



Savings and Investments Customer Journey



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Introduction & Scope

This report looks at the customer journey taken by consumers when arranging financial products that involve a long-term savings and investment element (e.g. pensions, equity and other investments), or a protection element (e.g. life assurance, critical illness and health insurance). A core feature of this research is to track the changing communications channels used and the communication needs of consumers as they progress through their journey.

For the purposes of this report, the customer journey is defined as consisting of three prime stages:

- Pre-purchase: Information gathering/obtaining advice
- Purchase: Choose/Buy/Execute
- Post-Purchase: Being a customer and handling queries and complaints.

At the pre-purchase phase, the decisions taken are compared with those taken when consumers are making big-ticket, complex product purchases, so as to compare and contrast the decisions taken in the financial services field with those in the non-financial services field.

The customer journey in financial services is set for a major change as the provisions of the Retail Distribution Review (RDR) come into force in January 2013, therefore, the likely impact of the RDR is also considered.

Report coverage

For this report, YouGov SixthSense commissioned a survey among its online panel, drawing on a nationally representative sample of 2,051 UK adults aged 18+.

Over 40 questions were asked in total, covering the following topics:

- Investment and protection products currently owned and the products consumers are planning to buy in the next six months
- Ownership of modern communications technology and consumer attitudes towards new technology
- Consumer attitudes towards risk and change
- The use of financial advisors
- For each of the three main financial product markets reviewed, questions were asked outlining:
 - The information sources used prior to purchase
 - The technologies used to obtain information
 - The factors that influence product purchases
 - The preferred means of purchase
 - The factors that ensure loyalty to a particular provider
 - The ways consumers prefer product providers to keep them regularly informed about the products they own
 - The technologies consumers like to use if clearing up a query or serious complaint with a provider
 - What are the biggest headaches consumers have when communicating with providers of financial products.

- Consumers awareness of the Retail Distribution Review, what charging mechanism they prefer and how do they feel it will alter the advice they get.

In addition to the consumer survey, YouGov SixthSense also surveyed 201 IFAs from companies of varying sizes. The IFAs were asked a series of questions regarding how they communicate with suppliers and how they envisage their use of platforms in the next two years. They were also asked about their awareness of the RDR and the impact it could have on their business.

Definitions

Throughout this report, YouGov has used a number of non-standard consumer groups to compare and contrast responses to the questions we have posed. These groups are based on consumers expressing agreement with a series of statements, where agreement was recorded in a Likert Scale as shown below:

Positive Statements

Strongly agree (score 5)

Agree (4)

Neither agree nor disagree (3)

Disagree (2)

Strongly disagree (1)

Negative Statements

Strongly agree (score 1)

Agree (2)

Neither agree nor disagree (3)

Disagree (4)

Strongly disagree (5)

Positive statements show support for being pro-new technology, pro-risk taking, and pro-enjoying change in your life. Negative statements show lack of support for these. When aggregated over the whole set of statements, and rebased to represent aggregate scores on a scale of 0-100, groups were formed based on the aggregate score as follows:

Attitudes towards Technology

Score up to 40: Technophobes; Score 40-60: Technology Neutral; Score 60+: Technophiles

Attitudes towards Risk

Score up to 40: Risk Averse; Score 40-60: Risk Neutral; Score 60+: Risk Takers

Attitudes towards change

Score Up to 60: Dislike Change; Score 60+: Like Change

Product Markets

In this report, three markets are studied comprising of the following individual financial products:

- Pension Market – private pension, company pension
- Protection Market – Private Medical Insurance, Life insurance, Critical illness, Income protection
- Savings and investments Market – Equity ISA, unit trust/OEIC, Stocks and shares, investment bond, savings bond, any other investment product.

Investment Decision Making

For each of the three product markets, decision-making groups were compiled showing the extent of financial advisor involvement in financial decisions taken by consumers. Two broad groups were compiled:

Professionally Advised

Consumer who agree with the statements:

I manage some of my products myself and the rest are run by professionals (e.g. financial advisors, insurance brokers)
I hand over the running of all my products to professionals.

