

The Changing Face of Retail Savings

Report summary

- Strategies for success in the savings market are discussed in the context of market trends, drawing out key conclusions and insights
- Innovative consumer segmentation is used to present a clear cross section of observed savings behavior
- Built on this analysis, action points highlighting best practice are explored to present a framework of recommendations

Gain a comprehensive analysis of consumer attitudes towards savings products against the backdrop of the changing economic climate



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About this report

Introduction

The global downturn has changed the saving behavior of consumers, making it necessary to identify people's new saving priorities in this low-return environment and ascertain the best ways for competitors to distinguish themselves and their offerings to attract high-value consumers.

This report uses Datamonitor's proprietary Financial Services Consumer Insight Survey to draw out key trends and actionable insights at a global level and provide a comprehensive analysis of shifts in consumers' attitudes and behaviors within the savings channel. The report also discusses the opportunities certain consumer segments represent and provides strategies for effectively engaging these key customers.

Key findings and highlights

- In the current economic environment consumers are looking beyond simple price competition in choosing their savings product. In fact, many have had their fingers burnt and are rating financial security over price in their choice of savings product.
- When consumers go to their primary bank they are giving the institution the perfect opportunity to gain information and thus more expertly tailor appropriate savings products to meet their needs. Other financial services providers need to be more proactive in encouraging saving in a way that can compete with the advantages enjoyed by the banks.
- Consumers are currently under pressure both financially and emotionally. The anxieties faced in the present are outweighing concerns for the future. This brings about a focus on getting by in the present rather than worrying about the long run, a fact reflected in the lack of interest in increasing long-term investments.

Reasons to buy

- Gain a comprehensive analysis of consumer attitudes towards savings products against the backdrop of the changing economic climate
- It provides strategies for providers looking to boost their levels of engagement with consumers in the savings market

“Savings institutions need to advertize the availability of advice as, particularly in the face of such apathy, getting a consumer to begin to consider financial decisions is the first step towards persuading them to act”

Will Mayne, Datamonitor



Sample pages

The Future Decoded DATAMONITOR

Figure 9: Although the financial world in general has failed to inspire consumers interests, consumers are paying more attention to banking literature than before the downturn

Attention paid to bank literature	Percentage of Respondents
Much more attention	~12%
More attention	~33%
No difference	~42%
Less attention	~5%
Much less attention	~2%
Does not apply to me	~5%

Source: Datamonitor Financial Services Consumer Insight Survey 2009 DATAMONITOR

Interest in banking literature is likely to be driven by a heightened focus on finances and value for money, and consumers will respond negatively if these needs are not met

People are no longer willing to sit back and passively manage their finances: the increased interest in banking literature is being driven by an urge among consumers to control their money in greater detail. Nearly 70% of consumers claim that they will manage their finances in more detail as a result of the economic downturn. Consumers wish to give their finances closer attention and need to be supplied with the resources to be able to do this: if they feel that they are not receiving the information they want, they will go elsewhere. A recent consultancy market report indicated that consumers are interested in receiving more communication from their financial providers. The percentage of consumers who say that they want more communication from financial providers varied by country: 46% in Canada, 66% in France, 39% in Germany, 37% in the UK and 29% in the US. Internationally, only 5% of survey respondents said that they were receiving too much. The report concluded that, globally, "The most frequent request was for simple, factual information on the overall economy and financial providers' stability". A bank's levels of contact with its customers were very telling in terms of satisfaction. The report found that in the US, for example, only 53% of consumers who received no contact from their primary bank about the crisis said they were satisfied with the bank's overall service level, whereas 83% of those who were contacted reported satisfaction. This stresses the importance of communicating with customers.

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Figure 15: Consumers fail to show any strong move towards their bank for savings advice

Actions over the next 6 months: Go to my primary bank for advice on savings	Percentage of respondents
Very likely	~11%
Somewhat likely	~28%
Don't know	~6%
Somewhat unlikely	~28%
Very unlikely	~28%

Source: Datamonitor Financial Services Consumer Insight Survey 2009 DATAMONITOR

This consumer apathy appears to spread as far as not being willing to seek out advice concerning savings. Responses to the likelihood of the customer going to their primary bank for advice on savings were mixed but mainly negative. This is very troubling for savings institutions as advice from primary banks is, in the main, free before purchase and as such should present very few negatives. Even so, consumers are still not willing to do so. Perhaps a failure to seek advice is more a lack of knowledge of its availability and worth rather than a lack of confidence in making the move. Savings institutions need to advertise the availability of advice as, particularly in the face of such apathy, getting a consumer to begin to consider financial decisions is the first step towards persuading them to act.

Insight: Consumer now prioritize short-term savings over long-term security

Over a third of consumers are not intending to invest more for the long run

Consumers are currently under pressure both financially and emotionally. The anxieties faced in the present are outweighing concerns for the future. This brings about a focus on getting by in the present rather than worrying about the long run, a fact reflected in the lack of interest in increasing long-term investments. Fewer than three in 10 consumers intend to increase their investments for the long run. People are not currently worried about the long term, with the short term carrying such problems.

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- **Summary**
- **Methodology**

INTRODUCTION

- **Economic events have driven consumers into heightened states of concern over their savings**
 - Increased concerns over job security, household finances and the state of the economy have led to anxieties among consumers about the value of their savings
- **Household savings rates have risen since 2007 and are expected to remain at an elevated level throughout 2010**
 - Some countries have more serious savings rate concerns than others
- **Nearly 70% of consumers are intending to increase saving in the next six months**

THE FUTURE DECODED

- **Trend: Interest rates across the globe have fallen to a historic low**
 - Lower interest rates depress incentives to save
- **Insight: Consumers lack financial awareness and therefore struggle to find suitable products, but they are attempting to rectify this**
 - Poor general financial awareness is reflected through a very inaccurate estimation of national interest rates
 - Consumers are attempting to gain more information about their financial products in a bid to steer themselves through the crisis, but this has not spread to a large increase in interest for the financial world as a whole
 - Consumers are now paying significantly more attention to banking literature, and savings institutions should take note
 - Interest in banking literature is likely to be driven by a heightened focus on finances and value for money, and consumers will respond negatively if these needs are not met
- **Insight: Familiarity leads consumers to save with their primary bank**
 - Geographically there are large differences in savings channel preferences
- **Trend: Price is a less competitive driver than before the downturn**
 - In today's conditions, competition between financial services companies is fierce
 - Financial service providers must look past price to compete successfully in today's market
 - Consumer empowerment means banks must get some 'basics' right to attract and retain customers

- **Insight: Consumers are more appreciative of the financial stability of their savings institutions**
 - The global economic crisis has led to the stability of the financial organization featuring heavily in decision-making
 - Consumers want savings products to supply a reasonable return but retain flexibility of access and security from risk
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