

Two Steps Forward & One Step Back

UK Consumer Mindsets in 2015

Summary Report

30th March 2015



Background to the Study

ID Insight Consulting is a UK market research company, conducting consumer and business research for clients across a range of industries and sectors. Ongoing studies include brand and reputation tracking, customer experience measurement, product development research, creative testing and consumer attitude research.

This study was conducted in February and March 2015 to gain a broad understanding of opinions, attitudes and behaviour of UK consumers. It was prompted by a number of client organisations who wanted an up-to-date, comprehensive understanding of the prevailing consumer environment as the UK moves from recession to growth.

The research covers views on the UK economy at a macro level and individual personal circumstances at a micro level but is not intended to be a direct alternative to long-established, regular tracking of consumer confidence.

Instead it captures a view on these areas as context in which to set the main body of the research, from which we can explore the implications on everyday consumer attitudes, behaviour and longer-term planning.

The results are based on 1088 online interviews with 18+ year olds in the UK, conducted between 21st February and 3rd March 2015.

Quotas were applied to make the results nationally representative of the population as a whole.

This document is a summary of the findings featured in the full report – “UK Consumer Mindsets in 2015”

The study was commissioned by ID Insight Consulting Ltd, who own the data and all reporting. Extracts from the study may be published and any published material must include a reference to ID Insight Consulting as the commissioning company.

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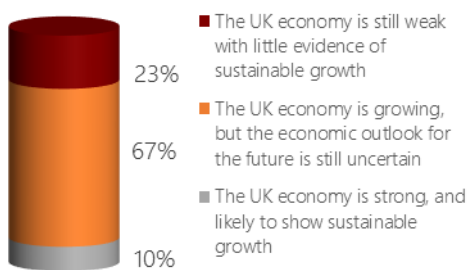
Headlines

- The prevailing economic environment might be better now than for many years but most consumers still view the economic outlook with a degree of uncertainty...and some with outright pessimism.
- People make little distinction between their own financial outlook and that of the economy as a whole. They are not confident in their own financial future, ergo, they are not confident in macro-economic growth.
- A hangover from a prolonged recession and the prospect of continued austerity has created a hardened consumer who is not sure if it's safe to come out yet. A number of consumer types emerge – including 'thrifty affluent', 'anxious but inactive' and 'savvy spenders'.
- The psychological impact of recent years seems to be outliving any real financial impact and this mind-set impacts everyday decisions and long term planning...in ways that can seem inconsistent, if not irrational.
- Nearly half of the population think that people should make their own provision for health, education and retirement, as the state is increasingly unable to cope.
- However most people simply do not feel confident that they will be secure in retirement and a large proportion of these are consciously not planning to do anything about that...'what will be, will be' say many.
- Home ownership is still seen as the best investment...but is increasingly seen as an unrealistic expectation.
- The desire to balance quality with economy sees a movement towards strong 'value brands', who have lost the stigma that might have held them back in the past. Aldi are an archetype and flag-bearer for this group.
- Premium quality brands are able to hold their own in the new consumer world and can co-exist with value brands...the biggest challenge may be for the brands that occupy the mid-ground.
- Coupon culture has permeated into mass market and use of cashback websites (like Quidco) and voucher sites (like Wowcher) is commonplace across ages and incomes...some are in sale mode 365 days a year.
- Consumers in 2015 see broadband, mobiles, cars, contents insurance and '5 a day' as 'essential' but health insurance, life insurance and university study as luxuries. Most people say it's essential to have regular savings...but how many do?
- Established lenders are still the place to go if you need to borrow but a sizeable minority would rather borrow from their family than a bank. Views of payday loan companies remain very negative but many more people would consider a credit union than are currently using them.
- If they had a £30,000 lump sum, more people would spend it on a luxury holiday or car than would invest in shares or bonds and more than 40% would keep some or all of it as cash.
- We have become a nation of instant experts, where online advice and information on almost every subject is available, trusted and free...undermining some of the value and acceptance of professional advisers.
- More people prefer to use businesses that are seen to be 'local' or part of the community than those that are 'ethical' or have clear corporate social responsibility policies.