Self-Advised

Consumer who agree with the statements:

I manage all my products totally myself
I manage some of my products myself and the rest are run by friends and family
I hand over all the running of my products to friends and family

Methodology

Three forms of statistical analysis are used in this report, the definitions of which are provided below:

Correspondence analysis	A technique to explore data based on two-way and multi-way tables containing some measure of correspondence between the rows and columns. The analysis produces two dimensions (i.e. axis data) for both the row (e.g. age of the consumer) and column data (e.g. preferred means of communications) which can be plotted to show graphically the relationship between the row and column variables. The closer the variables are on the graphic, the more closely are they associated or correspond with each other.
Cluster analysis	Cluster analysis is a method for grouping consumers of a similar kind into respective categories. The technique sorts consumers into groups in a way that the degree of association between two consumers is maximised if they belong to the same group and minimised otherwise.
Factor analysis	Factor analysis reduces the number of variables in an analysis and provides information to assess the structure in the relationships between variables. For example, if consumers have indicated agreement with a list of 15 statements, factor analysis may be able to reduce this to five factors which are related in some way e.g. underlying dimensions.

A full list of questions that were asked in the YouGov SixthSense survey is provided in the Appendix. Cross-tabulated results to these questions are available for subscribers to this report – please contact us on 020 7012 6063 if you would like detailed tables.

Report Summary

Financial lifestages

Consumers go through four key financial phases in their lives which impact on the financial products they own and how they communicate with financial services providers.

- **Phase 1, Young, Pre-married:** young, less affluent consumers willing to take risks. Tend not to own many products but may be planning to buy.
- **Phase 2, Partnered:** 25-44 adults who become risk averse as they focus on the protection of their family.
- **Phase 3, Established:** 45-54 year olds who focus on their post-retirement lifestyle, resulting in pension provision and retirement income being their main priorities.
- **Phase 4, Retirement:** 55+ and retired adults whose priorities are focused around investments, i.e. getting the best return (or income) from their assets

Adults transitioning from one phase to another (often Change Lovers and Technophiles) are the most likely to be planning to buy new financial products. Purchases are driven by changing lifestyles and lifestages.

Financial providers have got their communication strategies wrong

Around 90% of consumers express some disquiet about the methods of communications currently on offer from financial services providers. Only 10% of consumers (Upbeat Communicators) seem very satisfied with the communications currently provided, and this upbeat view stems from this group not really engaging much with financial services firms (they have had only limited contact with financial services companies): for them, ignorance is bliss.

In general, the more contact consumers have with the communication systems of financial providers, the more problems they encounter: those with more experience of contacting providers tend to be the least satisfied with the communication provided. In short, financial product providers need to rethink the communications systems they offer.

Pre-purchase stage: Information gathering/obtaining advice

When looking for information on financial or non-financial products, adults tend to look to self-help sources (i.e. friends/family or informational and comparison websites) first and only consult independent financial experts as a secondary option. The self-help route to information is more prevalent when consumers purchase major non-financial items, possibly because financial purchases are considered as more complex than non-financial purchases and because there is no established expert profession outside of the financial services industry to help with purchasing.

Consumers tend to rely on professional advice more in the pensions market rather than in the investments or protection markets. Also as consumers age, they tend to shift their information strategies. When young, they rely heavily on their social networks (e.g. friends, family and colleagues and social media websites) for advice. As they age, they begin to put more reliance on using both advisors (Advisor Strategy) and on doing their own research (Self-Advised Media Strategy). Finally in their mature years they rely heavily on getting information by going direct to providers (From the Horse's Mouth Strategy).

Across the three financial markets, consumers like to obtain their information in similar ways. Online access is clearly the most favoured method for obtaining advice with online via desktop/laptop the most favoured option. Across all three financial markets, the desire for online access to information tends to be led by under-45s, especially those with a Technophile disposition who own the latest technology. These adults also show a relatively strong preference for telephoning call centres. Offline means of communication – e.g. visit to an office, telephone to offices/branches or post – tend to be preferred by an older age group of consumers, especially over-55s. Many of these adults are Technophobes.

