

Savanta:

Ogres to angels

Banks have a chance to shine

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make better decisions

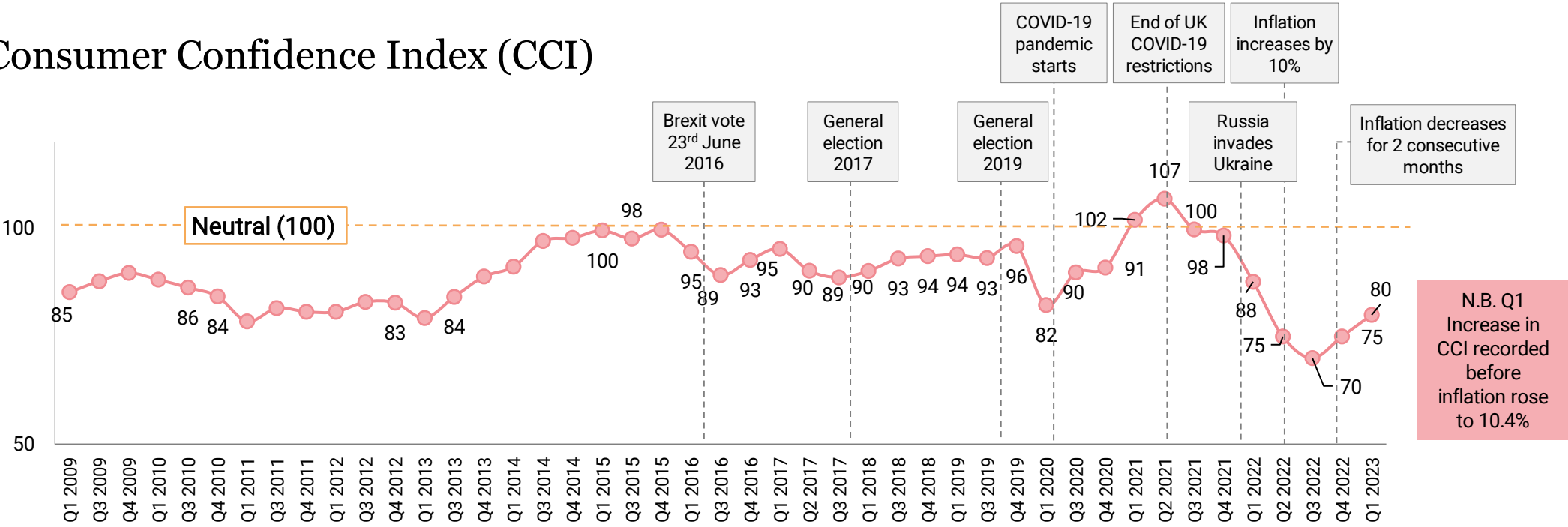


The cost-of-living crisis bites in everyday life

According to the Office for National Statistics, 93% of adults in Great Britain reported an increase in their cost of living in March 2023. And whilst the Office for Budget Responsibility is predicting inflation to fall throughout 2023, many are predicting the cost of living to crisis to remain with us this year and into next.

Savanta’s Consumer Confidence Index (CCI) shows a positive uplift at the start of March but stills remains in negative territory, reflecting the continued impact of the cost-of-living crisis.

Consumer Confidence Index (CCI)



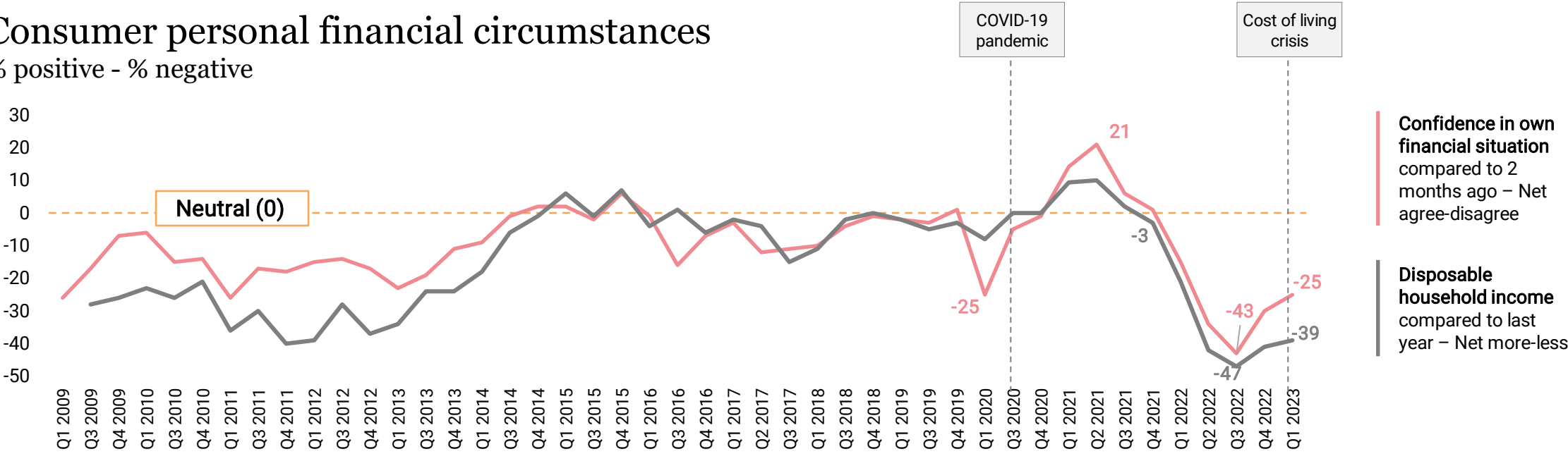
N.B. Q1 Increase in CCI recorded before inflation rose to 10.4%