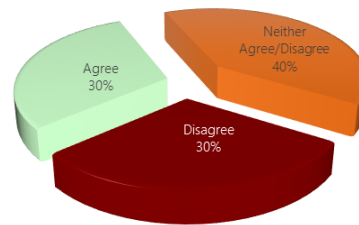
The Consumer Mindset in 2015

We're just not feeling it

Most consumers view the UK economic outlook with a degree of uncertainty whilst recognising, to some extent, that things are improving. However around a quarter are much more pessimistic and feel that the economy is still weak. More surprisingly, when asked to say, simply, whether they think the 'UK economy is out of recession and growing', exactly the same number agree as disagree (30% each) with the rest sitting on the fence. Why do consumers maintain this degree of caution and lack of confidence when most objective measures point to a more positive outlook?

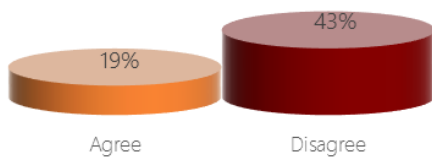


"The UK economy is out of recession and in a period of growth"



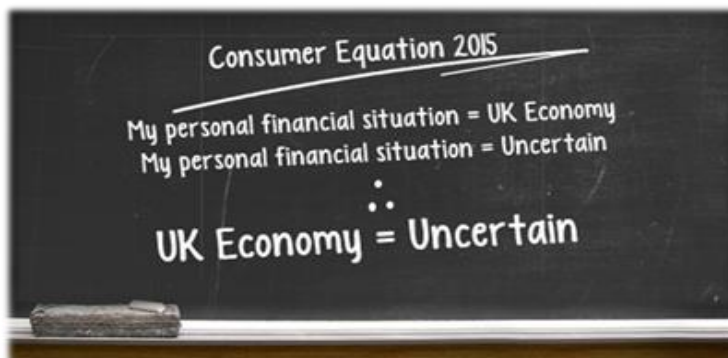
There seems to be a hangover from the cocktail of a prolonged recession mixed with the prospect of continued austerity. This has created a weary and wary consumer that needs more convincing that the recovery is a reality - because they are just not feeling it yet.

"My personal financial situation is better now than it was 12 months ago"



"I feel confident in my personal financial situation and expect this to continue to improve"	13%
"I feel that my personal financial situation is difficult and I can't see that changing"	31%

For most people, their personal financial situation IS the UK economic situation – there is little distinction between the micro and the macro situation.

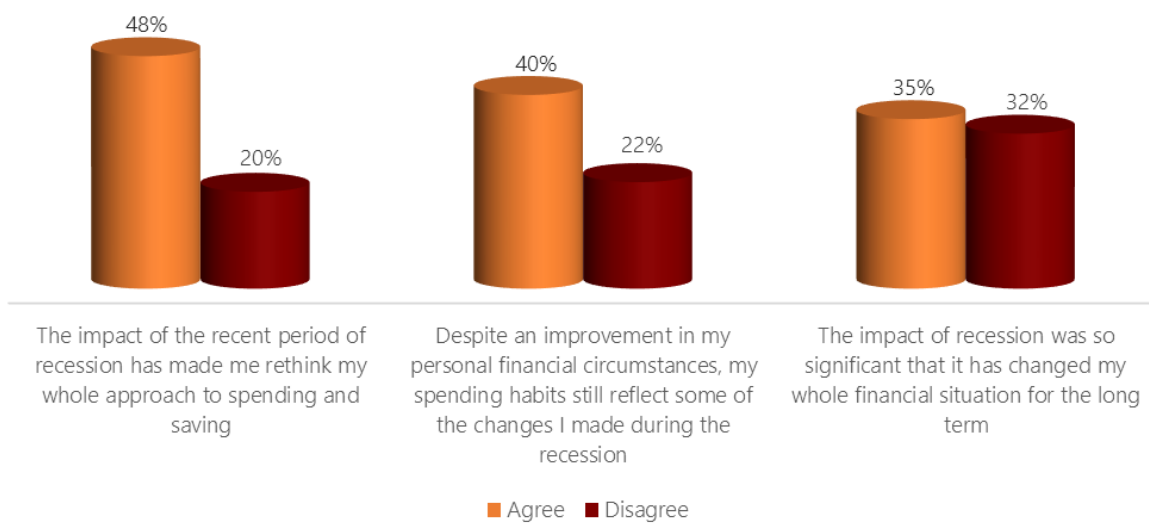


Is it safe to come out yet?

