the FUTURE of MONEY
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OMD UK and News UK are delighted to be able to introduce The Future of Money – the latest iteration of OMD UK’s pioneering insight initiative, The Future of Britain.

OMD UK launched The Future of Britain research programme against the afterglow of the 2012 Olympics and Jubilee year and as Britain came out of the worst recession in one hundred years. We sought to understand our new British culture and what this meant for brands.

Since then, The Future of… series has gone from strength to strength, covering a vast array of themes in the past six years, talking to over 20,000 people along the way using innovative research techniques such as video ethnography, implicit testing and our very own online community, Your Voice. We’ve explored household dynamics in Living with Future Britain, studied Christmas shopping behaviour and attitudes in The Future of Christmas and smashed generational myths ingrained in British society in our award winning The Future of Generations.

Our latest in the series, Future of Money, seeks to understand how people manage their personal finances and view their place in the increasingly uncertain British economy. We wanted to get to the heart of how people spend, save, plan and prioritise and what implications these behaviours have for brands and marketeers.

We hope that you enjoy reading The Future of Money and look forward to discussing our results and implications with you.

Dan Clays
CEO, OMD UK

Dominic Carter
Group Chief Commercial Officer, News UK
THE RESEARCH

In a bid to understand Britain’s relationship with money, we carried out an extensive, multi-stage research project. The research was carried out between November 2018 and January 2019, and involved:

1. An online survey with a representative sample of 2,700 adults in the UK;
2. Qualitative focus groups in West Midlands and London;
3. Qualitative feedback from OMD UK’s online consumer panel YourVoice.

Additionally, we conducted 500 interviews in February 2019 covering attitudes to Brexit and behaviour change since the rejection of the UK’s Brexit deal.

The findings have been divided into three broad themes:

1. Britain, Brexit and Buying
2. Saving, Spending and Sacrificing
3. Financial Futures
Since the 2016 referendum, national fears over the state of the British economy have been quietly bubbling under the surface, but with the Brexit clock ticking and looming headlines dominating, concern is quickly beginning to mount. This heightened worry as a result of increasing Brexit uncertainty is particularly evident in our own research which shows concern over Brexit is up from 31%, in June 2018, to 50% in December. Concern over the economy has seen a similar jump from 29% last June to 41% at the end of 2018.

How does this growing sense of uncertainty impact the way people save, spend and invest? Up until now it seems consumers have been living in a state of “contented resilience”. Our research in June last year ‘Future of Britain: Five Years On’ found that one year after the referendum many Brits were relatively happy and getting on with the everyday. This is reflected in the level of consumer confidence measured by GfK. Although consumer confidence dipped to its lowest in a year last November, overall the drop is not as drastic as expected and is significantly more positive than levels measured in 2013. Added to this, interest rate cuts have encouraged borrowing and spending and societal and personal well-being in the UK, as measured by ONS, shows increased levels of satisfaction and happiness.

However, long term there is a slowdown of household conditions and a levelling off of personal well-being, alongside a worsening perception of the future. It seems that, in the short term at least, consumers are getting on with everyday life, but in the long term the picture may be more volatile. The closer that we get to a no deal Brexit, which the Bank of England has previously warned would be worse than the 2008 financial crisis, the more this potentially volatile future becomes a true concern for Brits.
IMPACT ON SPENDING

And this short termism is beginning to impact spending, although we found that it is not a consistent impact across categories. Longer term investments and appetite for bigger ticket purchases have fallen in recent months as Brexit nears. For example, spending on new cars is down 5.5%, UK house sales are the weakest they have been in two decades and spending over the key Christmas shopping period decreased (the quantity of goods bought in December fell 0.9% compared with November) as shoppers took advantage of the Black Friday deals. However certain items are still faring well such as home entertainment (which includes film, tv and music) which was up 10% in 2018 according to BASE and travel which shows the most positive growth of 5.7% YOY.
WHAT THIS MEANS FOR BRANDS

Where does this leave us? Although we can see that immediately after the referendum people across the UK remained resilient and had no choice but to get on with their everyday lives, beneath the context of growing uncertainty. A culture of short termism is increasingly being adopted by UK consumers, impacting certain categories in the long run. For brands the implication is to understand the changing world of their consumers, because getting to the heart of what is important to them in a time of uncertainty will help businesses make better decisions based on the fluid needs, concerns and spending habits of its customers. 

