



UK Fintech

Driving Fintech adoption by addressing consumer needs





Introduction

Fintech is seen as having the potential to unlock tremendous economic benefit, competition and investment into the UK banking sector.

Whilst clear progress has been made with the emergence of new digital banking brands and the introduction of new digital services, consumer adoption has been slower than expected.

We have conducted our third installment of Fintech research to understand consumer attitudes towards new digital services.

This paper outlines the current situation, opportunity and strategies to drive adoption:

- When thinking about how to drive consumers to adopt new digital services, we believe the first step is going back to basics and understanding consumers' financial needs and priorities.
- Consumers are not currently looking for wide-scale disruption of existing relationships, but tremendous potential exists if they can identify value in unlocking their data.
- In order to do this, the industry needs to leverage brand trust and focus on the benefits that address their fundamental financial needs – with less emphasis on the underlying technology.
- With an increasing industry focus on vulnerability, we also identify how Fintech solutions could help those most in need.



Kevin Crouch
Gusto Research Partner



Mark Gentry
Associate Director

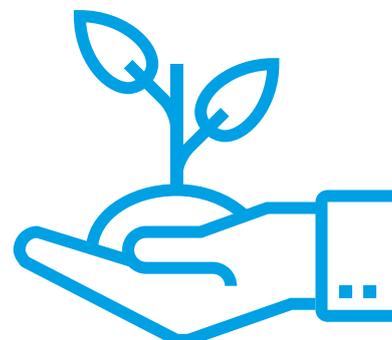
Gusto conducted a self funded piece of research consisting of 1,500 online interviews with UK banking consumers in 2019 (building on previous stages in 2017)

Evolution, rather than a revolution for engagement with new digital services

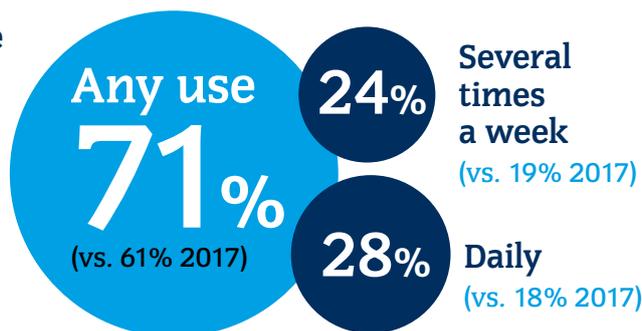
Full-scale disruption is not desired, but has considerable potential if barriers can be overcome

Mobile increasingly important

Consumer banking habits are evolving, with digital channels enabling greater financial control – leading to an increase in mobile banking use



Usage of mobile banking



Usage of new digital services has increased, but consideration is limited

Usage has increased (driven by early/mid Lifestages), as has awareness of new Fintech brands...

...and the level of positivity towards the potential benefits of using new digital services suggests considerable opportunity (see page 7)

Used last 3 months

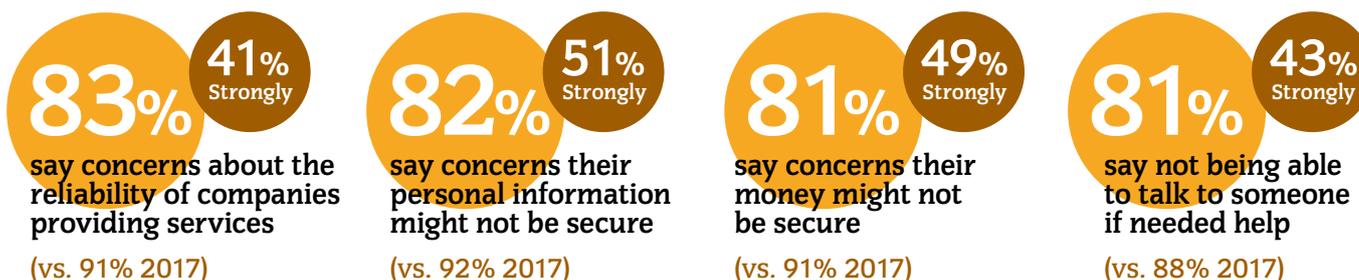


But...