The recession was a harsh reality for many, the financial impacts of which would have been deep and long lasting...but for many more it could have been illusory. The majority would have seen out the recession, in continuous employment, on steady incomes (albeit without the above-inflation rises of boom times) and without the realistic prospect of losing their homes. Yet the fear of recession and impact on consumer attitudes was very real.

This psychological impact understandably outlasts the financial impact, so it's no surprise that people need more explicit positive indicators that relate to them on an individual level before the balance shifts and they are able to see the sun behind the cloud.

Even then, it will be a changed consumer landscape. Deal hunting, product switching, money saving and consideration of 'value brands' (much of which is enabled through online convenience) are likely to stick even when the perceived economic imperative has gone.

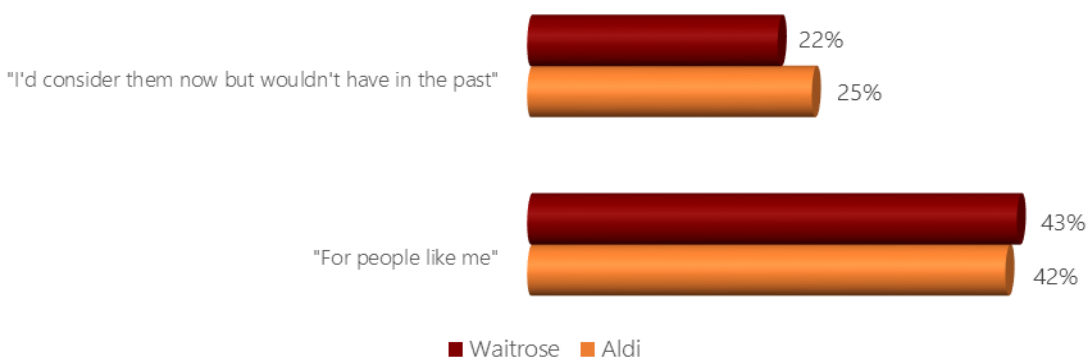


Austerity is the new black

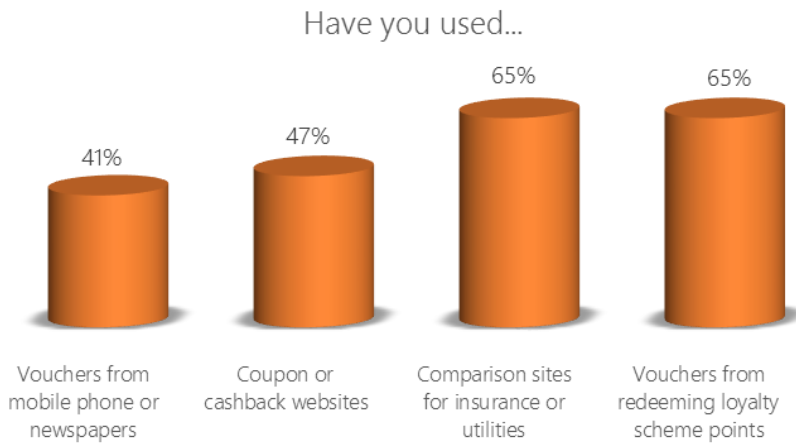
Not only have changes to consumer habits adopted during the recession stuck, there is a sense in which personal financial prudence is fashionable...it's what savvy consumers in the 21st century do.

Consideration of value brands is widespread and evident across all households, irrespective of income or lifestage. We clearly see the emergence of the 'thrifty affluent' consumer who is as happy at Aldi as Waitrose...and equally happy to talk about it. There is no longer a stigma attached...in fact quite the reverse. Primark accessories to a Vivienne Westwood dress are a talking point not a gaff.

Households with £80,000+ incomes



Coupon culture is becoming the norm too, with nearly half using cashback websites like Quidco or discount or voucher websites like Wowcher. A large majority of us buy products and services based on whether they are discounted or part of a deal.