It’s important brands reassure consumers during a time when people are seeking to mitigate risk and feel secure in their future. And finally, as our research shows, we are living with huge uncertainty and, by definition, constant change. Brands and marketeers need to be always vigilant – monitoring what’s going on in the wider world and what this means for its customers and adapting to meet these changing needs. This means remaining agile and responsive to the needs of consumers.
SAVING, SPENDING AND SACRIFICING

Our ‘state of contented resilience’ has impacted how people prioritise spending and saving, in turn shaping attitudes to treats (opposite).

When we asked people the kind of things they had been up to over the last year, we discovered that many have enjoyed treats such as meals in restaurants, fast food/takeaways, holidays and weekends away over the last 12 months. Looking at data on TGI reveals that people have been enjoying these treats at the same rate that they were before the referendum, suggesting that people are getting on with their lives and still finding reasons to treat themselves during these turbulent times.

PEOPLE WERE STILL FEELING RESILIENT AT THE END OF 2018, FINDING THE TIME AND MONEY TO TREAT THEMSELVES:

Which of the following have you treated yourself to in the past 12 months?

<table>
<thead>
<tr>
<th>Treat</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meal in a restaurant</td>
<td>80%</td>
</tr>
<tr>
<td>Meal in a fast food restaurant/takeaway</td>
<td>63%</td>
</tr>
<tr>
<td>Holidays (longer than a weekend away)</td>
<td>63%</td>
</tr>
<tr>
<td>Weekend away</td>
<td>50%</td>
</tr>
<tr>
<td>New gadget</td>
<td>34%</td>
</tr>
<tr>
<td>New car</td>
<td>15%</td>
</tr>
<tr>
<td>Special / VIP experience</td>
<td>11%</td>
</tr>
</tbody>
</table>

Source: Future of Money; Q. Which of the following, if any, have you treated yourself to in the last 12 months? All sample (2672)
THE NECESSITY OF TREATS

It turns out it doesn’t take much to justify a treat, in fact the most common reason people give for treating themselves was “just because I felt like it”. Other reasons that can prompt a treat include: ‘Pay Day’ for a meal out (46%); ‘Going through a difficult time’ for a new gadget (18%) and ‘Having a bad day’ prompts booking a weekend away (53%).

This tells us that people always find a reason to treat themselves, whether it’s a small daily fix of a coffee from the shop or something slightly more lavish such as a holiday. We all have a different idea of what a treat is, and it doesn’t always have to be big.

This is in line with our Future of Britain: Five Years On research conducted in June 2018, when we found that between 2013 and 2018 the proportion of those who would put a £1000 bonus into savings had halved from 40% to 21%. One of the driving forces behind this was low interest rates which relieved the pressure on households and allowed spending on smaller indulgences and altruism like shopping, going on days out and donating to charities. And these indulgences are not necessarily self-centred; our qualitative research revealed that when there is a little extra money left over one of the first things that people like to do is get together with family and friends, spending money on things that help facilitate socialising, such as meals and days out for weekend trips.

WE CAN ALWAYS FIND A REASON FOR A TREAT...

VIP EVENT
Special occasion
56%

GADGET
Going through a difficult time 18%

FAST FOOD
Reached an important milestone 22%
Completed a tedious task 21%

MEAL OUT
Pay day 46%

WEEKEND AWAY
Had a bad day 52%
Special occasion 33%

…the most common reason is “just because I felt like it”.
OUR TREATS FEED OUR EGOS.

Source: Future of Money; Q. What, if anything in particular, prompted you to treat yourself to. Base: All who treated themselves: base vary by item (263 - 1969)
THE VALUE-ACTION GAP

This culture of short term gratification combined with low interest rates and a squeezed disposable income has impacted our behaviour when it comes to saving, meaning that while many say that they regularly save (74%), the proportion of income that people are actually saving has declined quite drastically since 2014 – turning the UK into a nation of ‘piggy bank savers’ who save less and less than they use, falling well below the 10% of income that’s generally advised.