The cost-of-living crisis bites in everyday life

Alongside an increase in consumer confidence, we see green shoots of recovery in financial confidence & disposable income, with confidence in 'own financial situation compared to 2 months ago' increasing from a recent low of -43 to -25 (% agree-disagree) and 'disposable household income compared to last year' (% more – less) up from a recent low of -47 to -39. Again however, findings remain in the negative.

Consumer personal financial circumstances

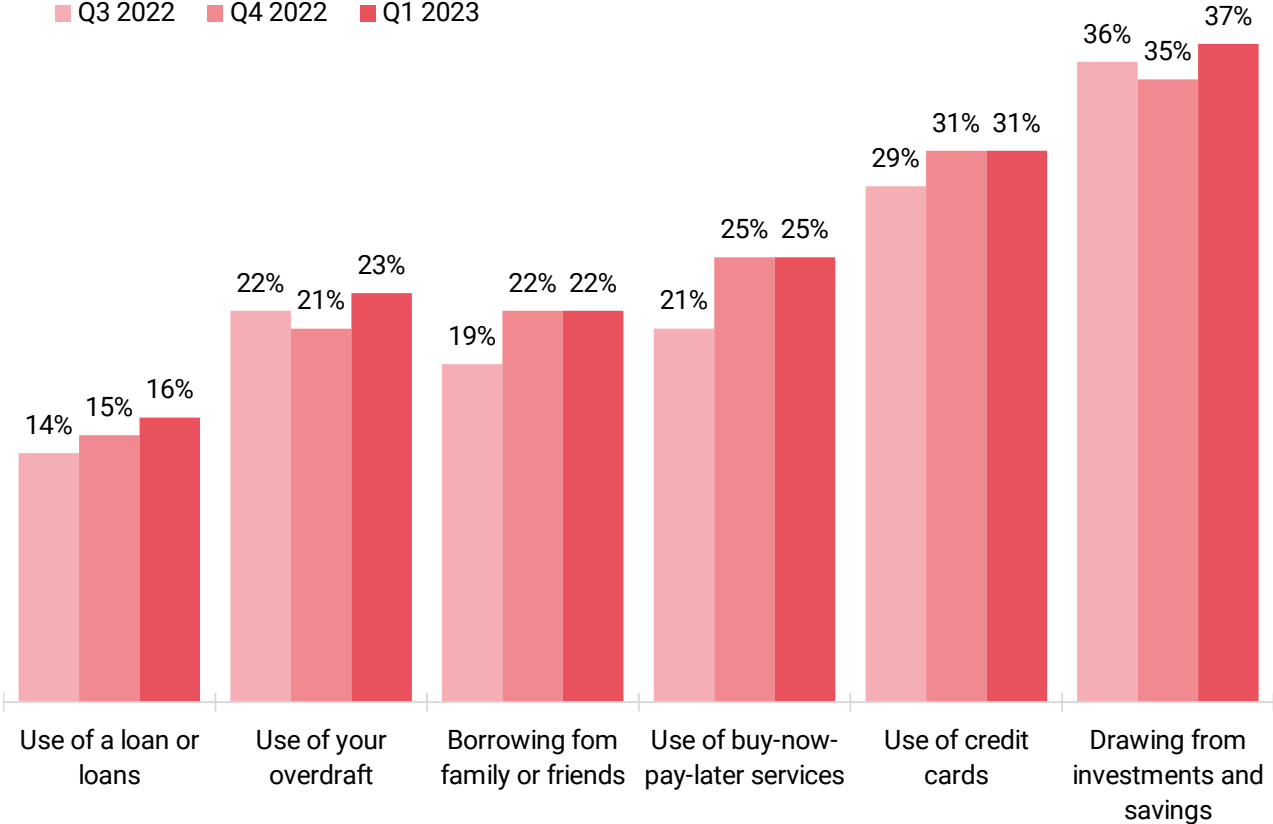
% positive - % negative



Consumers are coping mostly through spending life savings, but also through debt

Drawing from investments and savings remains the main way consumers are funding bills and purchases, though many have turned to debt to cope with the increasing cost of living. Use of buy-now-pay-later & borrowing is increasing, reflecting the dent in disposable income levels.