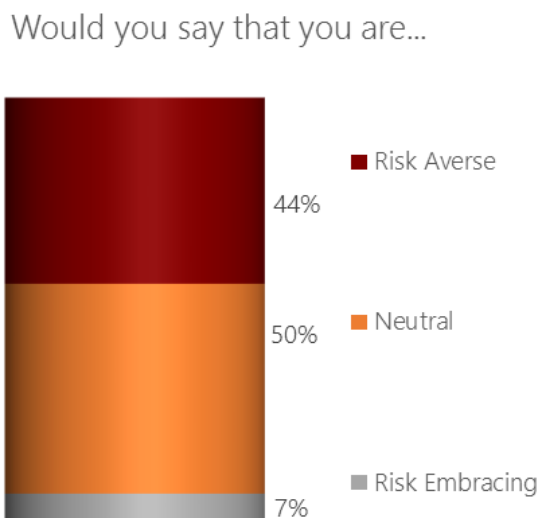
That's not the preserve of the lower income households either...the use of voucher and cashback sites, price comparisons, coupons and promo codes is there in almost equal measure across all income groups. In fact, the higher income households are more likely to have used them than the lower incomes.

Over 80% of people agree that the ability to get a deal or discount is a factor in deciding what and where they buy and more than 1 in 3 of those say that almost everything they buy these days is chosen on whether they can get a deal or discount on it.

For many it seems like a 365 days a year sale mentality, where the focus is as much on the saving as the cost.

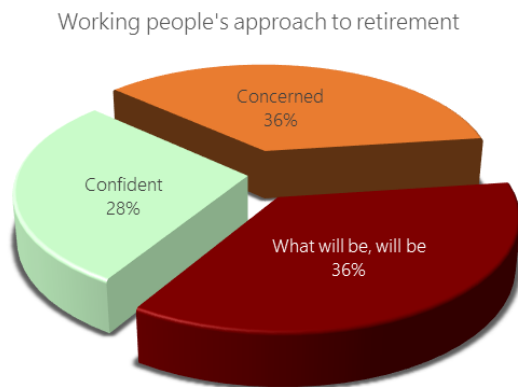
Fear for the future

A very small proportion of the public claim to actively embrace risk in their lives but most are consciously exposing themselves to issues in the future by not planning for retirement or protecting themselves against major life events.



In this respect, as in many others, our rational views are not necessarily being played out in our consumer choices.

Only around a quarter of working people are confident of being financially secure in retirement – a larger number are concerned about being secure in retirement but say they are taking steps to address that (it's unclear what) - and the same number say that they will either be dependent on a state pension or have no retirement plans at all but readily accept that 'what will be, will be'.

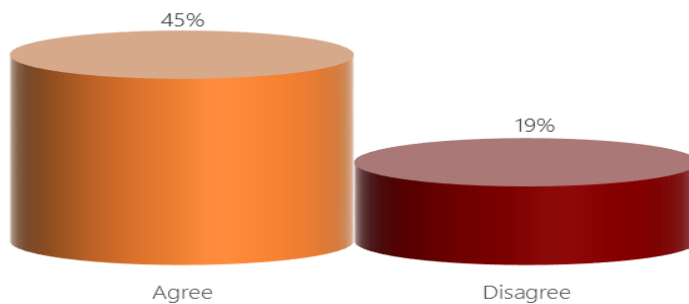


Even amongst those who are already retired, 19% say that they are concerned about their financial security and a further 23% say that their stability is dependent on a state pension.



In the context of the overall economic environment, there is a realisation from many that individuals should look to make their own private provision for health, education and retirement – as many more agree than disagree that the state is increasingly unable to provide these services. In reality though, this realisation isn't being addressed either.

"The state is increasingly unable to provide adequate public health, education and retirement services and people should make their own provision"



Bricks and mortar

Most people still think that owning your own home is the best investment for the future...but they also think that it's an unrealistic expectation for many due to tougher lending rules. Whilst that view is widely held irrespective of age, there is a marked difference between the age groups here. Those under 35, who are least likely to be on the property ladder, are least likely to feel that home ownership is the best investment.

Reconciled to the impracticality of owning they set their sights elsewhere, with business ownership being the most popular alternative. Not too many years ago it would have been hard to find many people who felt that starting a business was a more accessible and practical option than getting a mortgage.



