

Savings Propensity Research

Illuminas

July / August 2015

Context for research



Planning Ahead is one of MAS six main business objectives for this financial year with saving playing a significant role in the process of planning ahead. To this end, MAS Marketing is developing a new Savings programme that will directly support the Planning Ahead initiative.

The programme will aim to encourage people to manage spending and budgeting to enable them to build savings, and with time encourage those people to build a longer term buffer. The long term aim for the Planning Ahead Savings programme is to build a culture of savings by directly communicating with and building interventions for UK consumers.

The hypothesis is that if it can be shown that taking small steps has limited negative impact, consumers will be encouraged to engage more positively with money and, in turn, consider long term financial planning (e.g. pensions). This programme will be delivered by partners and supported by an online experience which gives people help in saving money, in a similar way to other programmes such as Weightwatchers and Change4Life with the message / tone being to *show* rather than *tell* consumers how to behave financially

The main objective of this element of the Money Advice Service's Planning Ahead strategic goal is to encourage people to save money. By doing so, they hope to encourage people to engage more positively with money and help them to consider long-term financial planning (small steps before the bigger steps).

As such, the Money Advice Service would like to understand what the barriers and enablers are to saving regularly. Previous qualitative evidence has indicated what some of those barriers might be. However, there was a need to quantify these in order to understand the relative importance of each in a more robust manner.

This fresh insight will be used to support a new marketing campaign where the main focus and message will be around creating awareness of the importance of saving.

As well as quantifying the barriers to saving, research was needed to test a number of messages, identifying those considered most engaging amongst the target audience.

Understand and identify the barriers and enablers to saving money regularly



Understand the blockers to saving and their relative importance

Understand what, if anything, would motivate people to save

Understand what people are willing to cut back on in order to save

Identify the most engaging messages that would encourage saving

Understand to what extent saving money is important to people

3,000 Online interviews

Audience	Interviews
Spenders	1,500
Savers	1,500
TOTAL	3,000

Sample profile:

- Spenders had less than £500 in savings
- Savers had more than £500 in savings
- UK adults (inc. Northern Ireland) aged 18-64
- Employed full-time or part-time
- Those retired or unemployed were excluded
- Spread of household income levels included

Profile – Spenders vs. Savers

Are there any demographic differences between spenders and savers?



- In this research we were looking to understand what characteristics and attitudes impact on savings behaviour and in order to do this we looked to compare those currently with savings (Savers) and those without (Spenders)

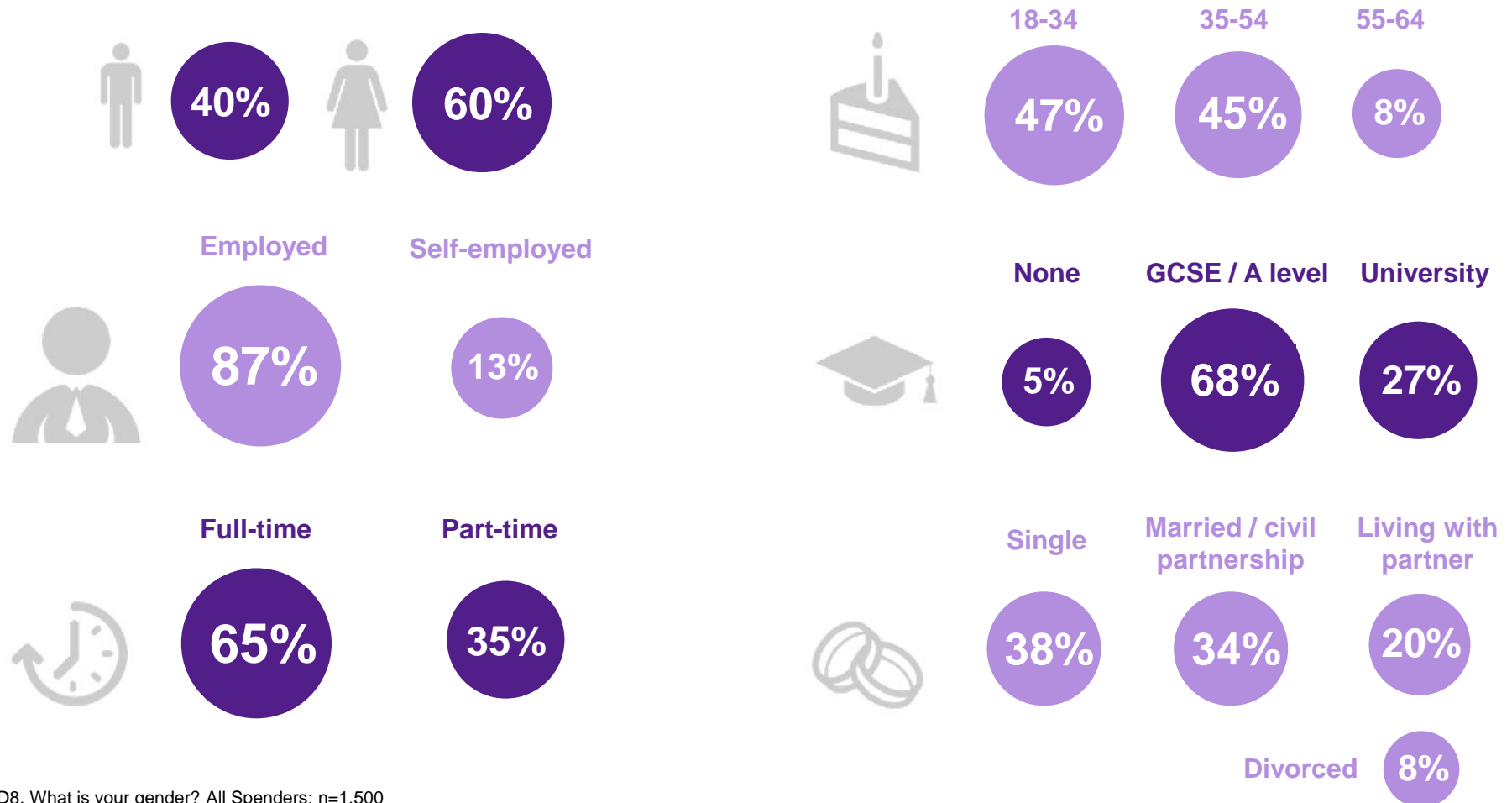
Savers - £500+ in savings

- Balanced gender
- Older
- Low self employment
- Majority full time workers
- 2 in 5 uni educated
- ~½ married – traditional set up
- Higher social grade
- Majority own home (~¾)
- Higher incomes – Ave £39,709
- (As quota) Savings - Ave £10,150
- Debt levels – Ave £7,333 (exc Mortgages)

