

# Navigating the financial services landscape

What consumers really want (and need)



# Executive summary

**The financial services landscape is evolving like never before. In the UK alone, consumers are faced with a choice of over 1,200 savings accounts; 1,100 investment management firms and more than 131,000 mutual funds. Not to mention the number of pension providers, banks and less traditional money-management apps.**

The options are far-ranging, supposedly providing a competitive market which can cater for all tastes – however, what does today's consumer really want? What are the critical factors at play when they choose who to trust with their finances? And how might this change in the future?

One thing is certain; against an increasingly challenging backdrop of the rising cost of living, climate change becoming a more tangible threat and revelations of immoral practices taking place in companies both at home and abroad, today's consumer is faced with an unenviable decision to make.

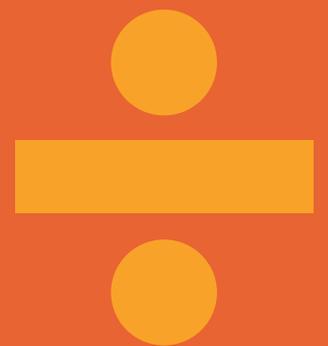
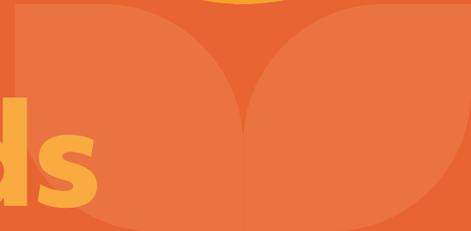
WA wanted to find out what really motivates these choices and so surveyed over 2,000 people across the country to uncover the facts.

## What we discovered

- Ethical performance and investment allocation is of increasing importance to consumers
- The younger generation is less focused on the performance of their pensions and investments; and more on ensuring their allocation aligns with their values
- There remains a staggering lack of understanding about where and how consumers' money is invested. Transparency and education will therefore be critical to meet the needs of tomorrow's consumer



# Name recognition vs ethical creds – a blurred dividing line



# ESG credentials have a core role to play in the consumer decision process

**When it comes to savings accounts, brand awareness is a primary driver of choice – 79% of people say recognising a bank or building society's name is important to them when choosing a savings account.**

However, it's not simply brand recognition that determines where savers choose to open accounts; well over half (56%) of respondents say that a bank's ethical and environmental credentials are an important deciding factor too.

The implication is clear – banks can no longer rely on name recognition alone. Ethical, and to a lesser degree, environmental credentials are becoming increasingly important to consumers. Financial institutions cannot rest on their laurels assuming that being a household name is enough to bring in new customers – today's saver demands more.

## Choosing a savings account



**79%**

of people say whether they recognise the bank or building society's name is 'very' or 'fairly' important to them



**60%**

of people say the bank or building society's ethical credentials are what matters



**53%**

say the bank/building society's environmental credentials are important to them

## The same attitudes are echoed across investments and pensions

These preferences can be seen in consumers' investment and pension choices, too, with the name recognition of an investment manager only slightly more important than the manager's ESG credentials.

### Choosing investments



**65%**

of people say whether they recognise the investment manager's name is 'very' or 'fairly' important to them



**59%**

say an investment manager's ethical or environmental credentials are what matters

### Allocating pensions



**62%**

of people say recognising the pension manager's brand name would be 'very' or 'fairly' important to them if they were to change how their pension is allocated



**55%**

say a pension manager's ethical or environmental credentials are what is important

For both pension and investment funds to secure inflows, it's not enough to just have a strong profile; the business must demonstrate strong ethical and environmentally-sustainable practices as well.

In addition, and what is perhaps most interesting, is the drop in importance of brand name when considering savings accounts (79%) with investment and pension managers (63%). Those in the investment industry need, more than their peers in the banking and building society space, to really stand for something, not just stand out.

## Focus less on the E and more on the S and G

While many investment managers and pension funds have historically concentrated on extolling the “E”, or environmental aspects of their business – focusing on how they are working towards a net zero future, fighting climate change and even the biodiversity measures they are introducing, our research demonstrates that consumers are actually slightly more interested in the ethical aspects of a business – such as their labour practices and the diversity of their workforce and board.

### Choosing investments



**60%**

of people say that whether an investment manager operates in an ethical way is important to them



**58%**

of people say that whether an investment manager operates in an environmentally-sustainable way is important to them

### Allocating pensions



**57%**

of people say that whether their pension investment manager operates in an ethical way is important to them



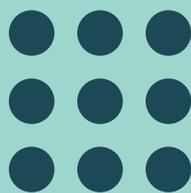
**52%**

of people say that whether their pension investment manager operates in an environmentally-sustainable way is important to them

To ensure their competitiveness in the crowded landscape of investment management, it is increasingly important for managers to showcase that they look after their workforce – not simply the wider environment.

This finding is particularly important given most businesses limit their ethical credentials to a short statement about Diversity, Equality and Inclusion. Based on our research, activity and pledges focused on internal labour practices and company morals are highly valued and well-received by consumers. As such, these should be lauded, not resigned to a sidenote on marketing communications.

# A new generation brings different priorities



# The younger the generation, the more important the ESG credentials

Perhaps unsurprisingly, the performance of a portfolio ultimately remains a more important factor than ethical or environmental credentials across all age groups when it comes to investing.