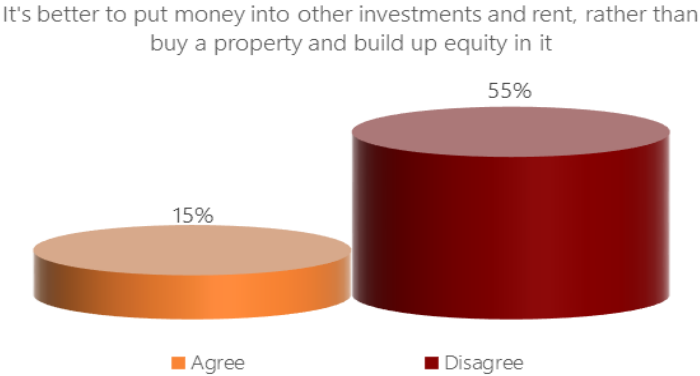
Buying your own home is still the best investment for the future, no matter what happens to the economy

Home ownership is no longer a realistic expectation for many people in the UK because of tighter rules on lending

Agree Disagree

The view that home ownership is an unrealistic expectation for many is shared by all age groups – up to age 65. Two generations feel the difficulty – the younger generation by experience and their parents by association (and perhaps by responsibility). Those in the third generation, who are older and retired are less impacted either directly or vicariously and are less likely to see ownership as unrealistic.

This view of home ownership is also reflected in the general perceptions of whether it's better to rent and invest or buy and build equity. Overall, the balance is very strongly in favour of property ownership as the investment vehicle but again that is impacted by age with preference for property reflecting lifestage.

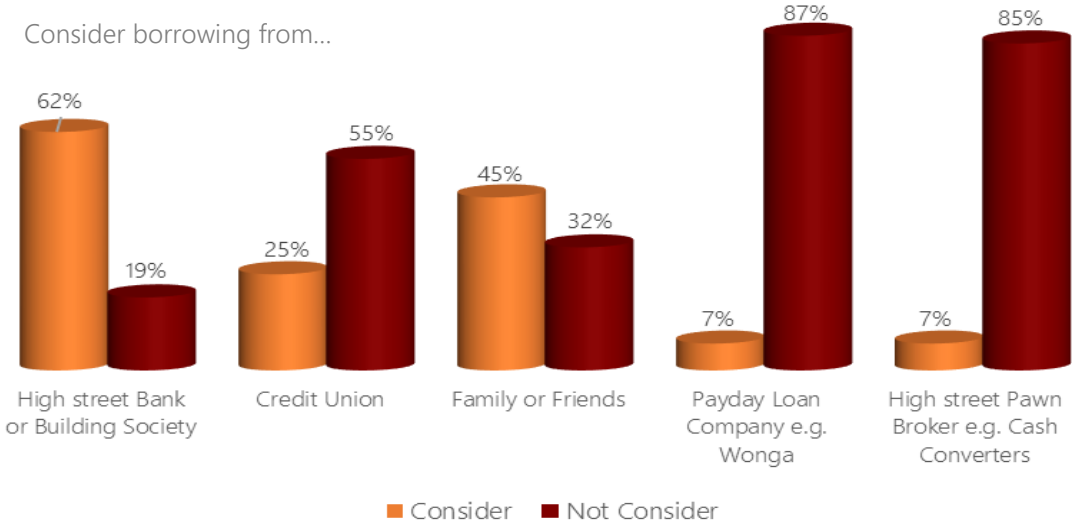


Who will you turn to?

Despite the well documented decline in trust of the financial establishment, most people still default to using the big financial brands if they need to borrow...because there is little practical alternative. Given that absence of an alternative, it's perhaps more significant that one-third would not necessarily consider a high street bank or building society for personal lending and a significant number of people (just under 50%) would consider borrowing from friends. Not all large operators in the financial sector are viewed in a very negative light – Nationwide Building Society and Aviva Insurance, major players in their respective sectors, are just two brands that have a relatively positive profile and consideration level.