Change in how consumers are funding their purchases % increased

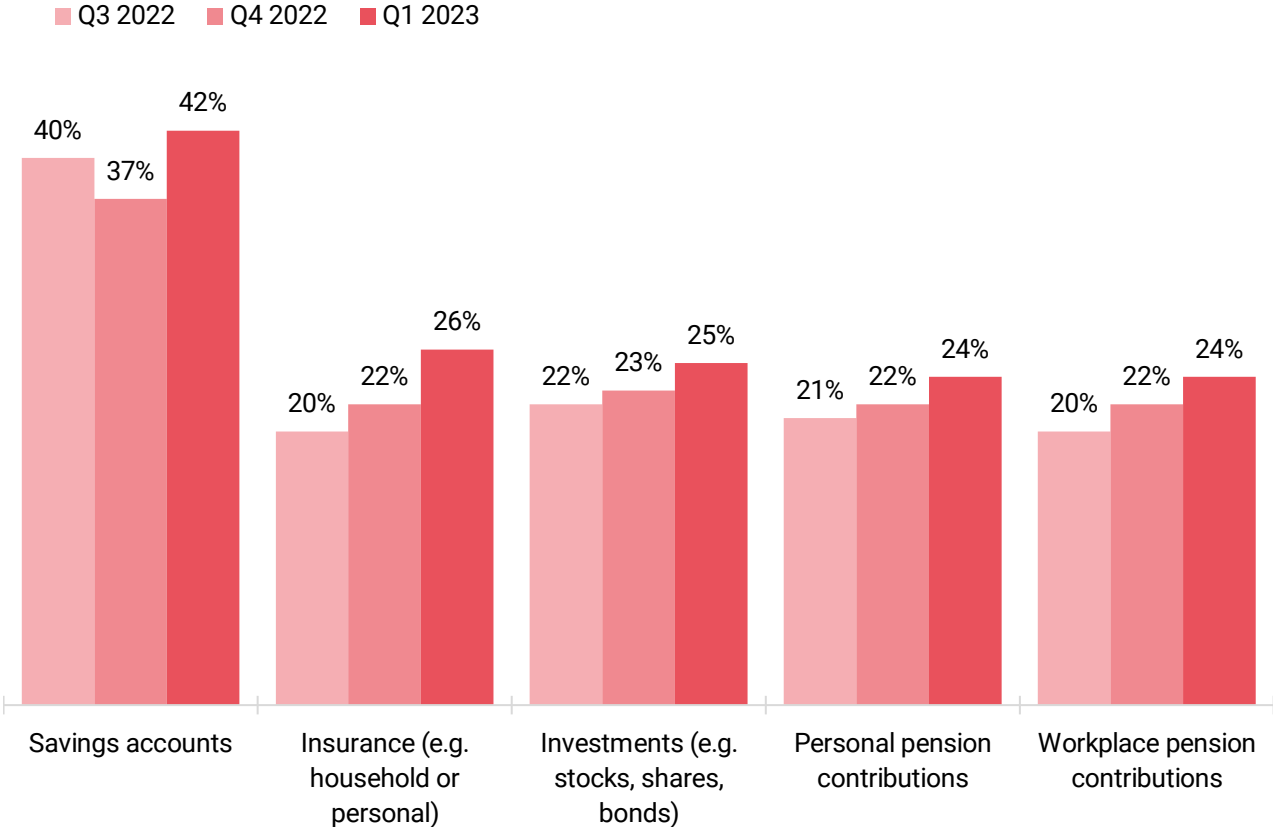


QF2. Thinking about how you have funded your purchases over the last 3 months, has this changed?
Base = Total (2,000 per quarter)

And cutting back on investments and protection for the future

4 in 10 are limiting their savings, or considering limiting, in some way and over 1 in 5 their investments, pension contributions and protection for the future.

Change in how consumers are funding their purchases % decreased / stop contributions / withdraw