- Usage is only among a minority
- New digital banks rarely chosen to be their main bank
- Consideration hasn't really moved on

Barriers still significant

Whilst the perceived barriers to adoption have reduced, they are still significant



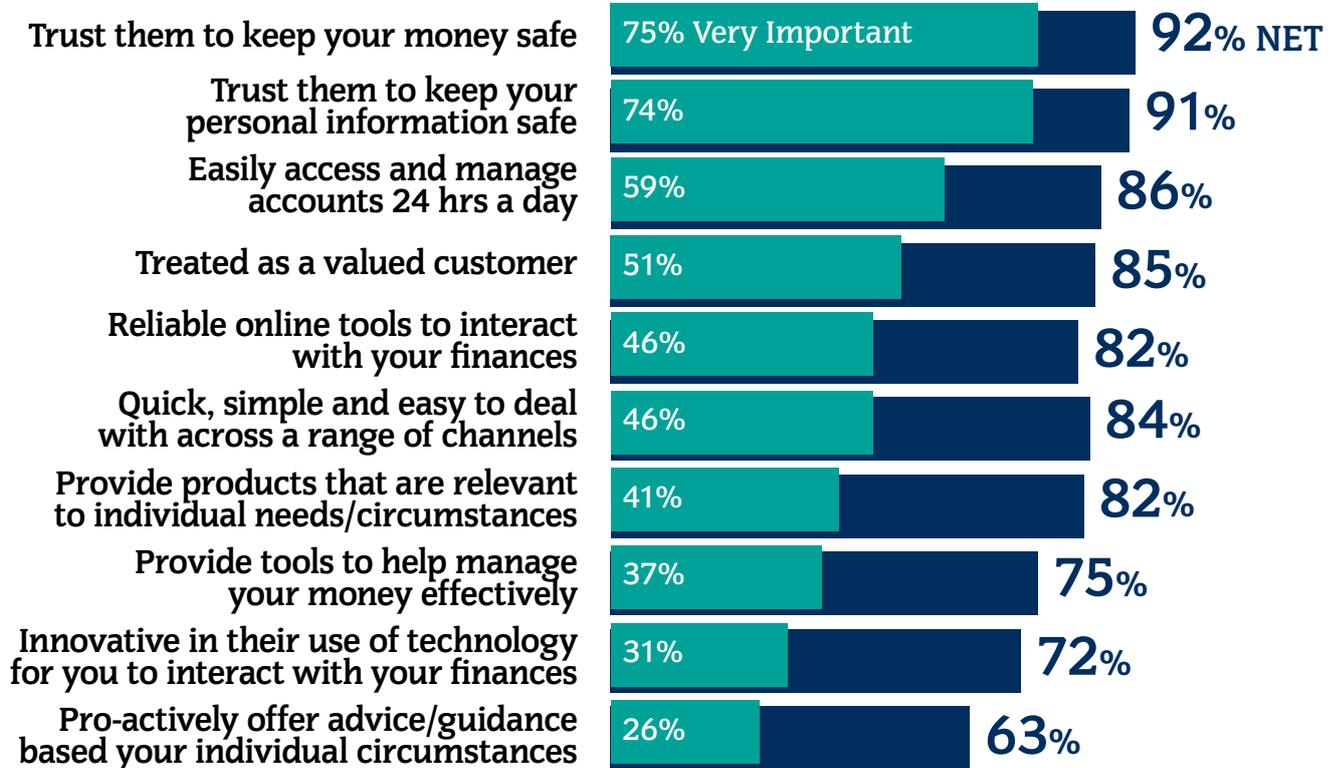
The opportunity for Fintech services rests on going back to understanding consumers' fundamental financial needs...