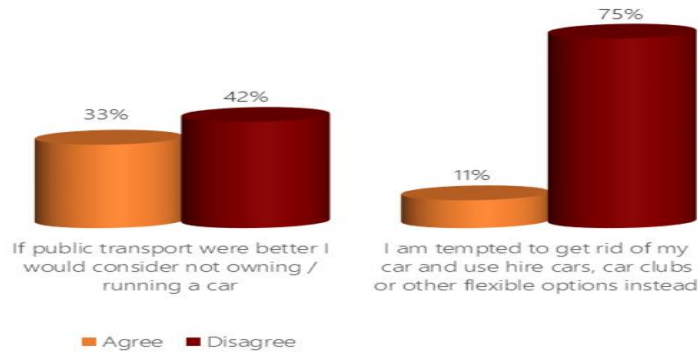
Consideration of payday lenders and high street pawn brokers remains, perhaps unsurprisingly low although it's telling that nearly 50% agree that Wonga is 'a company that a lot of people will use but won't like to talk about it'.

Credit unions have only moderate consideration (25% would consider borrowing from them) but even this relatively modest number is far more than the actual number using them...suggesting latent potential in that market as an alternative to the unpopular payday lenders.



We apologise for the delay

People are still largely wedded to their cars and there is an apparent unwillingness to get out of the car...yet. However the aspiration of successive governments to have an efficient and integrated transport solution still has some resonance. 1 in 3 could be tempted out to give up their car if public transport worked better...although they are outnumbered by those who would not leave their cocoon, even if public transport was better. Consideration of flexible driving alternatives such as car clubs has not yet achieved any kind of mainstream appeal.



London residents are, not unexpectedly, outliers in their attitudes to transport. Whilst views across other regions and countries vary little, those in London are significantly more likely to consider car clubs and flexible hire arrangements. They are also much more likely to say that a combination of public transport, walking and cycling allows them to get everywhere they need, so they don't need a car – 48% in London as opposed to 28% nationally.

I can't live if living is without...

Even in a period of post-recession caution and austerity, consumer preferences and priorities show a number of contradictions and irrational choices (but perhaps that has always been the case).

Despite anxiety over the future and admission of limited retirement planning, when asked what they would do with a £30,000 lump sum, more people would spend on a luxury holiday or car than would make a capital repayment on their mortgage or invest in shares or bonds. More than 40% would keep some or all of that amount as cash.

People don't want to embrace risk and many don't think the state can provide adequate provision but more than 3 times as many think it is essential to have pet insurance than health insurance for themselves and their families.

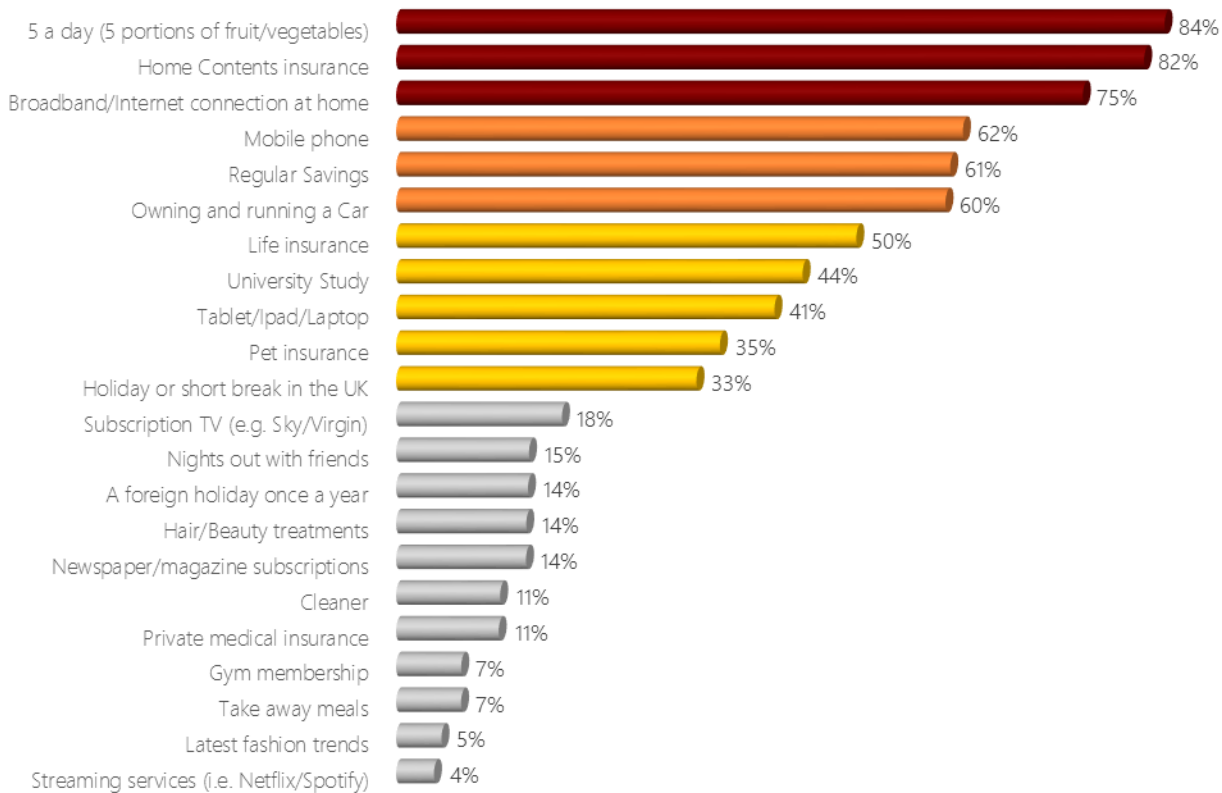
Just under half of the population think that life insurance is essential – but that's less than 10% fewer than think owning a tablet or Ipad is essential too...and perhaps in 2015 it really is.