Our nation of ‘piggy-bank savers’ is also reflected in the kind of things people are saving for. Instead of prioritising saving for the long term, consumers are setting money aside for ‘rainy day’ (54%), prioritising the short term and saving for the immediate, rather than the long-term future. Only 28% of those surveyed save for retirement – this only becomes a focus when we reach our late 40s.

We have a very low household saving ratio:

<table>
<thead>
<tr>
<th>Year</th>
<th>Savings Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016Q1</td>
<td>12%</td>
</tr>
<tr>
<td>2016Q2</td>
<td>10%</td>
</tr>
<tr>
<td>2016Q3</td>
<td>8%</td>
</tr>
<tr>
<td>2016Q4</td>
<td>6%</td>
</tr>
<tr>
<td>2017Q1</td>
<td>4%</td>
</tr>
<tr>
<td>2017Q2</td>
<td>2%</td>
</tr>
<tr>
<td>2017Q3</td>
<td>0%</td>
</tr>
</tbody>
</table>

Source: ONS UK Economic Accounts time series; OMD Future of Money; Q: Are you able to save money in a typical month? Base: All sample (2762)
Against a background of squeezed incomes, austerity, and low interest rates, Britain’s household debt has reached a new peak, with 45% of people surveyed claiming to currently have debt to their name (outside of their mortgage).

**BORROWING BRITS**

**COMBINED WITH OUR LOW LEVELS OF SAVING, WE ALSO HAVE HIGH LEVELS OF DEBT:**

- **Credit cards:** 63%
- **Personal loans:** 21%
- **Overdraft:** 18%
- **Student loan:** 12%
- **Family/friends:** 11%
- **Payday loan:** 7%
- **Prefer not to say:** 2%

**45%**
Admit to having debt (excluding a mortgage)

**30%**
Level of unsecured debt as a share of household income (TUC)

**82%**
Have credit card debt and unsecured debt somewhere else

Source: Future of Money; Q: Do you currently have any debt? Base: All (2762) Q: What is the source of your debt? Base: All who have debt (1254)
However, the picture of debt is different depending on age and life event. Our research tells us that credit card debt increases to a peak in middle life stages, the time when we are most likely to be buying and selling houses or making home improvements. Earnings tend to be at the highest level at this stage in life. Around the time that people are likely to get mortgage is when we see people take the most control of their finances, making sure to pay off their credit cards in full. Earlier years, when people are just starting out in their careers and tend to have less financially, we find less responsible attitudes to using credit cards.

Our credit card spend steadily increases in our 30s as we reach key life milestones...

- Birth of your first child
- Graduate from university
- Get married
- Get engaged
- Gap year/career break to travel
- Move in with partner
- Move back into parental home
- Start university
- Purchase first home
- Purchase or sell a house/flat
- Sell and purchase a house/flat
- Make major home improvements
- Child goes to university
- Redundancy from work
- Child gets married
- Divorce/separate from long-term partner
- Birth of grandchild
- Enter retirement
- Finish mortgage repayment
- Pay full credit card bill off monthly
- Use credit to live beyond means
- No over-index on paying or spending attitudes

Source: TGI 2018 Q4 (July 2017 - June 2018)
It is apparent that throughout our lives we are likely to be in some form of debt, whether it be student debt, personal loans, credit cards, loans from payday lenders or an overdraft, it’s something the clear majority of us will experience. Knowing how to manage debt and stay in control of personal finances is thus an invaluable life lesson, however for many this knowledge is lacking. A third of people we surveyed said they had ‘little or no financial knowledge’, rising to 50% amongst 25-34s. This raises the question of how and where people can be educated on financial literacy. It was clear in our qualitative research that people feel practical financial skills should be taught at school from an early age and that the current education system is lacking when it comes to setting up people to deal with financial difficulties later in life. This knowledge gap begins even earlier in life, as parents do little to pass on financial skills to their children. We found that only half of parents say they often talk casually with their children about money, and just 21% take the time to have a serious conversation with children about money. As people go through life, how do they learn these important financial lessons? Our research shows us that by far the most common method was to go online and do some independent research, for example on comparison websites or money saving websites. Some financial decisions are even more likely to involve an online search, such as insurance (81% of adults surveyed said they tend to research insurance online and on money comparison sites), savings accounts (60%), credit cards (59%) and current accounts (54%). Even for larger financial decisions such as mortgages, people’s first port of call is online, with a third of people saying they go online to research mortgages.