Opportunities to fulfil a range of needs are present

- All of the elements shown are important to consumers to some degree and all represent an opportunity for Fintech solutions
- Security of money, personal data and accessibility are critical elements that all brands must deliver



Importance: Banking provider choice



Opportunities exist to better fulfil these needs

(% do not agree applies to their main bank)

29%

not innovative in their use of tech for you to interact with finances

27%

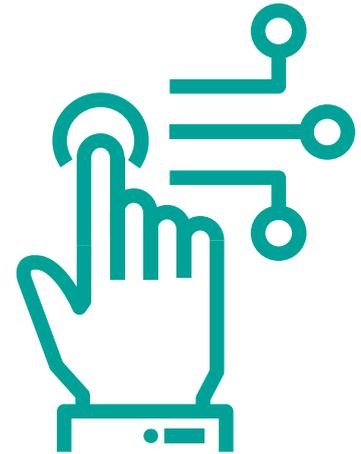
don't provide the tools to help manage your finances effectively

21%

not quick, simple and easy to deal with across a range of channels

...and building solutions around financial priorities

- Consumer priorities centre around a desire for financial control and providing for their future
- Providers should also consider:
 - Building strategies and solutions around these core financial priorities
 - A lifestage approach to tailored contact strategies



Financial Priorities (% Top 3)

Ranked position by Lifestage

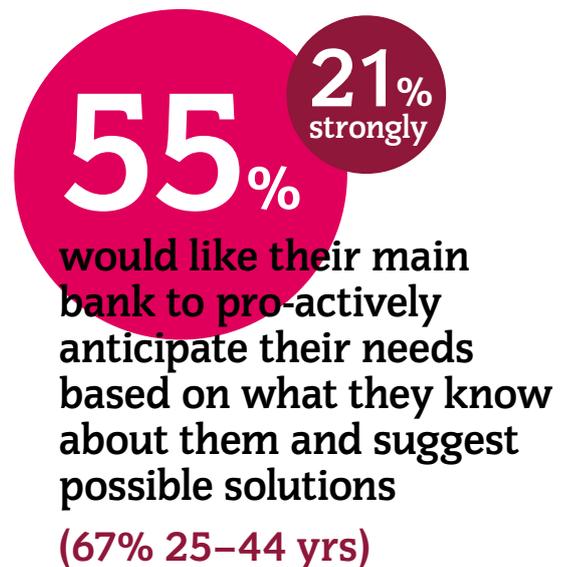
	18-34	35-44	45-54	55+
72% Managing day-to-day spending, outgoing & incomes	2	1	1	1
63% Saving for the future	1	2	2	2
39% Ensuring family is protected if something happens	4	4	4	3
38% Paying off unsecured debt	3	3	3	5
27% Insurance for home & belongings	8	7	5	4
26% Preparing for a large purchase	6	5	6	6
18% Paying for home improvements	7	8	7	7
17% Looking to buy/rent new home	5	6	8	8

Demonstrating needs are understood through personalisation



Data led personalisation strategies could address current unfulfilled needs

- When comparing the importance of different needs versus their main banks performance of these; the biggest gaps are:
 - Understanding their financial needs
 - Treating them as valued customers
- The majority of consumers would like banking providers to anticipate their needs by utilising the wealth of data they hold on them to provide more tailored solutions at the right time



Leading on tangible benefits, not the technology

Working harder to communicate the benefits

- Despite aggregation tools and other Fintech services being rolled out, adoption is still limited – likely due to a lack of awareness and familiarity
- Consumers need to support the flow of their data to unlock the potential of many Fintech services
- Providers need to offer simple, tangible benefits appealing enough to encourage the sharing of data:
 - Security is perceived as a key risk, but is a potential trade off against the benefits and an opportunity to demonstrate greater levels of security
 - Consumers are receptive to a range of benefits



Factors that would encourage the use of new mobile based services (top benefits):

90%



Improved security of their money

86%



Better returns on savings/ investments

84%



Able to manage money more effectively

82%

Saving money on insurance premiums

81%

Additional benefits e.g. discounts, loyalty schemes

81%

Transfer money more quickly

Money management benefits are stronger than 2017 research (e.g. real time information, speed of transfer, mobile management and account aggregation)

Delivery on fundamental needs to drive data sharing

Consumer willingness to share data is greatest when the functionality provides specific, compelling benefits, that address fundamental needs