Spenders - <£500 in savings

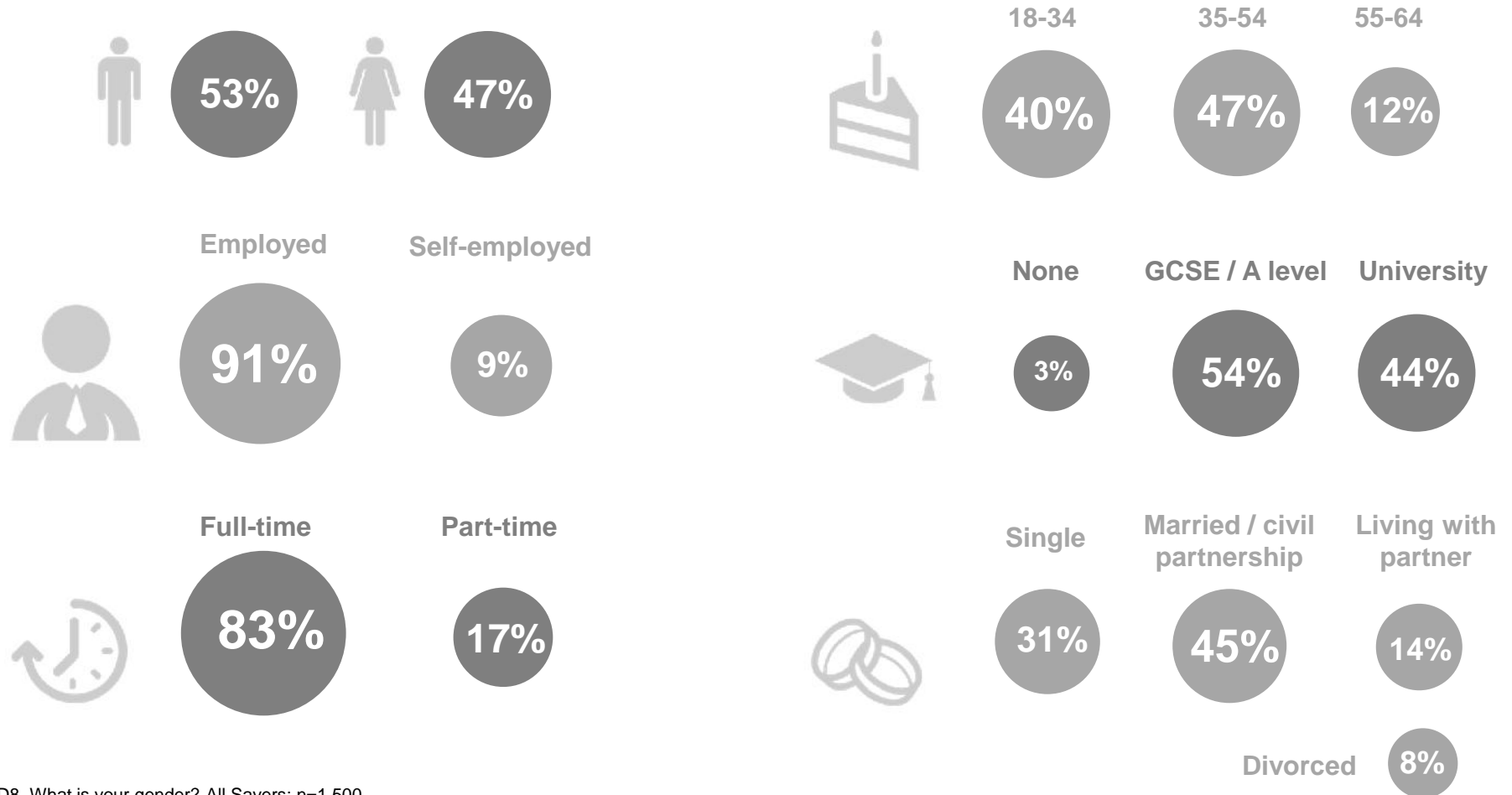
- More female
- Nearly half under 35
- 1 in 7 self employed
- 1/3 part time workers
- Only 1 in 4 uni educated
- Only 1/3 married
- Only 1 in 4 SEG A or B
- Over half renters
- Lower incomes – Ave £23,115
- (As quota) Savings - Ave £137
- Debt levels – Ave £6,120 (exc Mortgages)

Demographic profile - Spenders



D8. What is your gender? All Spenders; n=1,500
 S1. Firstly please can you tell me which of the following best describes your current situation? All Spenders; n=1,500
 S2. And would you say that you work...? All Spenders; n=1,500
 S3. How old are you? All Spenders; n=1,500
 D6. Which of the following best describes your highest level of education? All Spenders; n=1,500
 D1. What is your marital status? All Spenders; n=1,500

Demographic profile - Savers



D8. What is your gender? All Savers; n=1,500

S1. Firstly please can you tell me which of the following best describes your current situation? All Savers; n=1,500

S2. And would you say that you work...? All Savers; n=1,500

S3. How old are you? All Savers; n=1,500

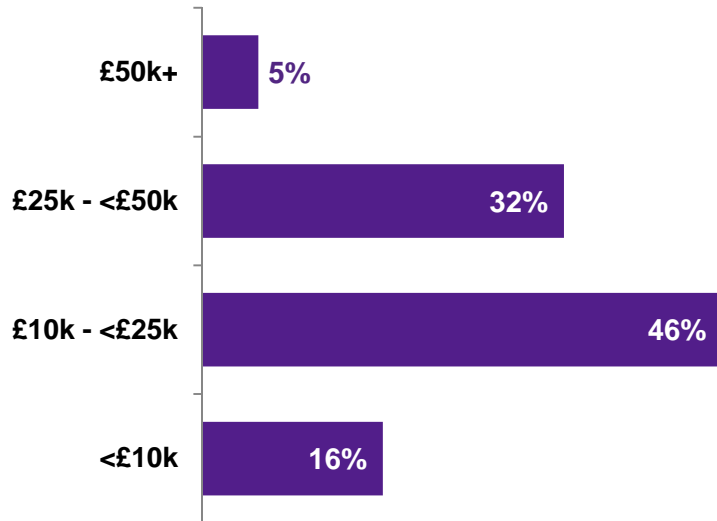
D6. Which of the following best describes your highest level of education? All Savers; n=1,500

D1. What is your marital status? All Savers; n=1,500

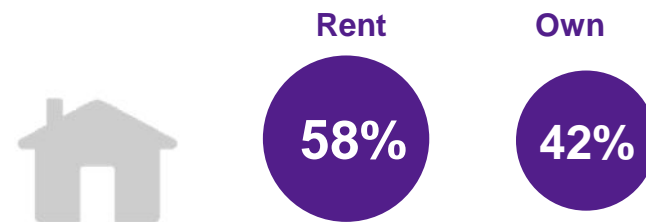
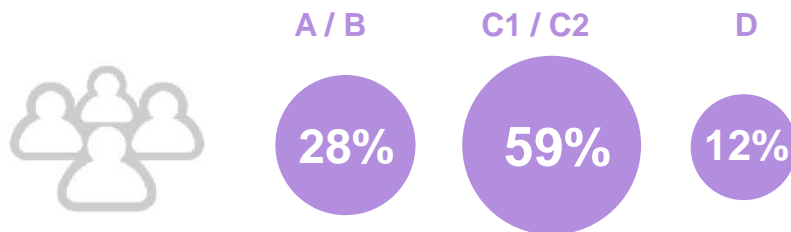
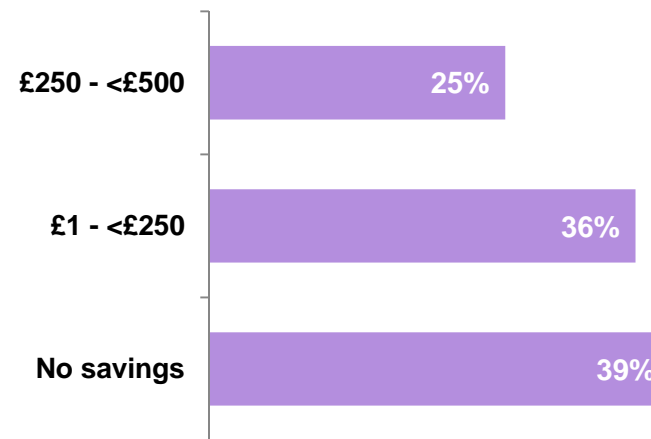
Financial profile - Spenders



£ Household income



Household savings

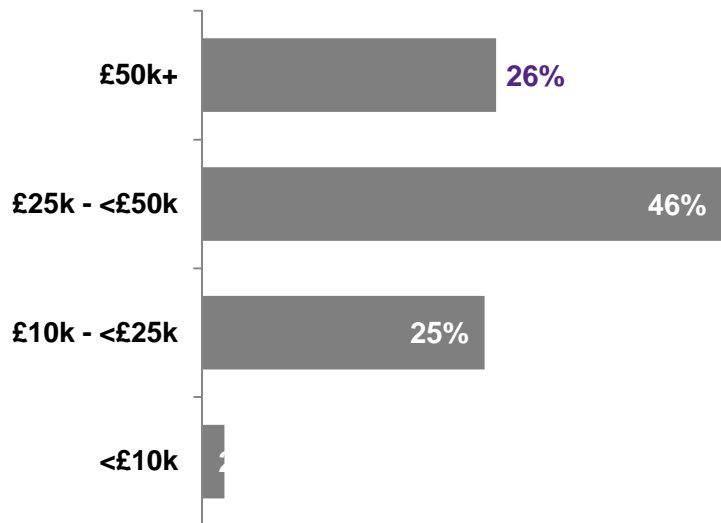


S4. Can you please indicate from the list below, your total household income? All Spenders; n=1,500
 S5. And please indicate which of the following best describes your current household savings? All Spenders; n=1,500
 D7. Can I please take the occupation of the chief income earner in your household? All Spenders; n=1,500
 D5. Which of these applies to the house or flat you currently live in? All Spenders; n=1,500