The View from the Media

“With official figures showing 1-in-3 Brits lack basic financial literacy, there are growing calls for financial education to be added to the curriculum. While this is a positive step, teachers are already overloaded with a raft of added responsibilities from managing pupils’ mental health to spotting signs of abuse. Passing the buck solely to schools isn’t enough – we all use money so it’s a collective responsibility to get educated. Financial savvy should begin at home, carry on at school and be offered free in the community to adults who feel their cash skills are lacking. And every time you apply for a financial product, firms should be obligated to provide a dashboard showing EXACTLY how much it will cost you and when you’ll eventually pay it off. A system like this would be on the money. Yes it will cost – but it’s a price worth paying for a country which knows how to manage its cash.”

Jane Hamilton
Sunemployment and Property Editor, The Sun

“I agree, I think what you learn at school is different, because society now is so fast changing, what I learnt in school isn’t really relevant to the world that it is today, and unless you take a really proactive stance, how are you supposed to know what all these terms are, and what all these things mean? Sometimes I do feel left behind a bit.”

Female, 35-44
WHAT THIS MEANS FOR BRANDS

When it comes to brands helping people navigate this world and talking to their customers about the things they care about, it is important to keep in mind how people’s priorities change throughout their lives and with this their shifting use of brands, products and services. Brands should understand the role they play in this context, offering value at the moments when people are in market for a specific category and ensure that they play a role in meeting those changing needs.

In a time of short-term gains, brands should ensure that they are in the right place at the right time, offering long term value and helping to educate consumers in terms of good financial responsibility. Building a programme of education to Brits during this time can help to build presence and trust for financial services brands from an early age.

Financial Services brands should also ensure that they are offering the right services at the right times in Briton’s financial lives. There are definite times when we require different financial services throughout our lives and brands need to be present with the right products during these times.
FINANCIAL FUTURES

The last key focus for this research was what the financial future looked like for Brits. We examined the future of money and technology, the rise of fintech challenger banks and our relationship with internet banking.

According to UK Finance, in 2017 debit cards overtook cash as the most popular form of payment for the first time in the UK. Consumers used their debit cards 13.2bn times in 2017, while the number of cash payments fell 15%. Contactless is on the rise, with 63% of people in the UK now using contactless payments, however this doesn’t mean it’s the preference for all. Our research shows that when it comes to payment methods used in the last six months, cash is still important for consumers and isn’t going away any time soon. Our qualitative research revealed that many feel cash is useful for budgeting and take cash out to stop themselves overspending on their debit or credit card.

“I BUDGET MORE WITH CASH. YOU CAN SEE IT. YOU CAN FEEL IT. YOU CAN COUNT IT.”
Male, 25-34

“I’VE GOT A DIGITAL WALLET ON MY PHONE, BUT I DON’T REMEMBER INSTALLING IT... I NEVER THINK TO USE IT. IT WOULD JUST BE A KIND OF LAST RESORT.”
Female, 35-44

Although cash is still king, looking at the chart below we can see that new payment technologies that aim to provide a frictionless experience are beginning to break through, such as digital wallets (19% have used in last six months).

PAYMENT METHODS USED LAST 6 MONTHS:

Source: OMD Future of Money - Q: Which of the below payment methods have you used in the last 6 months? Base: All sample (1483)
In general, people are adept at using the appropriate payment method as and when they are needed. It is not a case of using whatever payment is at hand, instead people evaluate them based on the occasions they’re needed for and who or what organisation they are paying. For example, the preferred payment method for booking a holiday is a credit card (76%), the payment method for shopping between £30 and £100 is a debit card (66%) and for a charity donation the preferred method is a direct debit (47%). Whatever method used, a major priority for consumers is that they are secure and convenient. These hygiene factors are essential for finance brands to remain a trusted provider and these fundamentals should remain at the forefront of new developments.