The data below shows:

- Most consumers are willing to share their data if they identify with the benefit
- Particularly if it helps them make money or save money
- Willingness to share data to help buy/rent a new home is driven by younger consumers



Tasks consumers are willing for their main bank to share data with other providers, in order to achieve better outcomes (top 3 mentions shown):

Managing day-to-day finances	Saving for the future	New home	Large Purchase	Organise Insurance Cover
61% Any*	66% Any*	87% Any*	63% Any*	63% Any*
29% Transfer money between accounts	40% Showing options that might allow a better return	43% Make sure monthly mortgage/rent payments made successfully	33% Recommending good value credit options	33% Search for good deals when needed
29% Accessing cash	34% Maximising the amount you save/invest every month	42% Monitor credit score	28% Recommendations on how best to finance the purchase	33% Monitor your insurance renewal dates
26% Monitor balance and transactions	27% Recommending how much to save to achieve specific goals	40% Good deal on mortgage	28% Receive guidance on how to improve your credit score	29% Recommend opportunities to switch insurance providers

*Any of the tasks we tested (more tasks were tested than those shown).

Enhancing the experiences of those most in need

Our research has identified that 'vulnerability' is both widespread and challenging to define; not one-dimensional or static

In broad terms, vulnerability is also financial and can be seen as either **chronic or transient** and affects the majority of consumers at any given point:

- Life events can trigger significant financial implications
- Key to recognise these life events and establish ways to empower consumers. Allowing them to gain control of their money during this period of transition

Opportunity for Fintech solutions for consumers with transient vulnerability

- They are more likely to be willing to share data to gain enhanced outcomes for day to day management of their finances
- More positive about all benefits we tested that might encourage them to use new digital services
- Important to encourage continued use and positive financial behaviour as circumstances change

Vulnerable customers, in particular transient vulnerability

61%

feel less comfortable financially

45%

report lower control of finances

Transient vulnerability typically occurs with financial repercussions

i.e. more financial responsibility (e.g. new mortgage or loss of income etc.)

Vulnerable customers are more likely to feel it's important that banks...

80%

...understand my financial needs

78%

...provide tools to manage finances effectively

65%

...proactively offer advice/guidance based on circumstances

59%

...proactively anticipate my needs based on what they know about me, and suggest possible solutions

Being a trusted provider is critical to data sharing

There is openness to trusted brands across sectors, but established banks are in the strongest position to leverage their brand and existing relationships

- Consumers trust what they are familiar with
- Established banks are the most trusted providers of these services
 - Preference for established banks has increased (still over two times higher than new digital banks)
 - Whilst younger consumers (25-44) are more open to a range of providers, established banks are the clear preferred option for all ages
- Consideration for open banking/account aggregation is higher if offered by their main bank and this has increased significantly since the last research we conducted
 - 35% very likely to consider their main bank (vs. 15% Visa/Mastercard, 10% Amazon, 6% company that specialises in tech)

Who consider using to access new digital financial services



Established bank or building society

(vs. 54% 2017)

37% say they are their preferred providers

(vs. 34% 2017)

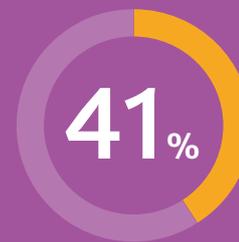


Online payment provider (e.g. PayPal)

(vs. 52% 2017)

16% say they are their preferred providers

(vs. 14% 2017)



Payment card provider (e.g. Visa)

(vs. 52% 2017)

11% say they are their preferred providers

(vs. 15% 2017)



A new 'digital bank'

(vs. 18% 2017)



Major Online Retailer (e.g. Amazon)

(vs. 28% 2017)



Mobile tech provider

(vs. 28% 2017)



Social Media provider

(vs. 7% 2017)