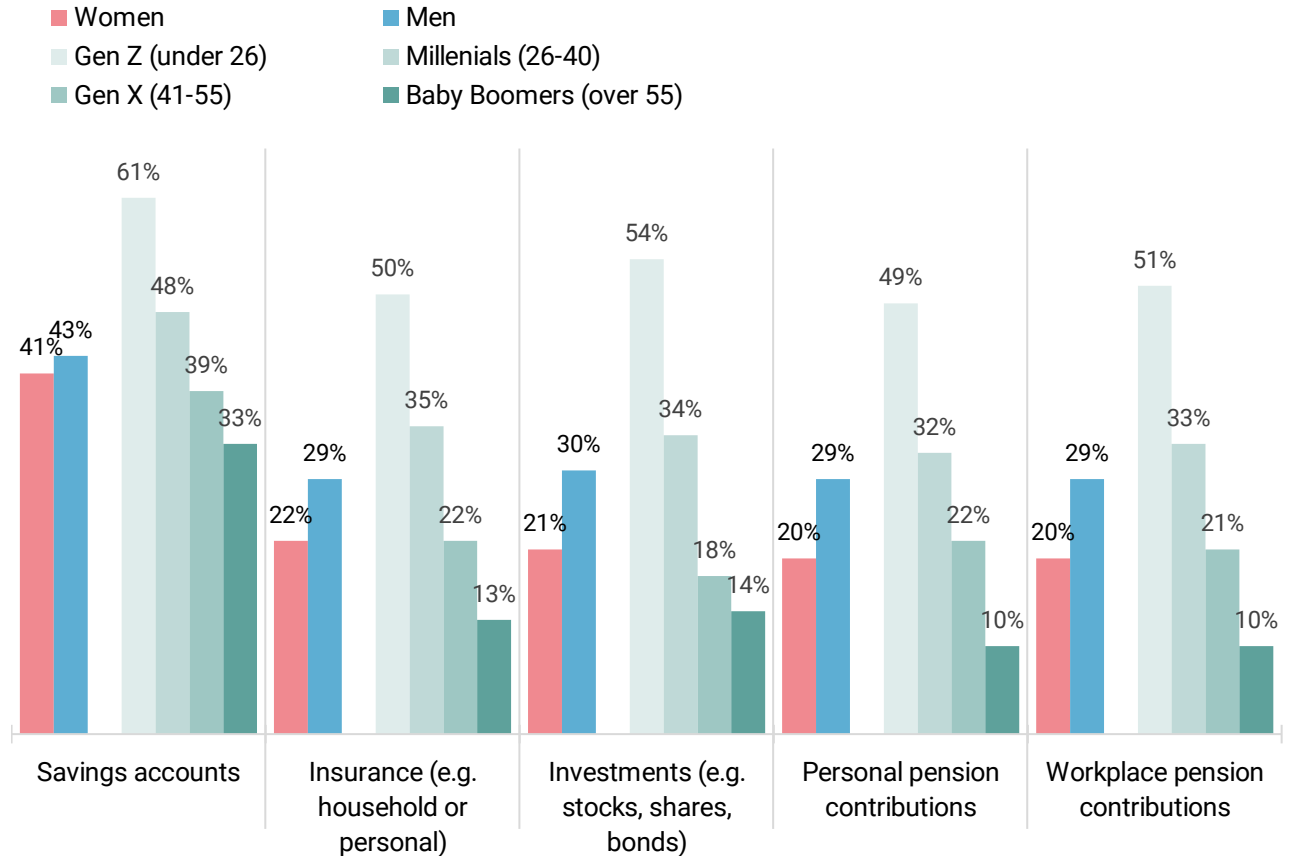
QF3_5.Thinking of any financial products you may have, have you changed or are you considering changing, your contributions as a result of the cost-of-living crisis?
Base = Total (2,000 per quarter)

Gen Z

are most likely to be cutting back across all areas

Men are more likely to be limiting pensions, investments and insurance contributions than women, though both are equally as likely to be changing their savings behaviour to combat rising costs. Unsurprisingly, the younger generation are finding it harder to cope with the cost-of-living crisis and have limited their finance activity more than their older counterparts. Gen Z are hardest hit with over half cutting back on all items tested. And at least a third of Millennials are doing the same.

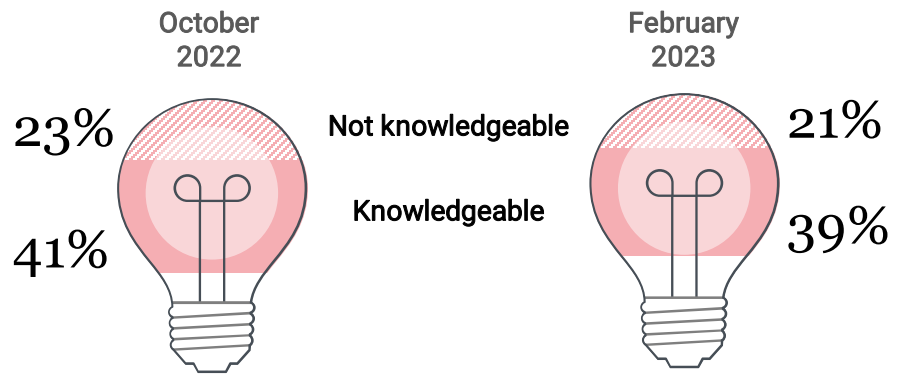
Change in how consumers are funding their purchases % decreased / stop contributions / withdraw



QF3_5.Thinking of any financial products you may have, have you changed or are you considering changing, your contributions as a result of the cost-of-living crisis?
Base = Total (2,000 per quarter)

1 in 5 don't feel knowledgeable about tools to manage cost of living

Whilst 4 in 10 claim they feel knowledgeable about where to go for advice, tools and options to assist in managing the effects of the cost-of-living crisis, a significant minority—1 in 5—do not feel knowledgeable. With a third saying they are 'neither' knowledgeable nor not knowledgeable a sizeable portion of consumers exist who have some level of knowledge but fall short of a comprehensive understanding what support is available to them.