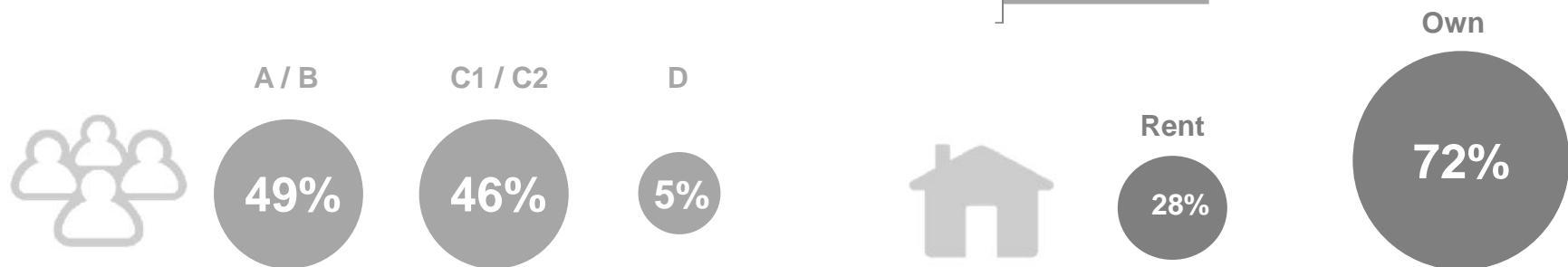
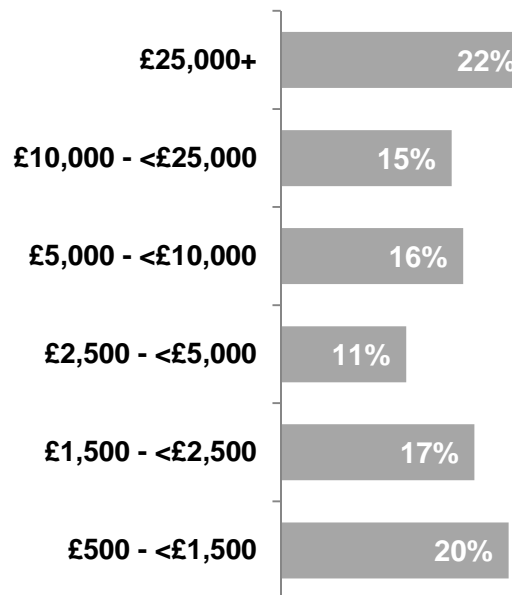
Financial profile - Savers



£ Household income



Household savings



S4. Can you please indicate from the list below, your total household income? All Savers; n=1,500

S5. And please indicate which of the following best describes your current household savings? All Savers; n=1,500

D7. Can I please take the occupation of the chief income earner in your household? All Savers; n=1,500

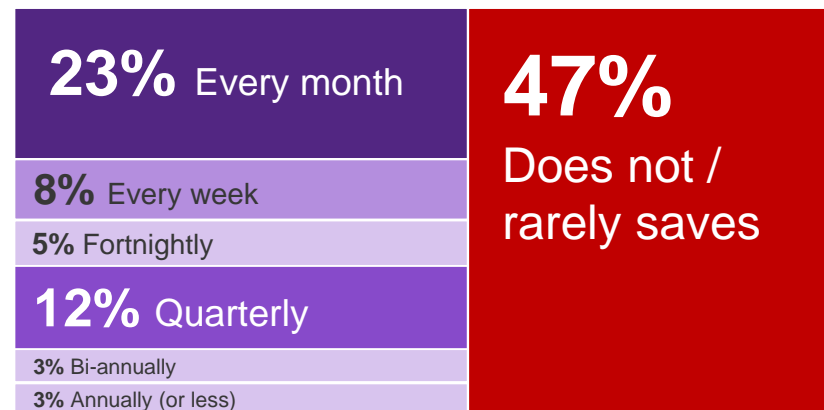
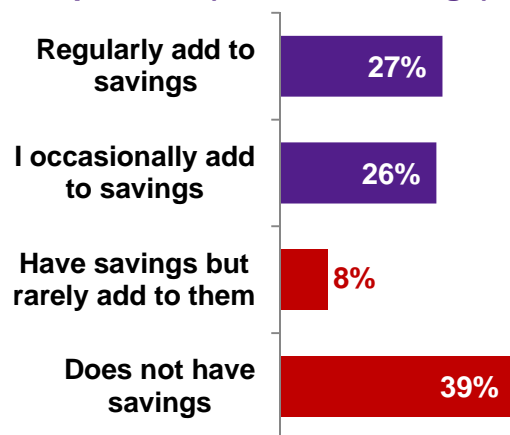
D5. Which of these applies to the house or flat you currently live in? All Savers; n=1,500

Current saving behaviour

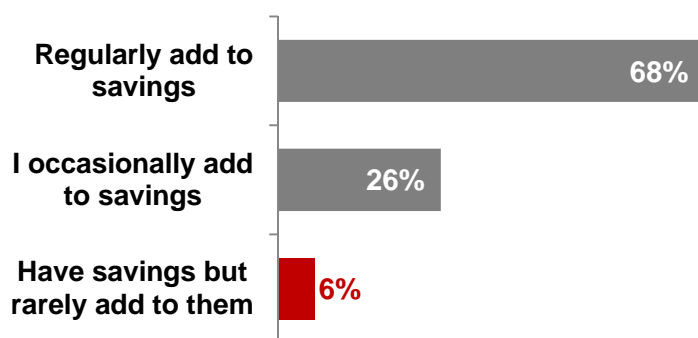
Frequency of savings

- Once established, it seems that saving does become a habit – even amongst those with low levels of saving
- Monthly saving most commonly in line with salary payments

Spenders (£1-499 in savings)



Savers (over £500 in savings)

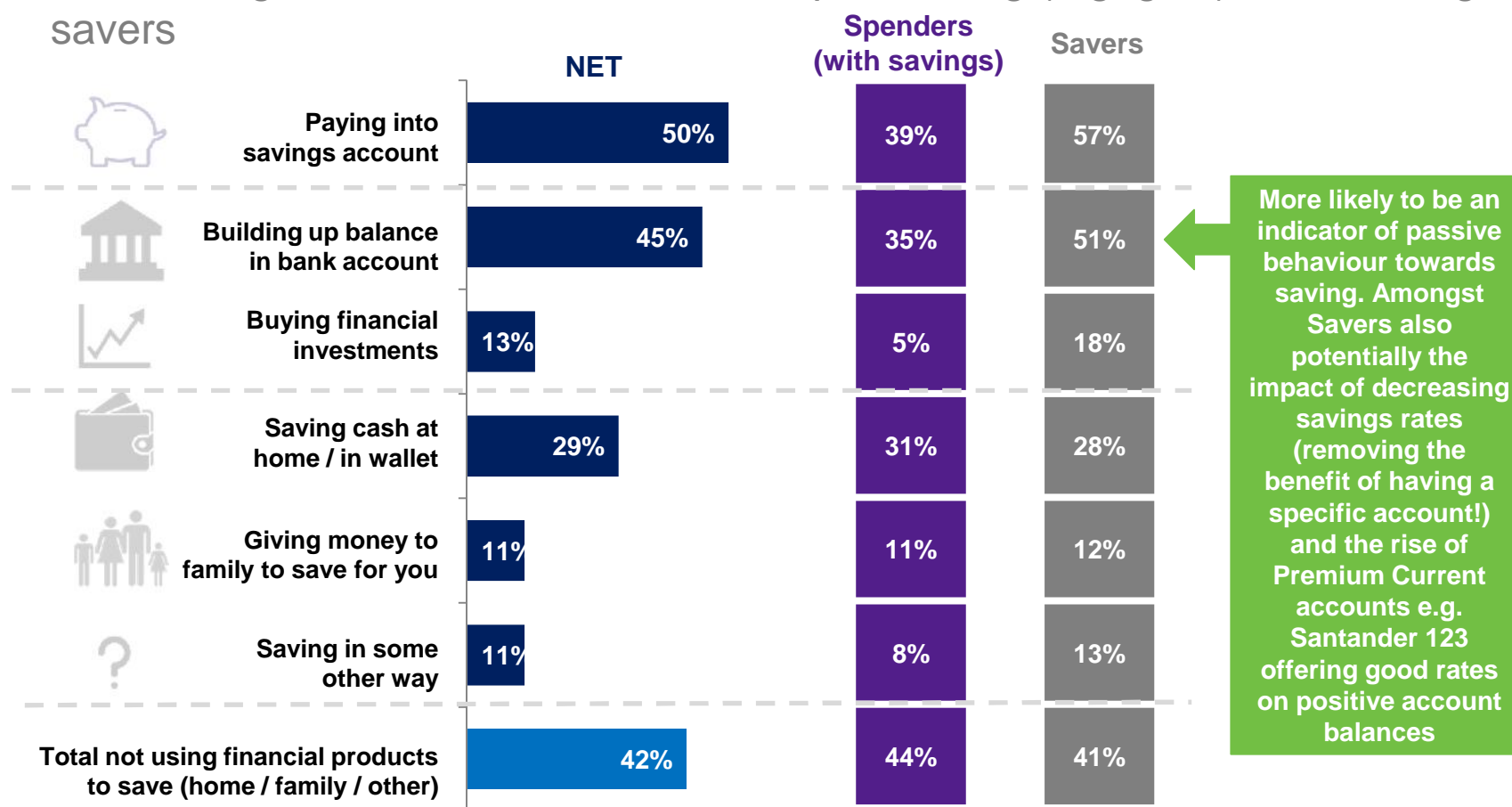


A1. Which of the following best describes HOW you save? All Spenders; n=1,500, All Savers; n=1,500