Only 14% feel that a foreign holiday is an essential – but that rises to 1 in 3 when thinking about a holiday in the UK.

7% of people think their gym membership is an essential...exactly the same number that think take-away meals are too – not the same 7% though.

The overall hierarchy of essentials for living in 2015 comes out as:

Percentage of consumers rating each product/service as 'essential'

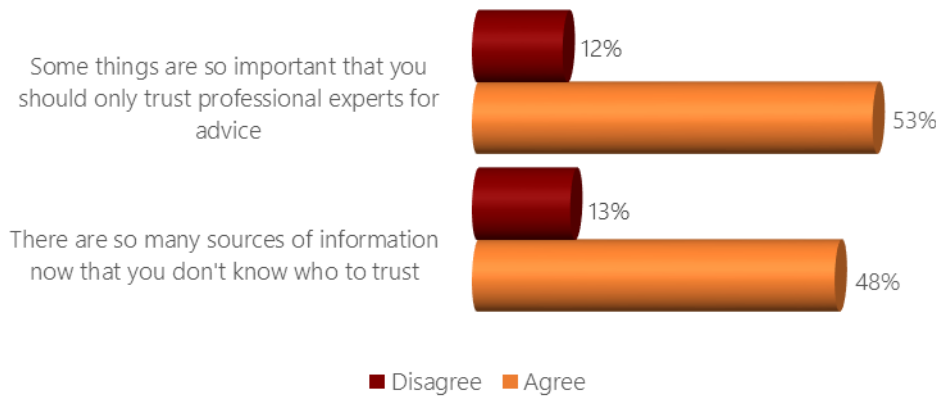


Instant expert

A majority believe that you can get good advice online on almost every subject and that much of the advice you used to have to pay for is now available free. Nearly a third trust advice from friends and family more than advice from professionals and more than a quarter say that internet forums and social media are at least as reliable for expert information as professionals.



We are turning into a nation of 'instant experts', where nigh-on universal access to online advice and information on every conceivable subject is usurping the role of formal experts, advisors and professionals. Despite this, consumers ultimately do still have a need for professional support, due to a combination of information overload and the desire for reassurance when things are 'so important that you can only trust professional advice'.

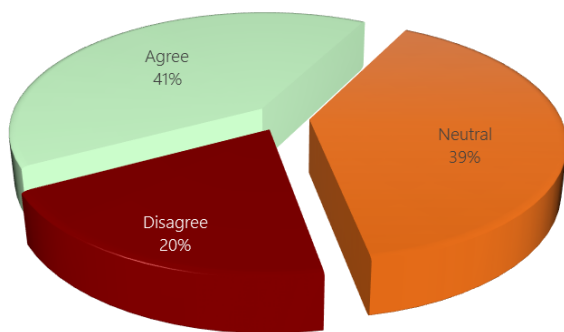


This paints a picture of a consumer world where people are seeking the help of professional experts less often, later in the decision making process and with an inflated (possibly over-inflated) understanding of what they want, how and from where. This makes them more likely to scrutinise or challenge the advice of professionals that they are buying from or through...but still want the final purchase decision to be endorsed or fulfilled by experts.