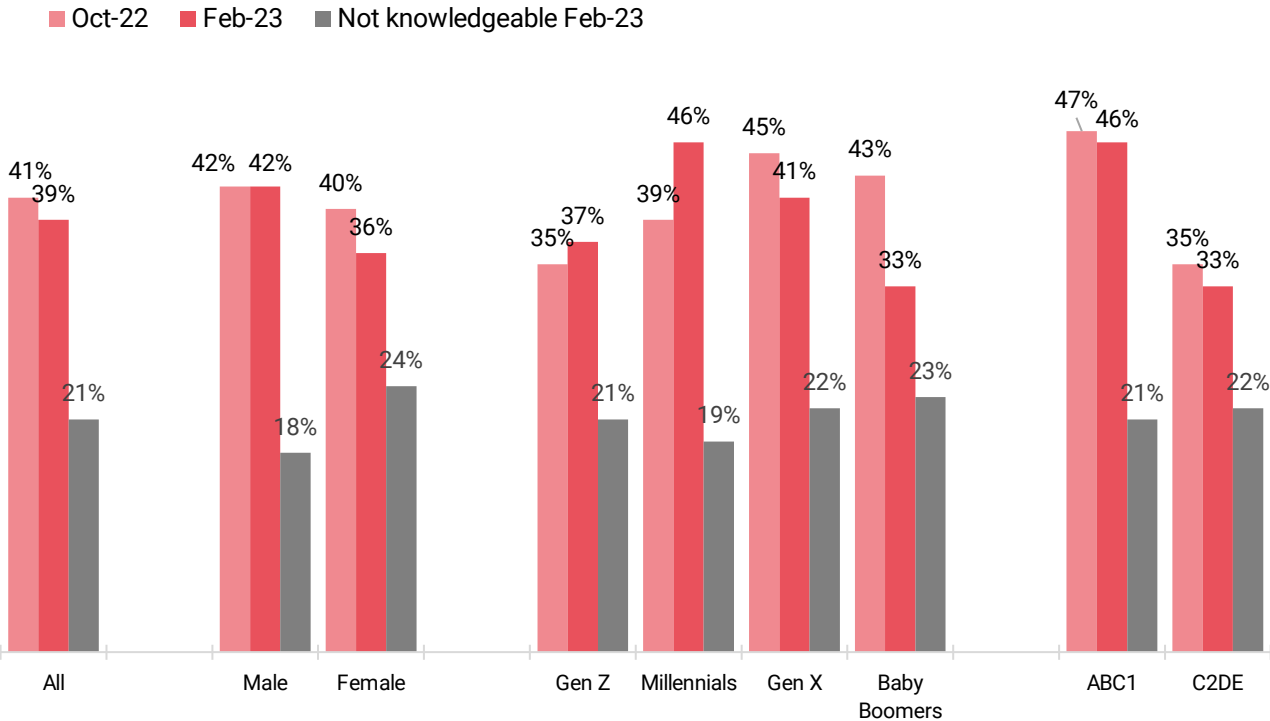
Omnibus QFS1. How knowledgeable do you feel about advice, tools and options to assist you in managing the effects of the cost-of-living crisis? Very/Quite/neither/not very/not at all.
Base = Total (2,000 per wave)

“ Financial institutions have a clear opportunity here to demonstrate customer care through education

Millennials are the age group most likely to feel informed about how to manage the effects of the cost-of-living crisis

Men (42%), millennials (46%) and those in higher social grading (ABC1 46%) are more likely to feel knowledgeable, however 1 in 5 (18%, 19%, 21%) still lack understanding.

Level of knowledgeable about advice available to help manage cost of living crisis
% very / quite vs. % not very / not at all



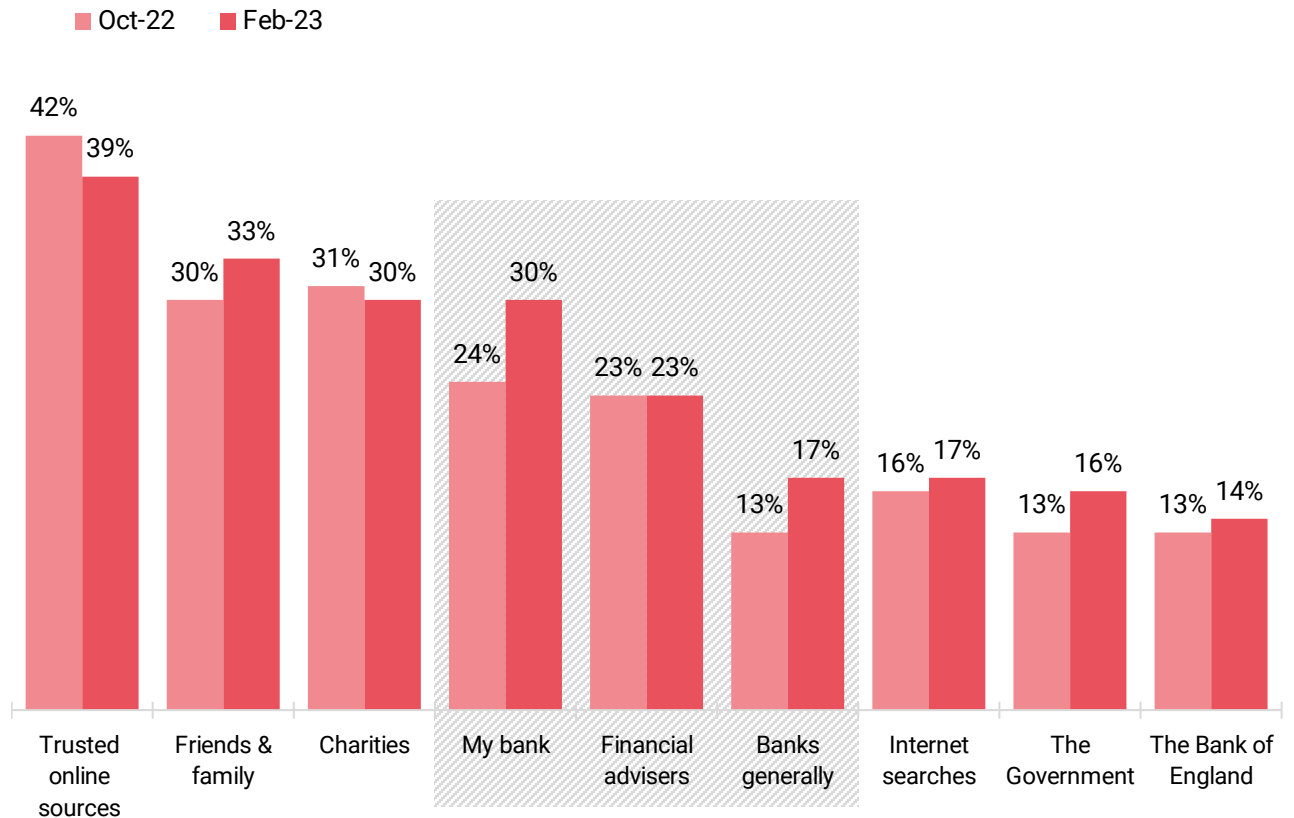
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Just 3 in 10 trust their bank for advice