A2. And how often would you say you currently add to your savings? All Spenders; n=1,500, All Savers; n=1,500

Methods currently used to save

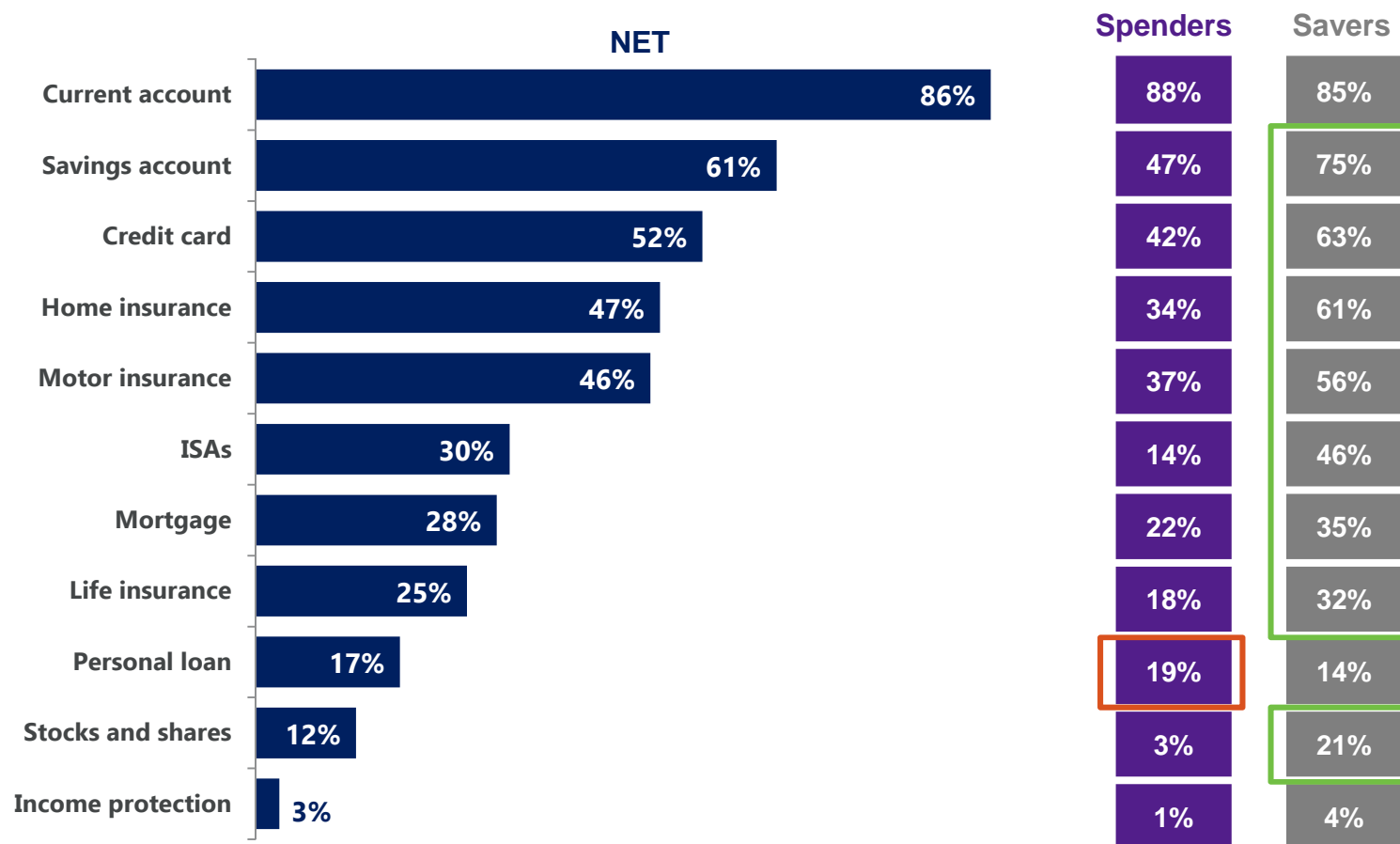
- Saving in a bank was the most common method – either in a specific savings account (active) or just by leaving the money in their current account (passive)
- Cash saving was slightly more common amongst spenders with some low level saving; Investments and more complex saving (e.g. gold) seen amongst savers



A3. In the past 12 months have you personally been saving money in any of the following ways?
Spenders with savings; n=911, All Savers; n=1,500

Current ownership of financial products

- Savers were significantly more likely to hold financial products – suggesting a more savvy group (use of accounts and investments); but also potentially a more cautious one (use of insurances including protection products) – more to lose? Keen to retain the status quo? Able to spare the money per month?

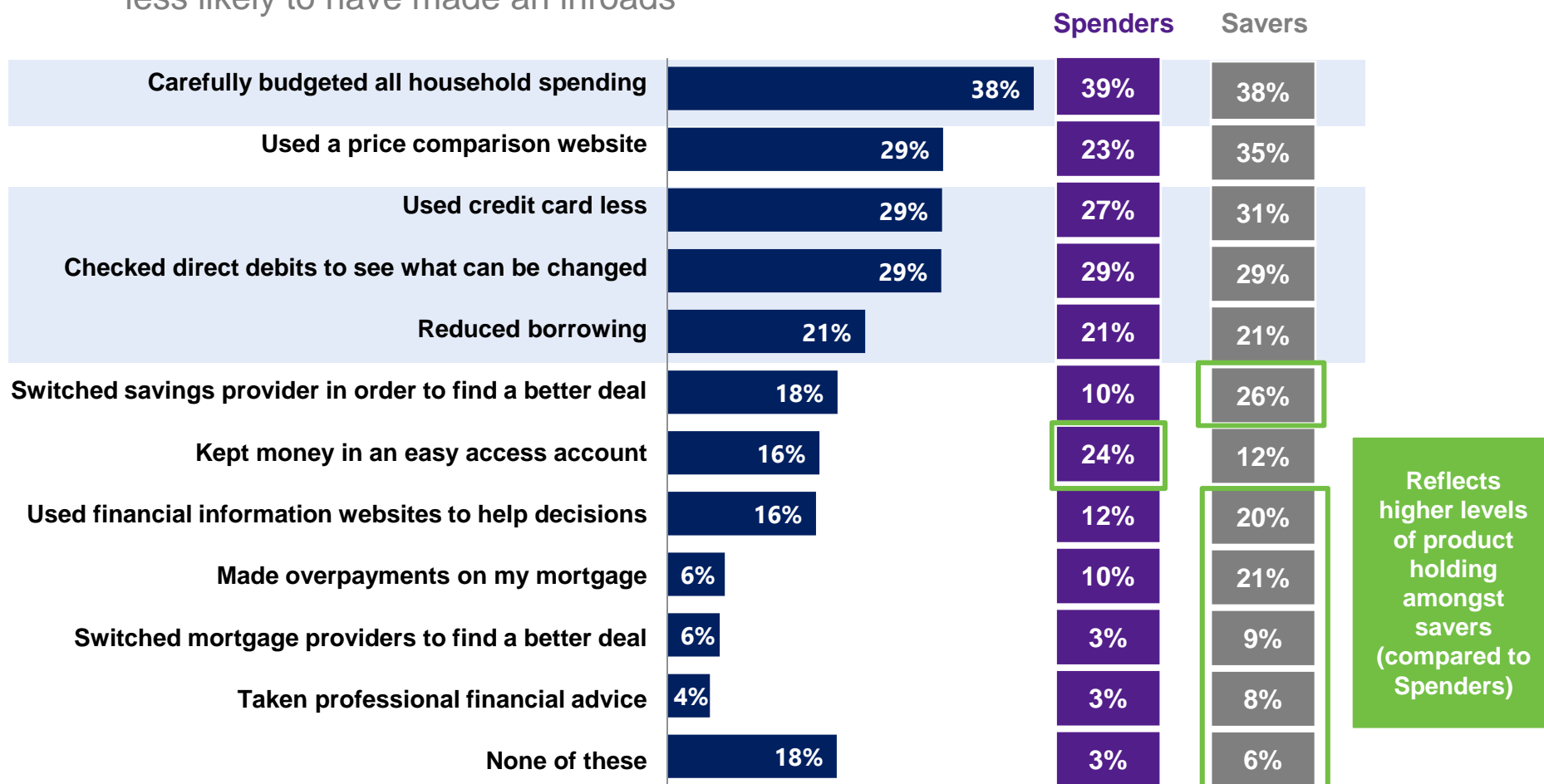


Q1. Which, if any, of the following financial products do you currently hold?
 All Spenders; n=1,500, All Savers; n=1,500