“THE RIGHT PAYMENT METHOD AT THE RIGHT TIME”

“I ALWAYS TRY TO USE CASH. I TRY NOT TO USE MY CARD, THINGS DON’T ALWAYS GO OUT WHEN YOU PAY FOR IT.”
Male, 35-44

“I USE CREDIT CARDS IF I'M NOT 100% SURE. IT’S THE SAFEST OPTION BECAUSE YOU'RE ALWAYS COVERED. SAME WITH PAYPAL.”
Female, 45-54

Source: OMD Future of Money; Q: And what is your typical payment method for each of the below occasions? Base vary by payment method used: (223-1255)
INTEREST IN TECHNOLOGY
This brings us to consumer interest in new technology in the finance sector. We asked people how interested they would be in a range of new fintech solutions, such as voice recognition, Open Banking services, payment via fitness trackers and other innovations. Fingerprint authentication and digital wallet services, such as Apple Pay and Google Pay, came out as the most attractive offerings, with 59% currently using or having interest in fingerprint services, and 41% for digital wallet services. The main attraction to fingerprint or biometric authentication is that it is quick and easy to use (78% of users agree) and easy to set up (64% of users agree).

However, there are still some barriers that exist when it comes to using this technology, the main being a preference for password and pin user, and for a quarter it is simply not having the right device to support the technology. While these innovations offer a lot of opportunities for people, it is important to remember there are some groups who are not served by such developments. As discovered from our qualitative research, those who may be left in the cold include the elderly, disabled people, people with certain learning disabilities or those who simply are not familiar with using such technology.

“THERE WILL ALWAYS BE PEOPLE WITH DISABILITIES... TECHNOLOGY AND DYSLEXIA, MY MUM HASN’T GOT A CLUE.”
Female, 34-45

BARRIERS TO BIOMETRICS ADOPTION

<table>
<thead>
<tr>
<th>NO NEED FOR CHANGE</th>
<th>SAFETY CONCERNS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>35%</strong> Prefer password / pin</td>
<td><strong>21%</strong> Not safe enough</td>
</tr>
<tr>
<td><strong>18%</strong> See no benefits</td>
<td><strong>14%</strong> Don’t want to share sensitive data</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TECHNICAL BARRIERS</th>
<th>LACK OF KNOWLEDGE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>25%</strong> No device to support the technology</td>
<td><strong>20%</strong> Think their bank doesn’t offer it</td>
</tr>
<tr>
<td><strong>15%</strong> Don’t know how it works</td>
<td></td>
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</tbody>
</table>
Similarly, Open Banking is met with a mixed reaction. It is still a relatively unknown innovation amongst consumers; a third have never heard of the concept and 35% have heard of it but have no interest in it. One of the main reasons for this caution is concern over data privacy and security, as we found 54% of Brits are slightly concerned about this, while 31% are very concerned. Financial fraud is also a key concern for people who are still exploring these new innovations and offerings from banks, 52% of those surveyed said they were slightly concerned about financial fraud, 27% are very concerned.

While frictionless technology can offer multiple benefits for consumers, ultimately convenience and security are the hygiene factors that are most important to get right (only 11% would be likely to switch bank accounts for better mobile and internet banking). Brands should seek to understand the context in which payment methods are used for a type of purchase, and develop the most appropriate payment methods for this, whilst also staying tuned to the concerns over financial security to put people at ease.
CONCLUSION

So, what does this mean for brands and marketeers navigating through this ever-changing economic environment and increasingly uncertain outlook? Some categories can expect a mood of caution amongst consumers as the uncertainty of Brexit plays out, some will benefit from the boost of short-termism and spending as a result of interest rate cuts.

Whatever the category, product or service, there is a role for brands to provide reassurance and guarantees to foster a sense of togetherness and trust. To help bring this about brands should never stop trying to understand the context that their consumers move in and the worries and concerns that fluctuate during each life stage. This involves targeting moments, mindsets and needs as well as key demographic groups. Ultimately, this is about being as responsive and agile as possible during a turbulent time for all.

BRANDS SHOULD PROVIDE:

- Reassurance and guarantees
- Togetherness and rewards
- Education and trust

BRANDS SHOULD:

- Never stop understanding
- Target moments, mindsets and needs
- Be responsive and agile
Our The Future of Money study is extensive but we’ve covered only a selection of our data and insight in this white paper. We have a wealth of knowledge and understanding, including brand and category cuts of the data, and would be delighted to discuss our findings with you.

If this is of interest, please contact either sarah.gale@omd.com or sumran.kaul@news.co.uk