Only 3 in 10 trust their own bank as a source of advice, preferring to turn to trusted online sources or friends & family. However, Banks and financial advisers are trusted more than the government, with 'my bank' and 'charities' considered on par.

Banks should aim to build trust, by providing timely and helpful advice. They should avoid the temptation to purely sell or engage in the hard sell, rather they should provide customers with care and support now, to grow the relationship longer term. This may reap benefits in customer loyalty and future product uptake once the crisis is seen to diminish.

Trust as source of information/advice on managing finances

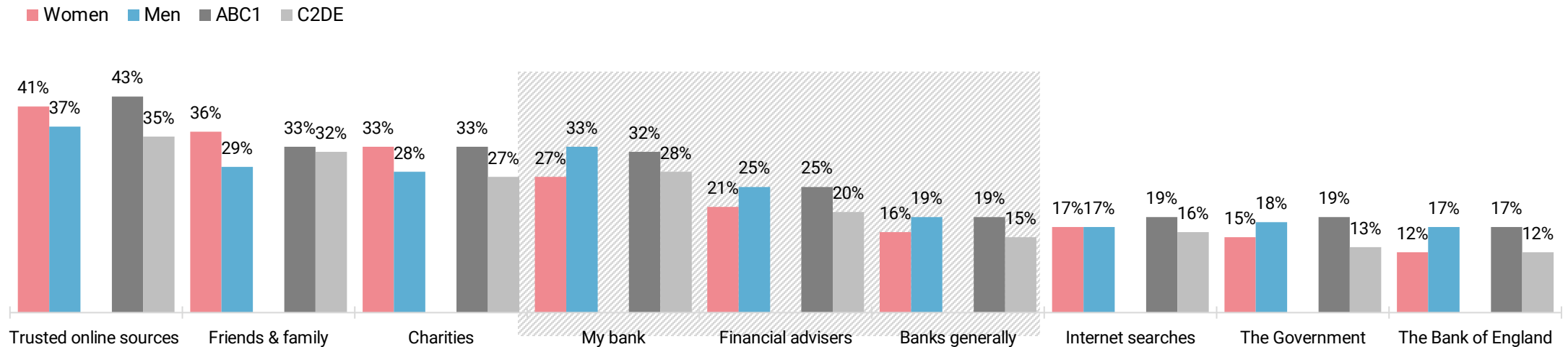


Omnibus QFS2. Which of the following (if any) would you trust as sources of information and advice about how to manage your finances in the current cost-of-living crisis?
Base = Total (2,000 per wave)

1 in 3 men trust their own bank as a source of information about how to manage their finances

Men and those in the higher social class are more likely than their counterparts to trust their own bank, financial advisers and banks generally, with those in ABC1 grouping tending to be more trustworthy across the set.