Money saving actions within the last 12 months



- Across the board, many had tightened their belt over the last 12 months – though variance between Spenders and Savers in this respect was limited
- However, with more complex financial matters e.g. switching of product, Spenders were less likely to have made an inroads



Q2. Which of these have you done in the last 12 months?
All Spenders; n=1,500, All Savers; n=1,500

Saving vs. spending priorities - Spenders



- Despite not necessarily being as savvy as Savers, Spenders claimed to prioritise essential spend and clearing debts first, prior to saving (mainly for a very general future need) and finally more frivolous spend

Actions if they were to be given £1000



Q3. If you were given £1000, what would you do with the money? All Spenders; n=1,500

Saving vs. spending priorities - Savers



- Savers (again in line with their behaviour), prioritised saving over any specific spending
- Again, the need to prepared for the, relatively ethereal, ‘future’ was the most frequent driver of saving

Actions if they were to be given £1000

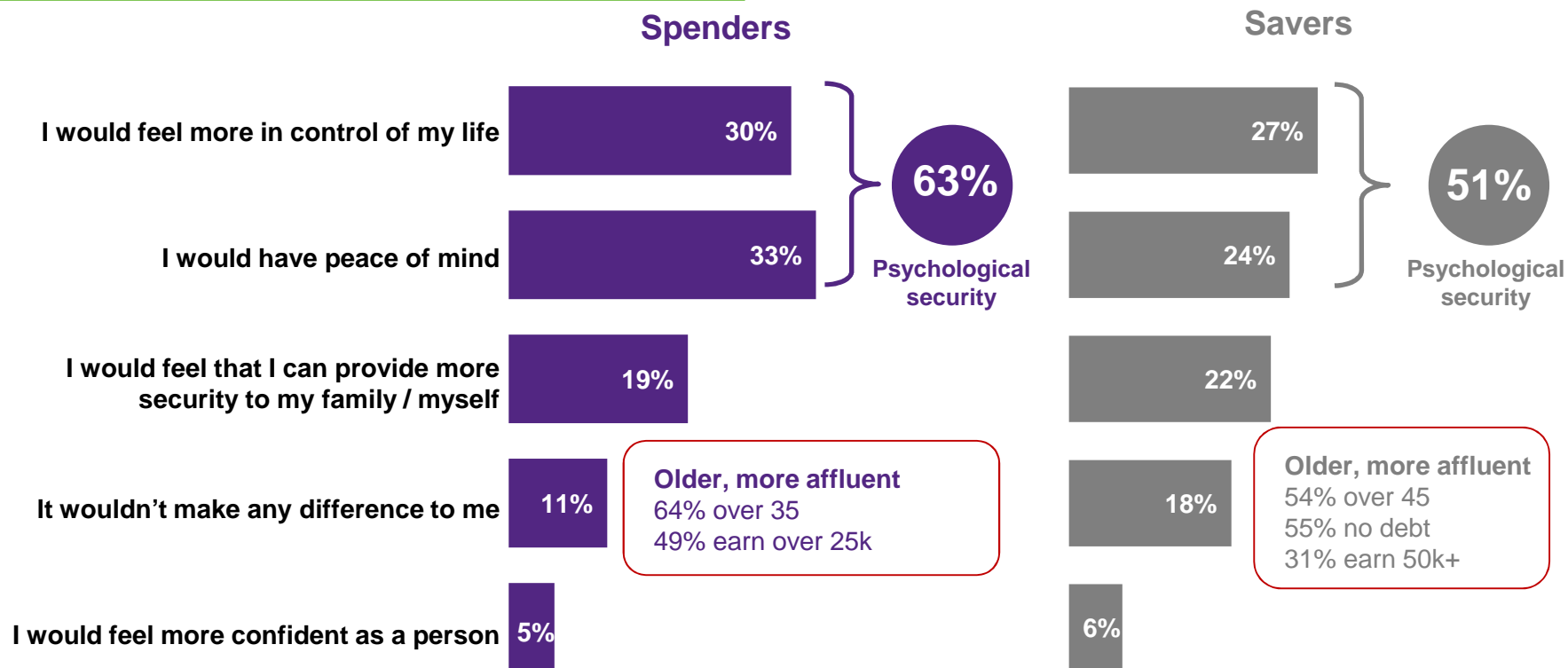


Q3. If you were given £1000, what would you do with the money? All Savers; n=1,500

Feelings towards money

- For Spenders and Savers, money provided security
- Savers slightly less 'anxious' than Spenders with income and age playing a role - having more money and being older making for a more financially settled lifestyle