More flexibility and harmonisation of communications wanted

Financial services providers would do well to offer consumers a wider range of communications channels/options but only if the range of channels can operate in an holistic fashion and with a harmonised look and feel. Adults who express the most criticism of how providers currently communicate with them demand the greatest range of communications technologies/systems from providers and, moreover, communications systems that offer more harmonisation between the human and electronic interfaces.

Purchase: choose/buy/execute

The main drivers of product choice in financial markets are the level of trust consumers have in the company selling the product and how much consumers understand about the product they are buying. Providers must offer access to clear and easy-to-understand information and also having the communications infrastructure that engenders trust.

When buying pensions, a bespoke, tailored offer is more important for consumers, resulting in a greater willingness to hand over the process of purchasing to an experienced intermediary. In the protection and investment market, however, more standardised products are sold, giving greater opportunities for self-selection via websites.

When purchasing, consumers split into two groups:

- Affluent, confident adults (often males) who use professional advice but back this up with their own research
- Less affluent and less confident individuals (often female) who need to have their decision validated by their social network and/or by only buying from providers they have trust in.

The strategies employed at the information gathering stage feed through into the factors that influence purchasing. This suggests either that individuals have a generic disposition to gather information and purchase in a certain way or that the information gathering stage primes the consumer to buy in a certain way. If the latter is true, the information gathering stage becomes the most important stage in the customer's journey as it is likely to reverberate through the whole journey chain.

Flexibility and harmonisation again the watchwords for communications

Consumers prefer to buy financial products online via their laptop/desktop computers, with a visit to a provider's office or branch the second most preferred means of purchase: face-to-face buying is significantly more important in the pensions market compared with the protection or investment market, presumably because of the greater role for advised sales. In contrast, purchasing by post – the third most popular option – is more popular in the protection and investment market compared with the pensions market.

As was the case at the information gathering stage, when consumers were asked what type of website they wanted when buying, it is automated websites devoid of a human element which proved the most popular.

Across all three markets, consumers prefer multiple means of communications with providers. As a minimum, a provider or IFA must offer a range of purchasing options, especially online, face to face, telephone and post. Again, providers must be flexible in the communications infrastructure they offer, allowing consumers to choose the means they prefer depending not only on the stage of journey they are at but according to how close the consumer is to making a purchasing decision. Greater flexibility and variety in communications will help reduce consumer angst when communicating with providers and may increase trust in the provider.

Post-purchase: being a customer

Consumers weigh up a range of options when determining whether to remain loyal to a particular product provider. Broadly speaking across all financial markets, loyalty is influenced by two prime dimensions:

- Communications – consumers are more loyal to providers seen as open to receiving communications from their customers and to providers that make those communications as easy and possible: in other words, loyalty is highest when consumers believe financial providers are listening.
- Trust – the belief that the provider will not seek opportunities to act in its own self-interest at the expense of those of the consumer and the provider is competent.

While trust cements the relationship between provider and customer, poor communications can undermine the cement and loosen the bindings between provider and client.

When consumers become customers of providers they have a strong preference for both online (via desktop/laptop) communications and postal communications. Based on the preferred means of communications consumers split into two groups:

- Risk Taking, Technophiles – these are under-45s, who are likely to be planning a product buy. They show a relatively strong desire for mobile /on-the-move access to providers and also like call centre (out of office hours) contact
- Risk Neutral/Averse, Technophobes – these adults are over-45s and are unlikely to be planning a product buy. They show a relatively strong desire for static/non-mobile access (both online and offline). They also like to contact providers via the branch/office (i.e. in office hours).

As at the other stages, providers can improve consumer satisfaction by offering more variety in the communications channels they make available. Also, as in the other stages of the customer journey, when consumers were asked what type of website they liked to interact with, the main preference was for one that was automated and did not allow communications with an assistant.

However, at the customer stage, the nature of the communications has a strong impact on the type of communications wanted. As the seriousness of the communication between consumer and provider increases, so consumers demand more human and non-structured means of communications. Face-to-face and postal communications become more important as the nature of the communication moves from clearing up a minor query to dealing with a serious complaint.

