanding of individuals markets and economies, Experian partners with organisations around the world to establish and strengthen customer relationships and provide their businesses with competitive advantage.

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