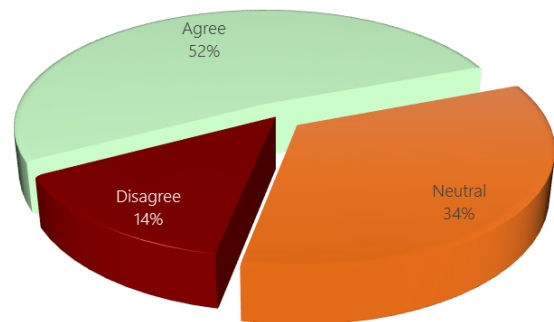
Ethics or Essex

Having a clear corporate social responsibility policy won't necessarily make a company stand out in the eyes of the consumer...although CSR and ethical trading is generally seen as a good thing, it's expected now, so less of a differentiator.

"I prefer to use companies that have a clear policy on issues such as the environment, fair trade and social responsibility"



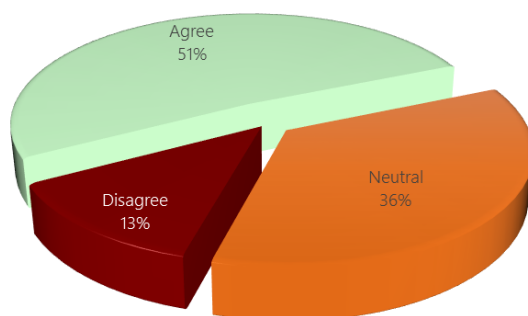
"I would expect all companies to have a clear policy on the environment, fair trade and social responsibility these days, it doesn't make a company stand out any more"



Making a claim to be environmentally friendly, ethical or socially responsible, won't necessarily impress the consumer and could sound like tokenism if it isn't directly relevant to the business in question.

More people (in fact, most people) express a preference for businesses that are 'local or part of the community' than for businesses that have a 'clear policy on the environment, fair trade and social responsibility'.

"Where possible, I prefer to use companies that are local to me or part of the community"



What constitutes being 'local' or 'part of a community' will vary of course and it is a challenge to businesses to present themselves in a way that credibly supports a claim to be so. Whilst a small, independent business will invariably be seen this way, so too can large employers who are headquartered in a region...or even global, non-UK corporations who invest heavily and create jobs in a defined area.

And finally...

Whatever we observe in the here and now is part of an ever evolving consumer trend. This study is a snapshot of views and attitudes in 2015, which tells us something about the impact of recent years but can also inform our thinking about things to come. We are not dabbling in futurology or making bold predictions for the next ten years but pose a few questions and thoughts to conclude our summary:

- What will be the trigger that realigns consumer confidence with economic indicators...assuming that the upturn continues? Will it be the slow drip of continued positive figures or a quick flip prompted by a political shift or media messaging?
- How deeply ingrained in the psyche is the shift to a cautious consumer attitude. Many claim that the recession has changed their views for the long-term...or for good. Is that entrenched like the 'make do and mend' mentality that never left a certain generation or is it all good intentions that don't have much more longevity than New Year's resolutions?
- The fact that many are financially ill-prepared for the future isn't really news...the fact that so many accept it and that a good number readily admit that they won't do anything about it is more worrying.
- Come good times or bad, a deal driven, bargain seeking, coupon culture seems established. How far can that go? How should most companies respond without devaluing their brand in a bid to compete?
- In an environment where we are instant experts what is the future for professional advisors? We are tempted to trust a two line post from a random stranger more than the expert opinion of professionals in almost every sector...but haven't yet lost all trust in 'real experts'. So how will this unfold?
- Home ownership is still felt to be core to financial futures but is that view inexorably declining? How far can public and private sector initiatives bring property ownership back as a realistic, mass aspiration for those born after 1985. If it doesn't come back, what fills the void?
- We, as consumers, are often inconsistent and unpredictable...it's not a provocation or particularly helpful but it's a fact.