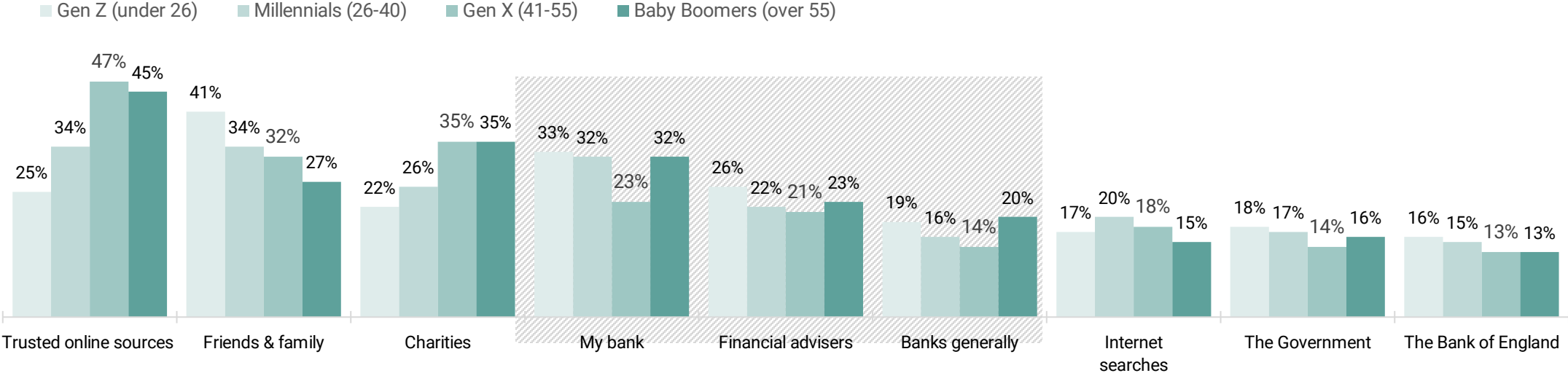
Trust as source of information/advice on managing finances *by gender and class*



And if we look at trust by age, Gen Z are more likely to trust established sources of information

Gen Z are most likely to trust established sources of information: their bank, financial advisers, the Government and The Bank of England than their older counterparts. They give the lowest scores for trust in less established more anonymous sources, such as trusted online sources, charities, online forums. Gen X is the least trusting of banks generally, whilst in contrast baby boomers are the most likely to trust them. These older generations have the confidence of experience and resources, whilst Gen Z, with less life experience, perhaps feel more vulnerable and so look for authoritative guidance as they start their financial management journey.

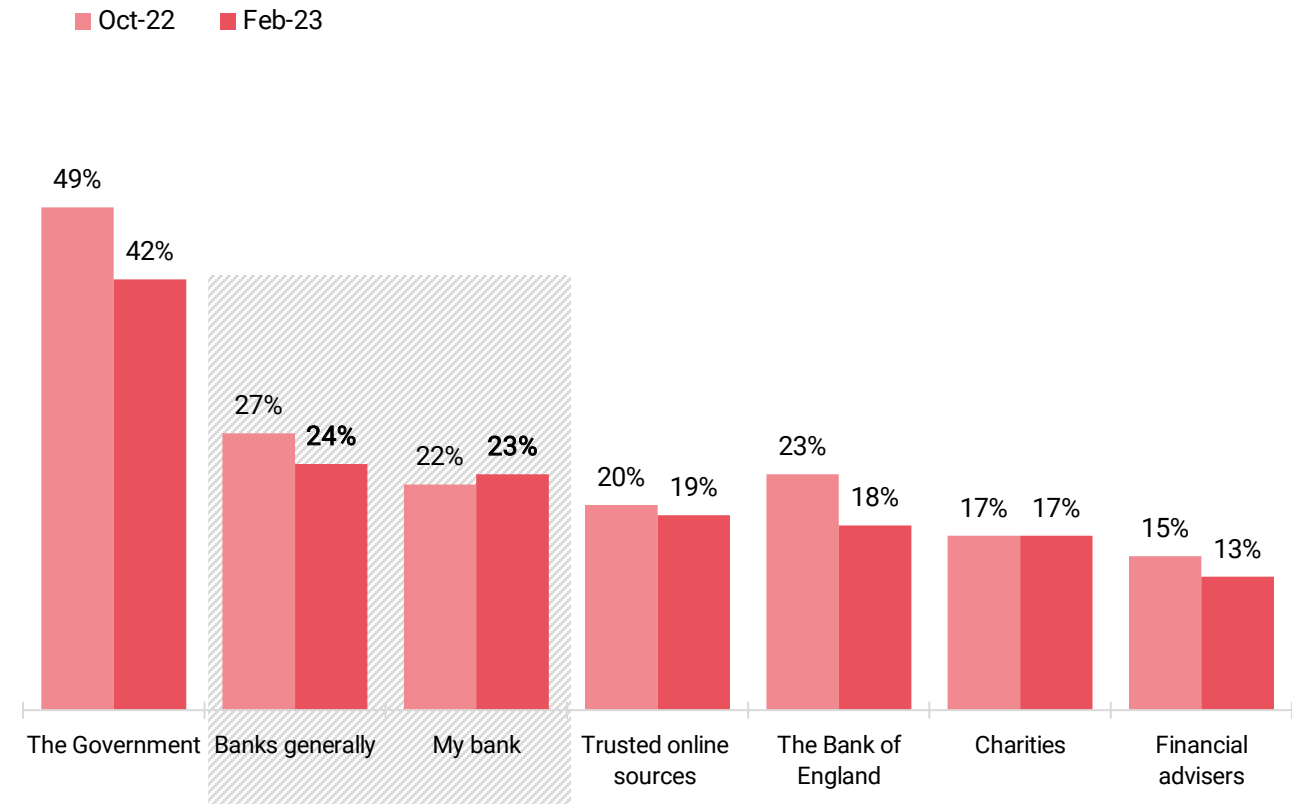
Trust as source of information/advice on managing finances *by age group*



But 1 in 4 think banks should be doing more to advise

When we asked which entity consumers thought should be doing more to provide information and advice relating to how to manage personal finances in the current cost-of-living crisis, aside from the government, banks were the next highest mention – Banks generally 24%, my bank 23%. Banks have the most room to offer support - an opportunity, an open door?