Feelings if they were to be given £1000

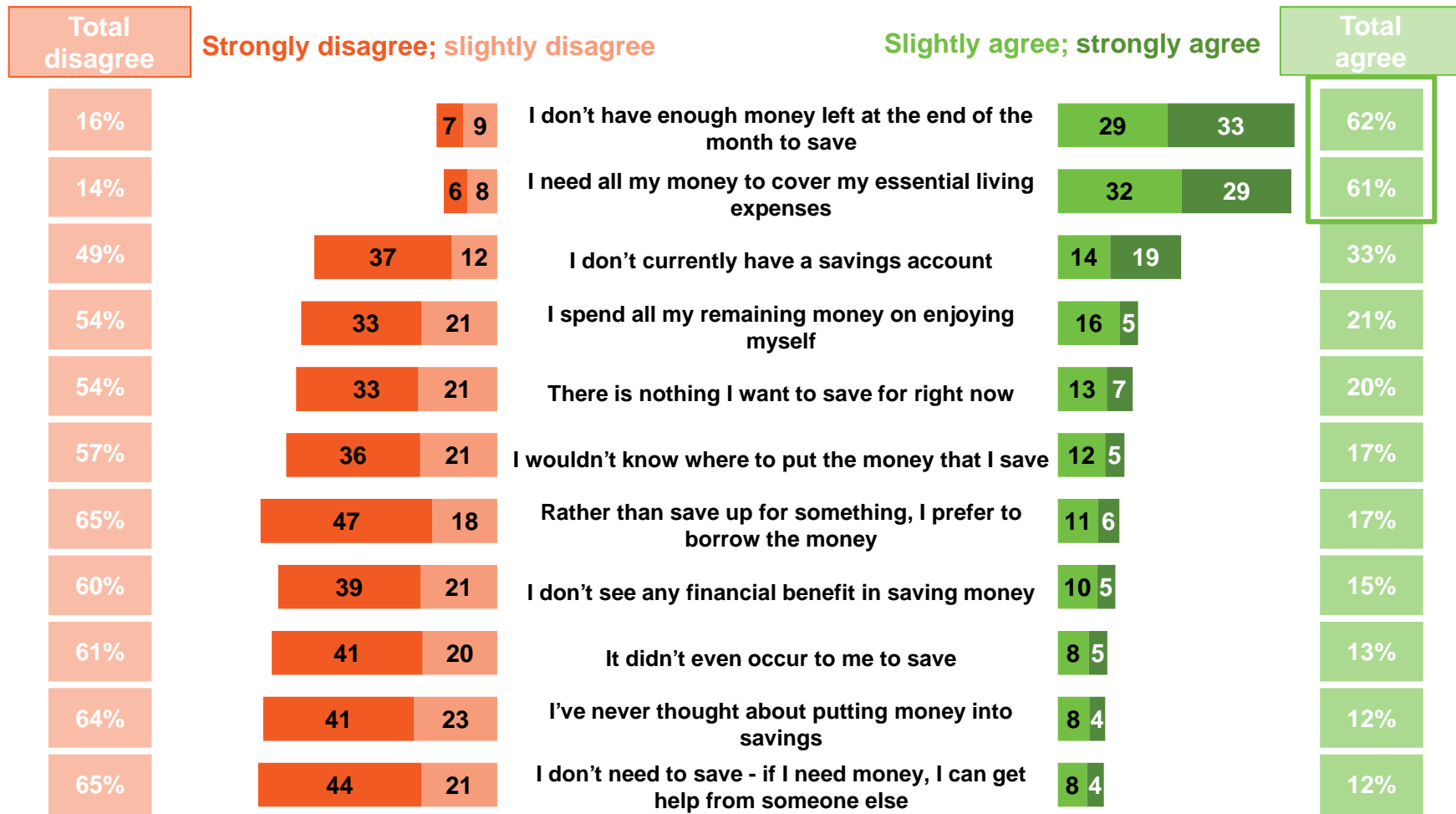


Q4. If you were given £1000, how would it make you feel? Please select the one that applies to you the most. All Spenders; n=1,500; All Savers; n=1,500

Attitudinal barriers to saving - Spenders



- The biggest barrier to saving was a perceived lack of money – with approximately 2 in 3 Spenders simply not having enough to save

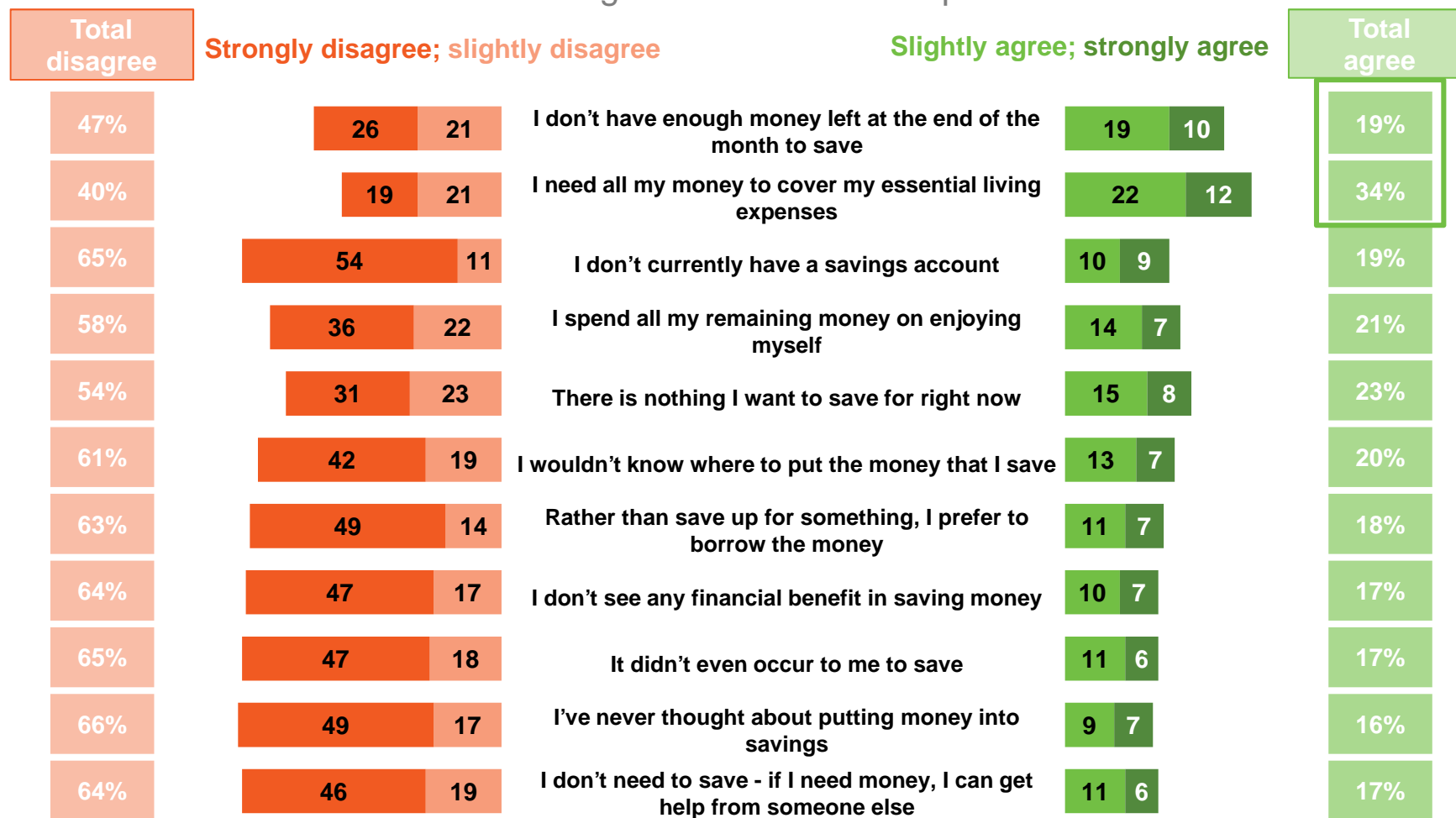


Q5. Below are a series of statements which could be barriers to saving or saving more. To what extent do you agree or disagree with each of these; All Spenders; n=1,500

Attitudinal barriers to saving - Savers



- Savers conversely far less likely to use **ALL** of their income for day-to-day expenses (even amongst those who agree – 80+% are at least saving once a month); Again awareness of the ‘correct’ saving behaviour mirrors Spenders

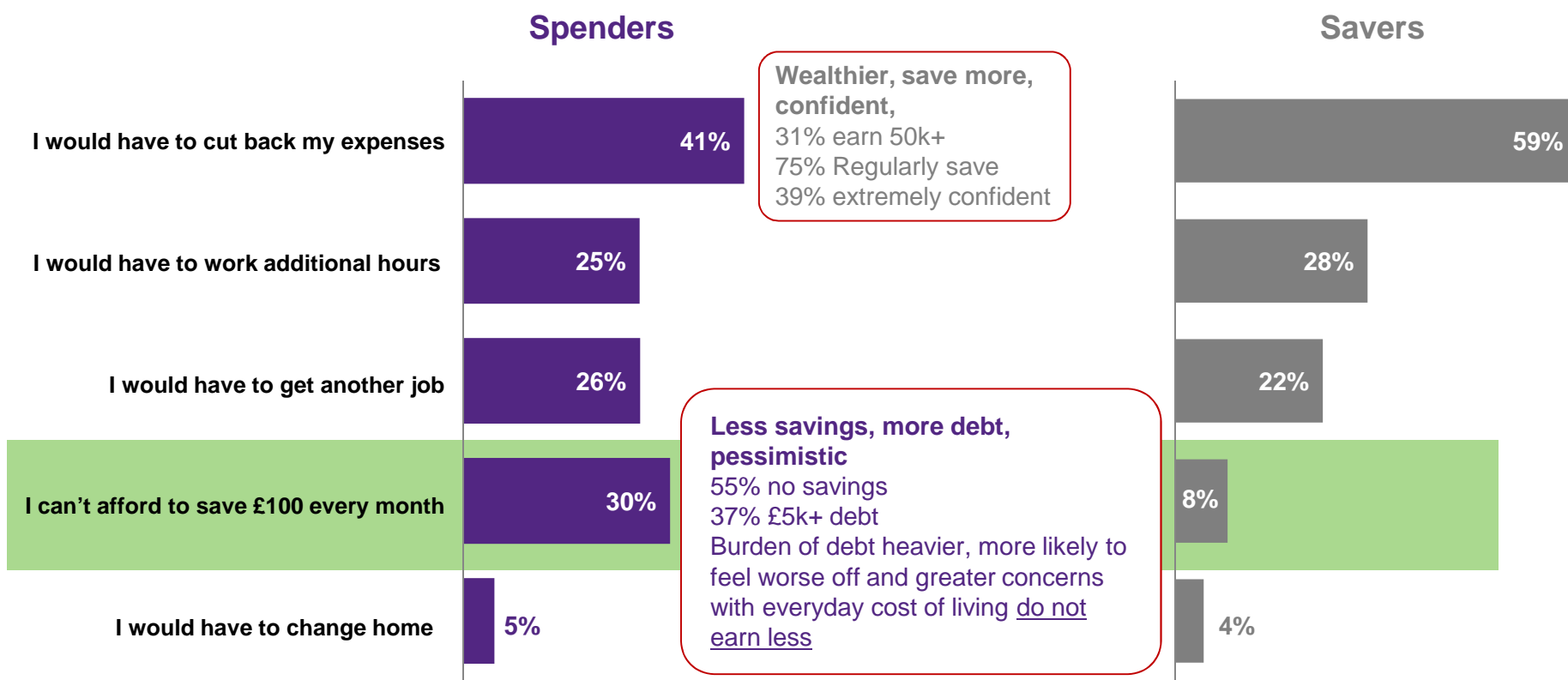


Q5. Below are a series of statements which could be barriers to saving or saving more. To what extent do you agree or disagree with each of these; All Spenders; n=1,500