Compared with minor queries, serious complaints are more likely to be unique to the individual, requiring more explanations and the communication of nuanced opinions. As a result, consumers want communications that allow more personalised explanations to be given and the communication of emotions. For this reason, visits to branches and, in particular, postal communications rise in importance as the seriousness of the communications rises.

A similar process takes place when considering the type of website consumers want to use. As the seriousness of the communications increases, so consumers want more human interaction via the web: contact with assistants via websites rises in importance when complaints are being handled.

Journey stages shape the preferred communications

In terms of the preferred communications methods, there is a clear segmentation between the pre or at buying stages of the journey and the post-buying or being-a-customer stage. Before becoming a customer, consumers adopt similar communication strategies irrespective of whether they are at the information gathering or purchasing stage of the journey. The pre-buy stage differs significantly from the post-buy stage.

Throughout the journey, the more a person moves from the pre-buying to the post-buying stage, the more he/she will seek to use communications channels that can convey unstructured, analogue information, and the less he/she will seek to use channels that specialise in the conveyance of structured, digital information. So, for example, face-to-face contact rises in importance relative to online means of communications as the journey progresses, reflecting the changing purpose and nature of the communications.

The more the nature of the communications between consumer and provider is very specific to an individual (as when handling minor queries and serious complaints), so the greater the demand for communications offering human interaction. So, for example, the willingness to use websites with access to an assistant is highest at the consumer stage (especially when dealing with complaints) and lowest at the pre-buying stage.

It is also the case that through their journey, consumers use a funnel approach to communications. They begin by using a broad brush approach, trying to use multiple means of communications to contact providers (especially when searching for information) but as the journey progresses they tend to narrow down their communications needs and focus more on those means of communications seen as uniquely suited for the specific task at hand. So the range of communications channels wanted diminishes as the journey progresses.

Flexible communications

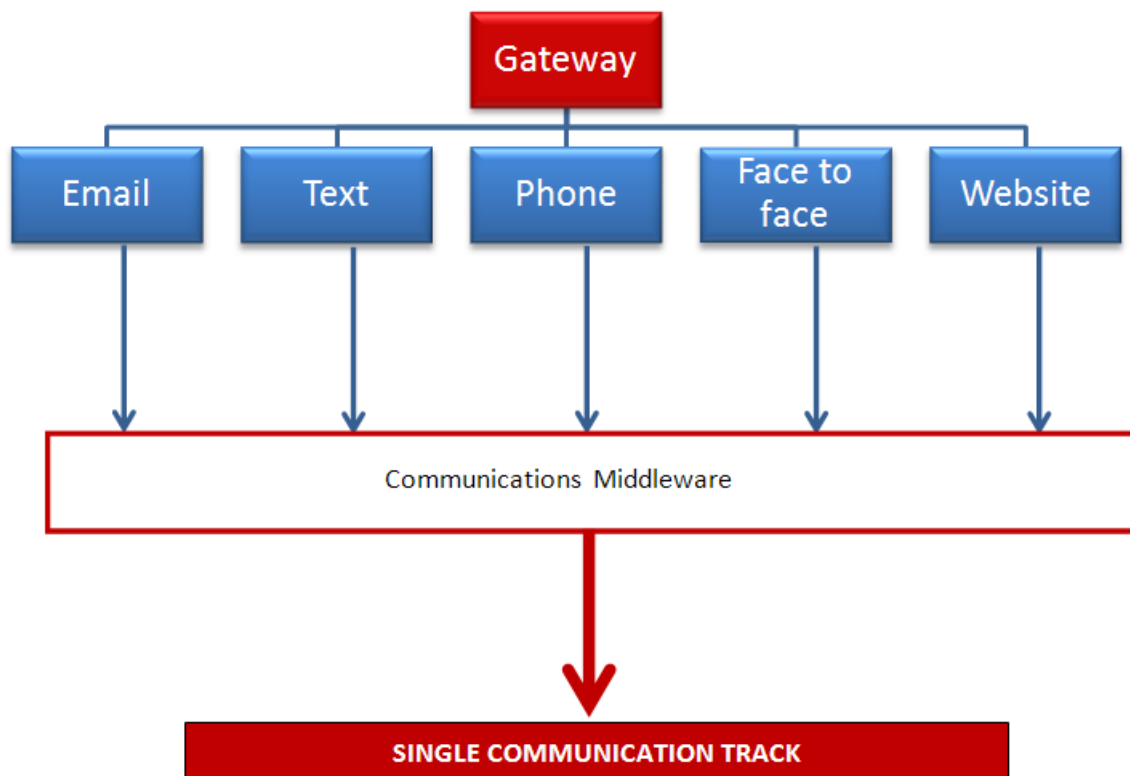
The above findings indicate the importance of having a flexible communications infrastructure and one which allows consumers to select the type of communications required based on the stage of the customer journey they are at, and the nature of the communications. Communications should be led by customer needs rather than by what the provider wishes to supply.