**73%**

of people say that the amount of money generated in returns is of most importance to them, compared with

**27%**

who state that ensuring their money is invested in an ethical or environmentally-sustainable way is what matters most.

However, this focus on performance is far less important to the next generation of investors who increasingly seek out investments which align with their own values.

With Generation Z almost evenly split between saying that the ethical and environmental credentials of their investments is as important as the returns they achieve, investment managers may need to reconsider how they market themselves to attract the clients of tomorrow.

## Ultimately, when investing your money, which of the following is more important to you?

	18-24	25-34	35-44	45-54	55-64	65+
The performance of the portfolio	54%	66%	66%	80%	79%	80%
That the money will be invested in companies which operate in an 'ethical' and / or 'environmentally-sustainable' way	46%	34%	34%	20%	21%	20%



# Financial understanding – mind the gap

## Education job to be done, with pensions lagging behind

Our research paints a stark lack of knowledge around consumers' pensions, a worrying picture when it comes to consumers' understanding of how their investments are managed and overall confusion with the state of the market.

### Engagement with investments has room for improvement



**46%**

of people do not know what investment manager(s) they use



**38%**

know either just a "little bit" or nothing at all about how their money is invested

### Pension awareness is staggeringly low



**63%**

don't know who manages their pension



**59%**

know either just a "little bit" or nothing at all about how their pension is allocated



**29%**

of people don't know how to find out where the money in their pension is invested – rising to 46% amongst the over 65s

## Overall confusion with the state of the market



63%

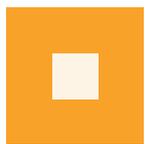
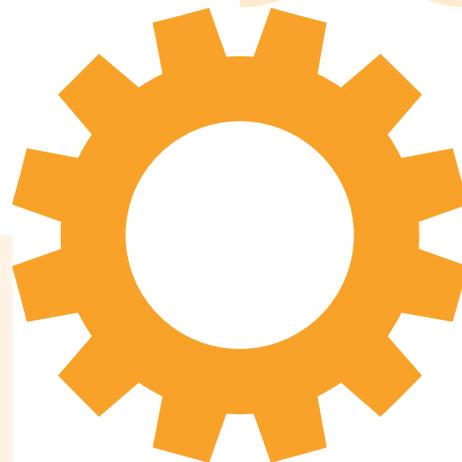
say the number of financial products on the market makes it difficult to tell them apart

There is a clear need for financial services firms to engage their customers in a smarter way and to educate both existing and potential customers about their offering.

This is perhaps confounded by the lack of clear definitions and standards which qualify and measure the elements of “E”, “S” and “G”. While we know that this is a key driving factor for many consumers and, granted, the regulator has recently updated the sustainable investment labels which investment firms should use, there remains a dearth of clarity around what investing ethically or environmentally-sustainably really looks like. This is clearly reflected in consumers’ confusion.

This lack of understanding and overarching bewilderment suggests that even businesses who are providing outstanding returns, and who are operating and investing in an ethical and environmentally-responsible manner, may go un-noticed by their target market.

What is apparent is that those who are able to better educate and engage with consumers on exactly what they offer will be the ultimate winners in this crowded market.





## In summary

### **The financial services landscape may have evolved, but so has the market which it serves.**

Traditionally, financial services firms simply had to build a recognised name for themselves, demonstrate they could turn a profit and perhaps throw in a welcome offer to attract consumers.

The consumer of today, however, is more discerning.

They have far higher expectations when it comes to how their money is managed; they seek out firms who share their ethical and environmental values and demand more than simply above-average returns.

However, despite this appetite for engagement, there remains a wide gulf when it comes to consumer understanding of how and where their money is managed – and whether this in fact does align with their own morals.

What is clear is that the financial services firms which will achieve success with the consumer of today and tomorrow, are not simply those who are well-recognised or who boast strong ethical and environmental credentials, but those who are able to successfully communicate this to the market.

The firms of the future will be those who take the time to educate their current and prospective customers on what they do, why they do it and how this delivers strong financial results in an equitable and sustainable manner.

It may be a crowded market, but there's certainly space to stand-out.



## How WA can help

**For many players in the financial sector, these findings may not be groundbreaking, but perhaps a wake-up call as to the importance of properly understanding consumer demands and successfully communicating your offering in order to secure future inflows.**

We are all well aware of the industry headwinds impacting the industry from almost every direction – regulatory changes; unprecedented market conditions compounded by geo-political events; significant fee pressures; and investors seeking more control and personalisation in their portfolios.

Combine this with market saturation, lack of consumer education and differing use of and views around appropriate sustainable terminology and it can seem near impossible to successfully and clearly cut through the market noise.

This is where WA can help.

We have a deep understanding of the industry in which you operate, a keen focus on ESG and sustainability and sharp insight into the trends influencing consumer behaviour. Our integrated approach combines media relations, public affairs, social activation and creative content to bring about the impact needed.

Starting with strategic thinking we develop a robust plan of action, messaging and tactics to deliver tailored, insight-led programmes and campaigns which resonate with the audiences which matter to you.

Faced with constant change and growing pressures, we can help you meet these challenges head on, build recognition as a trusted, transparent and engaging provider and, through proper education and messaging communication, secure the customers of today and tomorrow.

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