Ability to save

- Where many Savers could cut back on their expenses to save money, Spenders considered it more challenging – nearly 1 in 3 suggest they could not afford to do so

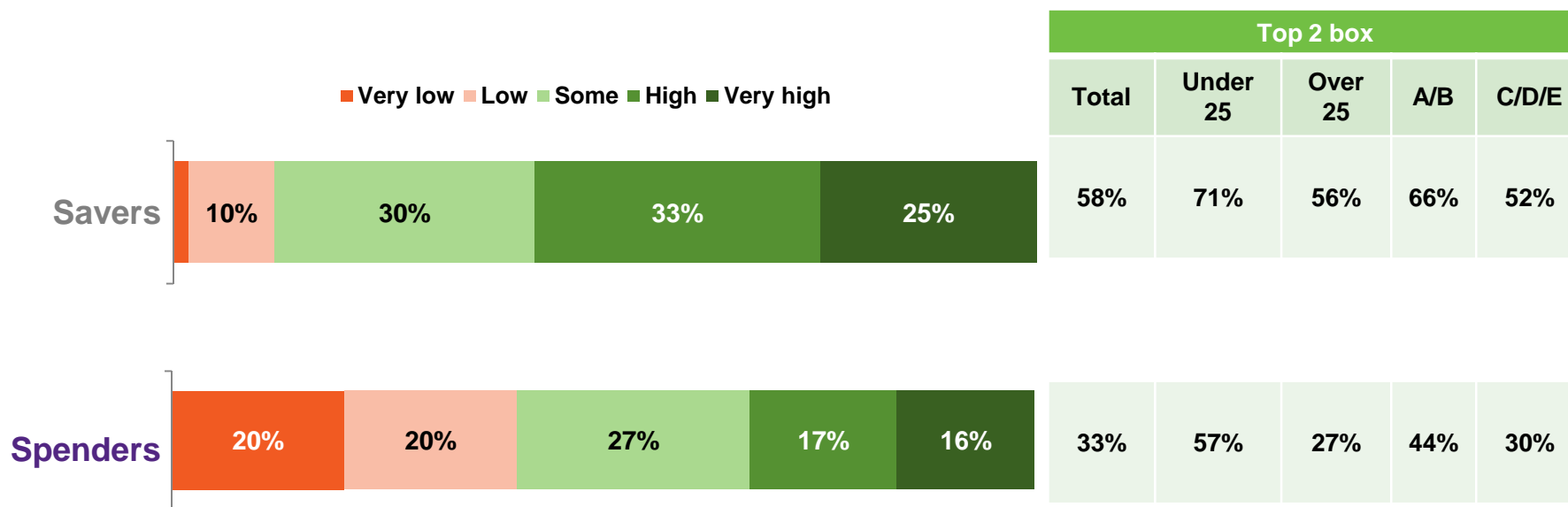
How would they achieve an additional £100 per month of saving



Q6. If you had to save an additional £100 every month, what would you need to do to achieve this? All Spenders; n=1,500; All Savers; n=1,500

Saving priority

- Priority for saving was much lower amongst Spenders – mirroring behaviour
- Under 25s and higher SEG and perhaps unsurprisingly those with lower levels of debt (those with higher debt levels prioritise paying off debt over building savings) also prioritise saving



Q13. How much of a priority (if at all) is saving for you currently?
 All Spenders; n=1,500, All Savers; n=1,500

Current savings behaviour

Whilst it is clear that demographic differences do exist between Spenders and Savers, current attitudes towards saving are relatively similar

Both have sought to reduce spending over the last 12 months and with both, once a savings behaviour has been established, routinely deposit in them to the same degree

Variance does begin to creep in when asked about their perceived ability to save

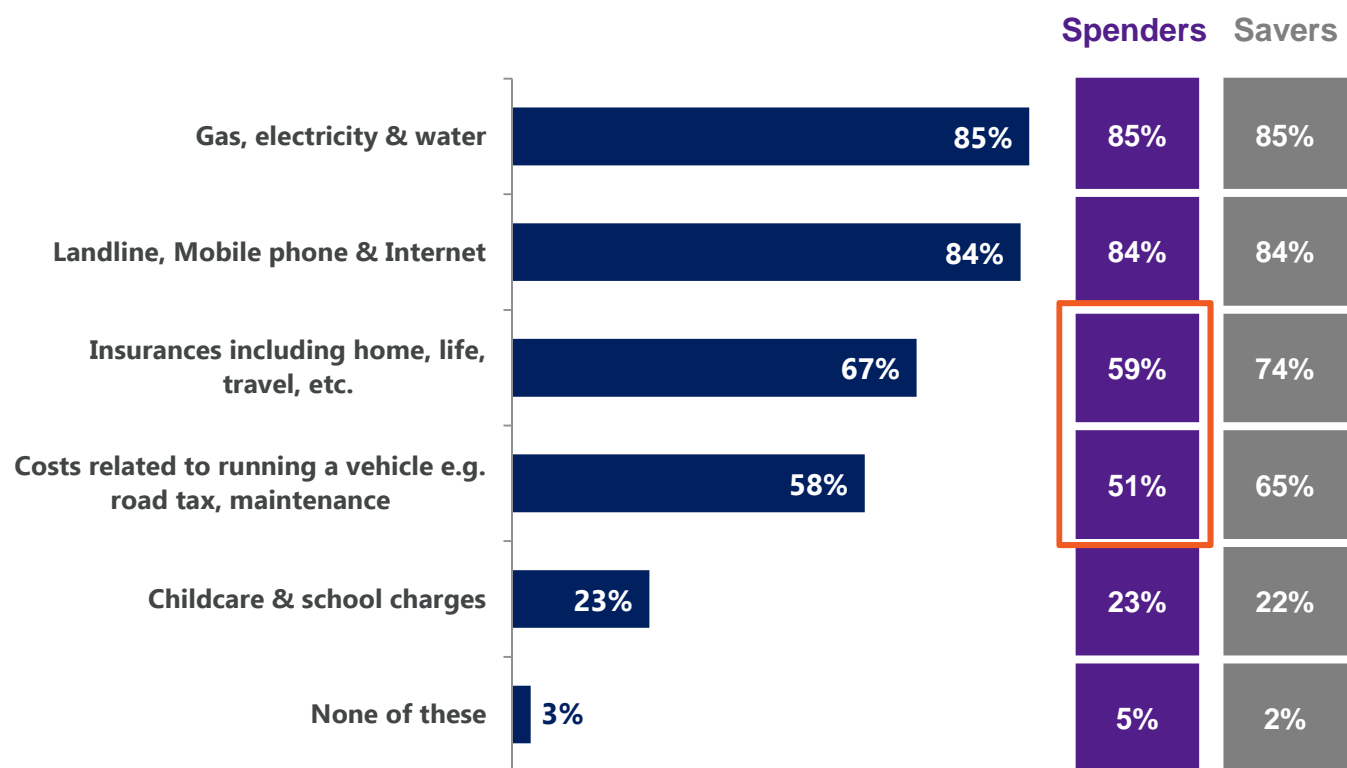
- Spenders saw themselves as unable to save (no money left once they have covered essentials) compared to Savers
- Savers also appeared to be more financially aware – more products held, more active switching to save or gain (and also more protected if things go wrong – insured); Spenders conversely *felt* more precarious - likely to keep money accessible (in case things change) and were also less protected if they do run into issues (lack of protection product / fall back money)