Consumers want to communicate with product providers and IFAs in a way that allows multiple channels of communications but multiple channels that work in an holistic fashion. There are two main gripes when dealing with financial services firms:

- Having to repeat the nature of their communication on every phone call, email, text etc. Consumers want a communicate-once, distribute-via-multiple-channels approach to communications.
- Never being able to find the right person in the company to communicate with. Consumers also want a communicate-once, distribute-to-many approach to communications.

In essence, consumers need a communications system offering a single gateway of access but which can split into multiple channels, but multiple channels which work in a homogeneous fashion: they require some form of communication middleware allowing various channels to network together, allowing consumers to switch between communications channel without losing their communications track.

The communications gateway



IFA communications with consumers

IFAs rely on three prime means of communication with consumers: email, face to face and the post. Email is the most widely available means of communication, followed by face to face and then post. In this regard, IFAs are very traditional and have been slow to develop newer forms of communications with their clients.

The more open to new technology the IFA firm is and the larger the firm is (as measured by the number of IFAs it has), the more likely the firm is to adopt newer forms of communications technologies. Also the larger Technophile firms are the most likely IFA firms to use corporate-wide telephone contact systems (i.e. call centres or switchboards) rather than allowing consumers to directly telephone an individual IFA.

Over the coming two years, IFAs will make greater use of newer forms of communications like social media and mobile apps and will become less reliant on more traditional means of communications such as face to face and post. Moreover, while today most IFA websites are automated sites, devoid of any human online interactions, and are used mainly as front-end marketing tools rather than client relationship management (CRM) tools, in the coming two years, the IFA website as a CRM tool (allowing human interaction) will grow in importance.

Low awareness of RDR

Less than 5% of consumers are aware of RDR, making it difficult for them to truly judge its implications: for example, almost four in ten consumers do not know what charging structure they would like once RDR comes into force.

However, when the details of RDR are explained, almost half of consumers indicate that their trust in IFAs will increase (only 8% said it would decrease), based on a perception that the quality of advice they will receive will improve (44% say quality will rise and only 11% decrease).

Value must be demonstrated

Consumers only appreciate the value of RDR once they perceive that it will generate benefits to them in the shape of improved advice. IFAs must prove that post-RDR the advice they provide is of a higher quality than it was prior to RDR's implementation.

How do suppliers talk to IFAs?

When communicating with product suppliers, IFAs encounter three main problems:

- **Lack of support or understanding** – i.e. providers do not support the IFA business or its aims;
- **Communication Weariness** – i.e. IFAs face many of the same problems as consumers do when dealing with financial services firms, such as communications channels not operating in a harmonious fashion and an inability to reach the right contact; and
- **Provider-led communications** – i.e. IFAs cannot communicate in the way that is to their liking and instead have to deal with a communication system designed in the best interests of the provider.

Currently, 79% of IFAs use platforms and this will rise to 83% in two years' time: the average number of funds used will also increase. While around 80% of IFAs use platforms, only 65% currently use them as a means of communicating with providers, but this will rise to around 70% in two years' time. Moreover, the importance of platforms as communications channels will increase in the coming two years. Not only will more IFAs be using them but they will be tending to use them more heavily.

Across all the features, platforms were rated as good by IFAs. They are given higher ratings for the investment information they offer compared with the management information they provide. Currently, platforms are appealing more strongly to firms that are very open to adopting new technology and which manage larger client portfolios.