Opportunity for major banks to enhance their digital offering

61%
would rather
their main bank
improve their
mobile offer

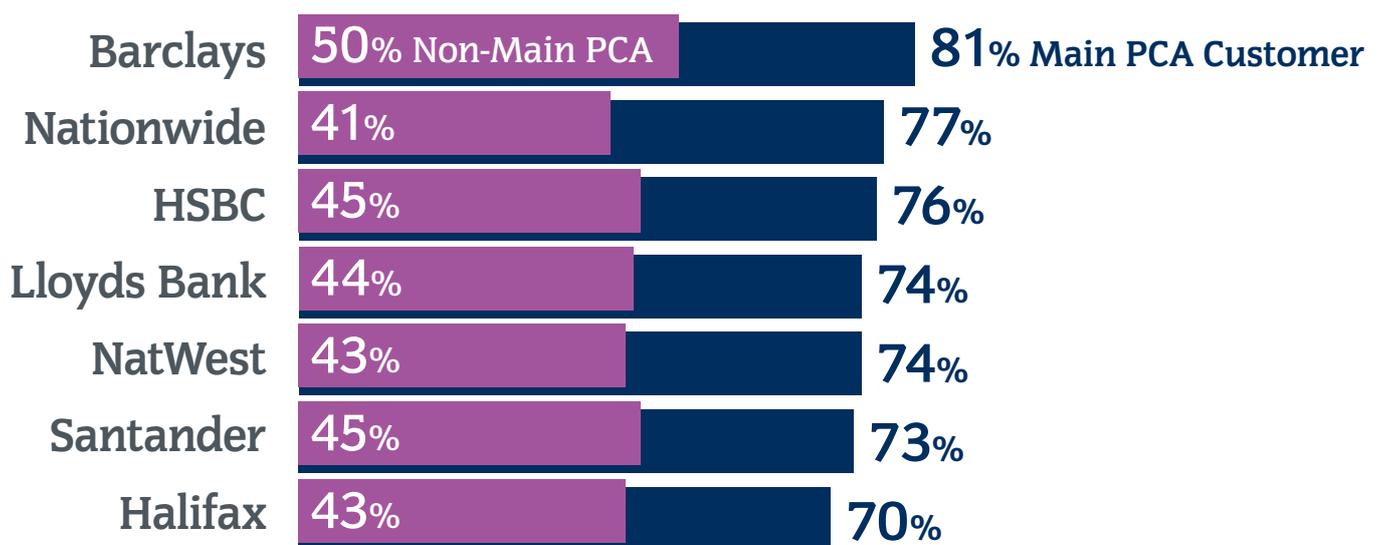
than switch to another provider
to access a better mobile
banking service

73% 18-44 yrs

Whilst major banking brands are generally regarded as being 'digital' by their main PCA customers:

- This is not universal
- Mobile banking is now arguably more expected
- A minority of mobile banking users don't value the service they use
- Potentially due to increased competition, customers are challenging whether their banking app is best (**41% are unsure/ disagree their mobile banking app is better than others**)
- The good news for the banks is that customers want to stick around to see the service evolve, and limited differentiation amongst the big banks (non-customer perceptions shown) provides an opportunity to stand out from the crowd

Do you consider the following banks to be 'digital'?*



*Banks that allow you to fully manage your money online using banking portals or apps (only selected banks shown)

Considerations

- Adoption of new digital services is happening slowly, through evolution, rather than revolution
- Focusing on consumers' financial needs and priorities is required to unlock the potential of Fintech services
- Willingness to share data is greatest when the functionality provides specific, compelling benefits, that address fundamental needs
- Brands should use advances in data analysis and technology to demonstrate consumers needs are understood via pro-active relevant communication, available at the right time
- Lead with simple, tangible benefits – not the technology or industry terminology
- Explore how Fintech solutions could enhance the outcomes of those most in need
- Trust takes time to build. Established brands are best placed to leverage this competitive advantage and ensure mobile offerings evolve



A wealth of additional information is available regarding all the areas covered in this paper, plus additional information on channel behaviour/attitudes, consideration for digital services relating to specific financial needs, awareness/usage/recommendation of digital banks, trust in established banks vs. tech specialists, attitudes to service via virtual assistants and consumer vulnerability