Those who should be doing more to provide information and advice



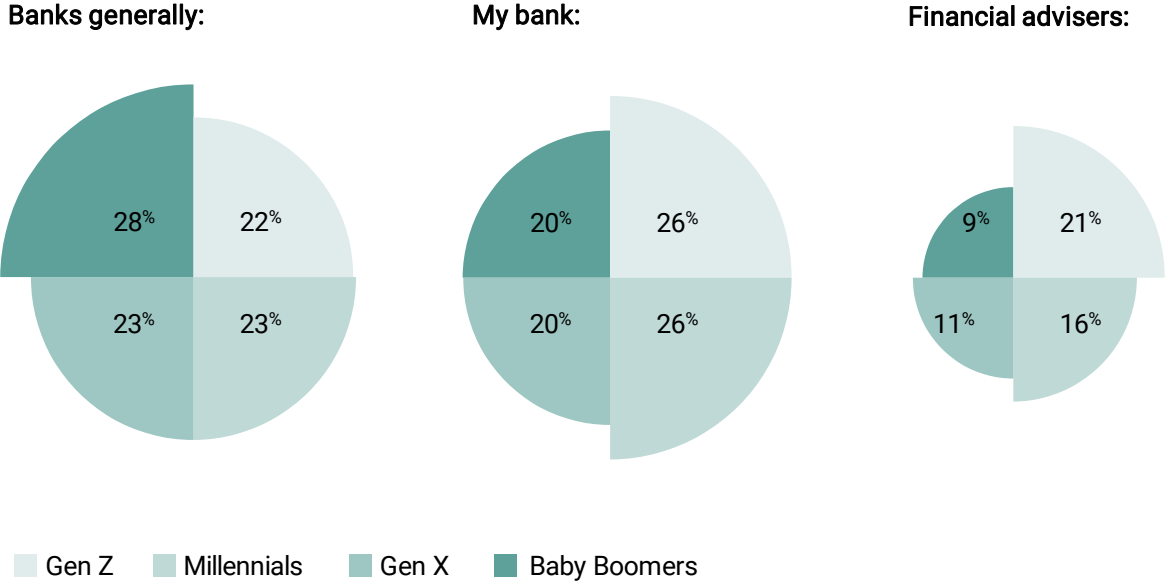
Omnibus QFS3. Which of the following (if any) do you think should be doing more to provide information and advice relating to how to manage your finances in the current cost-of-living crisis?
Base = Total (2,000 per wave)

Where does responsibility for information lay?

Interestingly, baby boomers are more likely to feel all banks/banks generally should be shouldering responsibility whilst Gen Z and Millennials are more likely to think their own bank should be doing more to help them navigate the cost-of-living crisis.

The younger the respondent the more likely they are to think financial advisers should be doing more, perhaps driven by the fact that this younger generation is less likely to have financial adviser contact. In addition, desired access to advice is likely different by age band with Gen Z perhaps looking for something more dynamic (and digital?) to begin supporting them rather than the traditional financial adviser.

Which financial institution should be doing more to provide information and advice *by age group*



Omnibus QFS3. Which of the following (if any) do you think should be doing more to provide information and advice relating to how to manage your finances in the current cost-of-living crisis?
 Base = Total (2,000 per wave)

An opportunity for banks to get involved

Consumer confidence is improving but remains negative. Consumers are focusing on their immediate needs, raiding their savings, cutting back on investments and protection and increasing their debt to fund their current requirements. Focus on shorter-term need may well be damaging longer-term financial planning. Appropriate timely advice however may help consumers mitigate these risks or at least manage them better (e.g. limit indebtedness and help protect credit worthiness).

There is a consistent minority of those that feel knowledgeable about the financial advice and tools available to help them cope with the cost-of-living crisis. However, this is not driven by a total lack of knowledge, but by a knowledge shortfall. Consumers have some understanding of financial elements but lack what they feel they need to build a firm broad knowledge base to make effective financial decisions. This is an opportunity for financial service providers, who can support without having to build the consumer's knowledge base from scratch.

A significant minority trust their bank to help with tools and advice to manage the cost-of-living crisis, but the majority do not. Banks need to build their profiles as impartial advisers, seen to support the individual in times of need rather than hunt a profit for their own gain. There remains much cynicism about the banking sector but here is an opportunity, based around support, that might help repair that trust shortfall.

With 1 in 4 thinking banks should do more to advise, this is a great opportunity for banks to get involved and demonstrate commitment and care to customers and non-customers alike. The resulting support from banks could see increased product uptake, increased customer loyalty/retention and non-customer consideration.

Whilst once banks were seen as the big bad ogres, could they now step up and become angels to help save the day?

Financial Services Team



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