Current spending patterns

Household billing responsibility

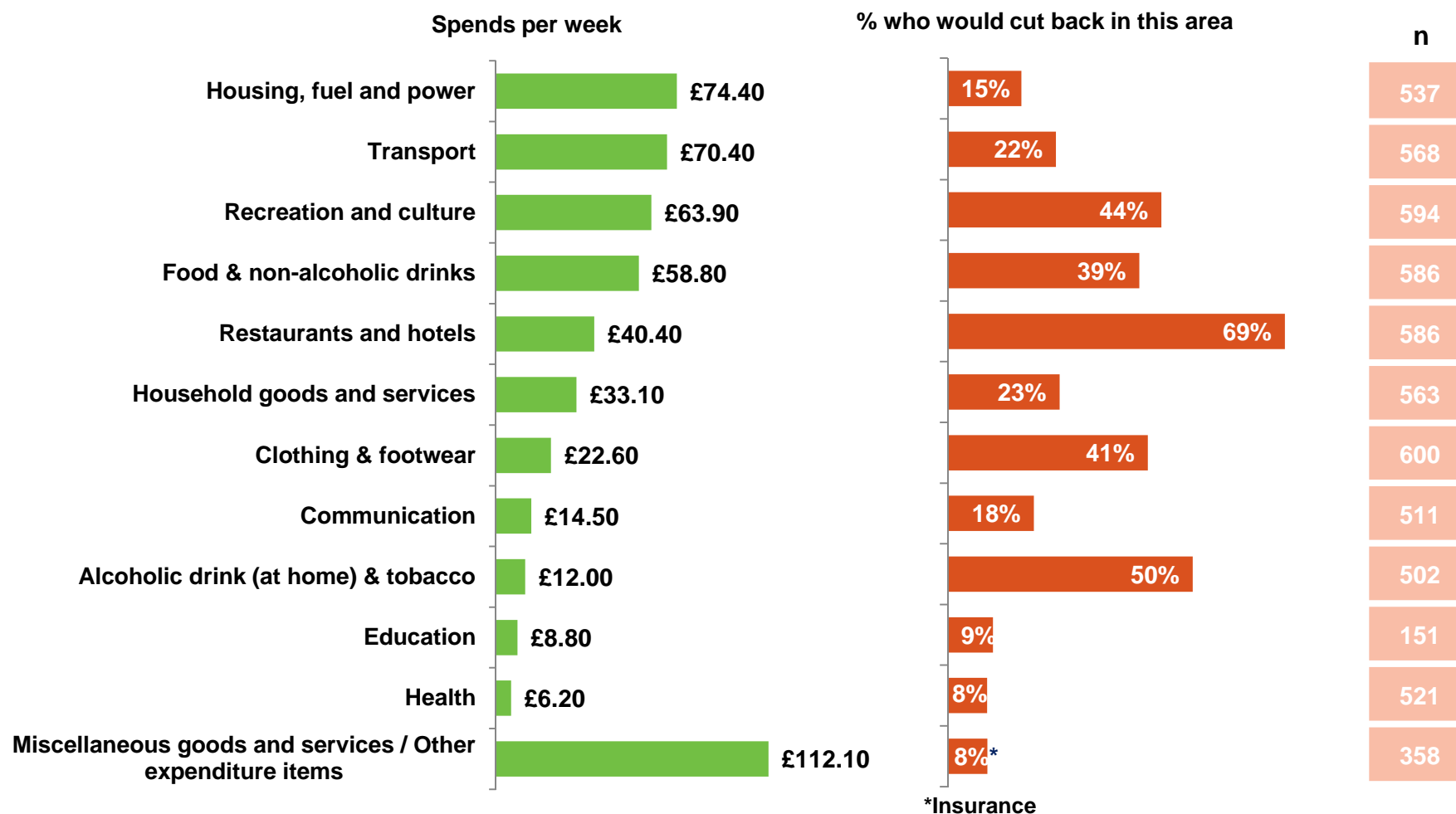
- Whilst energy and communication billing was consistent across audiences, incidence of insurances and vehicle ownership were higher amongst Savers – suggesting an extra degree of prudence and affluence



Q8. And are you responsible for/does your household have any of the following bills.
 All Spenders; n=1,500; All Savers; n=1,500;

Areas which would be cut back on - Spenders

- Cutting back would most often be on more frivolous spending e.g. holidays/ eating out and drinking/ smoking

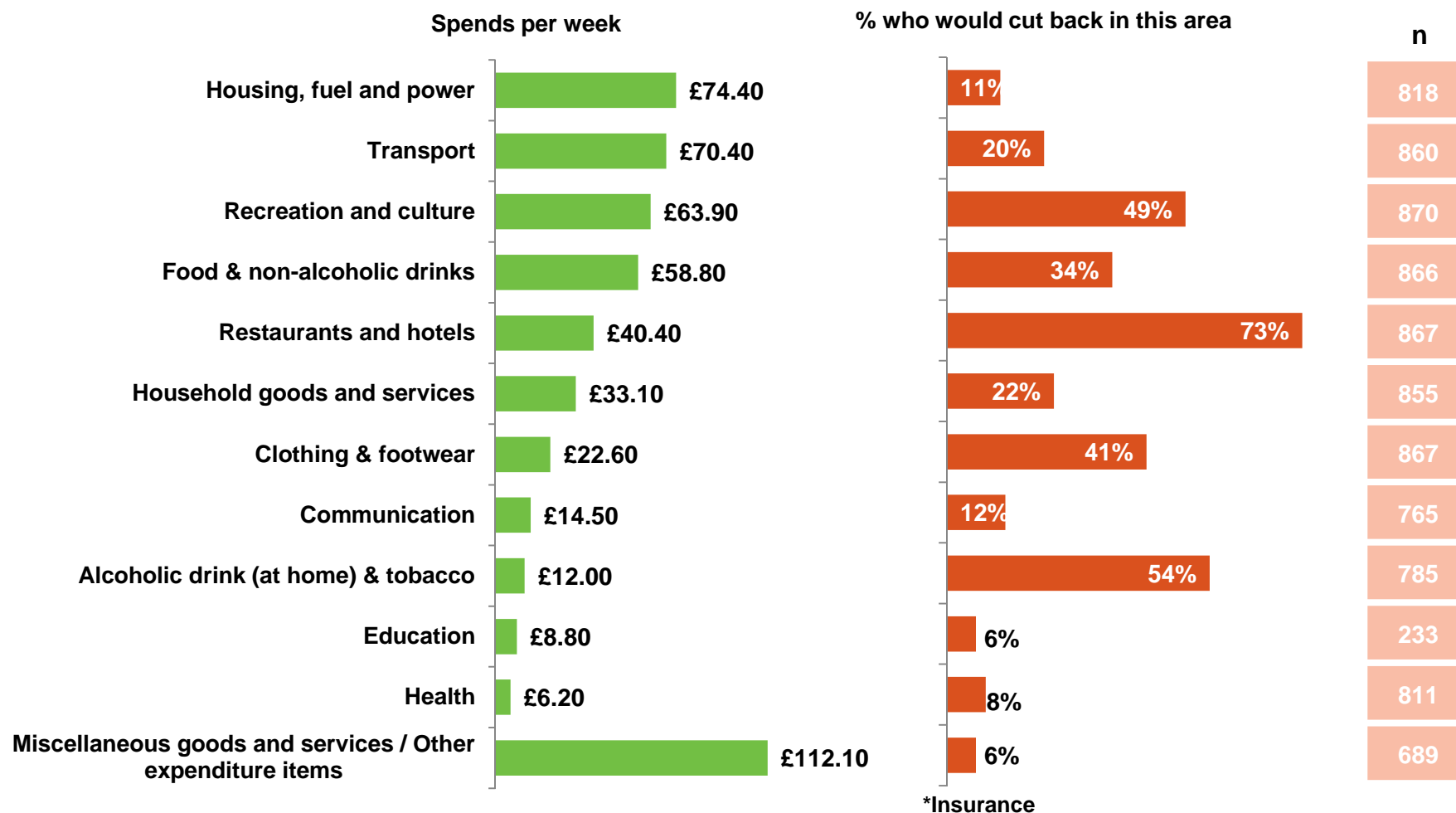


ONS Family Spending 2013

Q9. If you had to cut back on your spending by an additional £100 every month, what would you cut back on? All Spenders who would cut back to save £100; Overall total = 606; Variable totals by type of spending shown above

Areas which would be cut back on - Savers

- Reduction pattern for Savers mirrors that of Spenders – frivolous / premium items first; day-to-day staples (e.g. energy last)

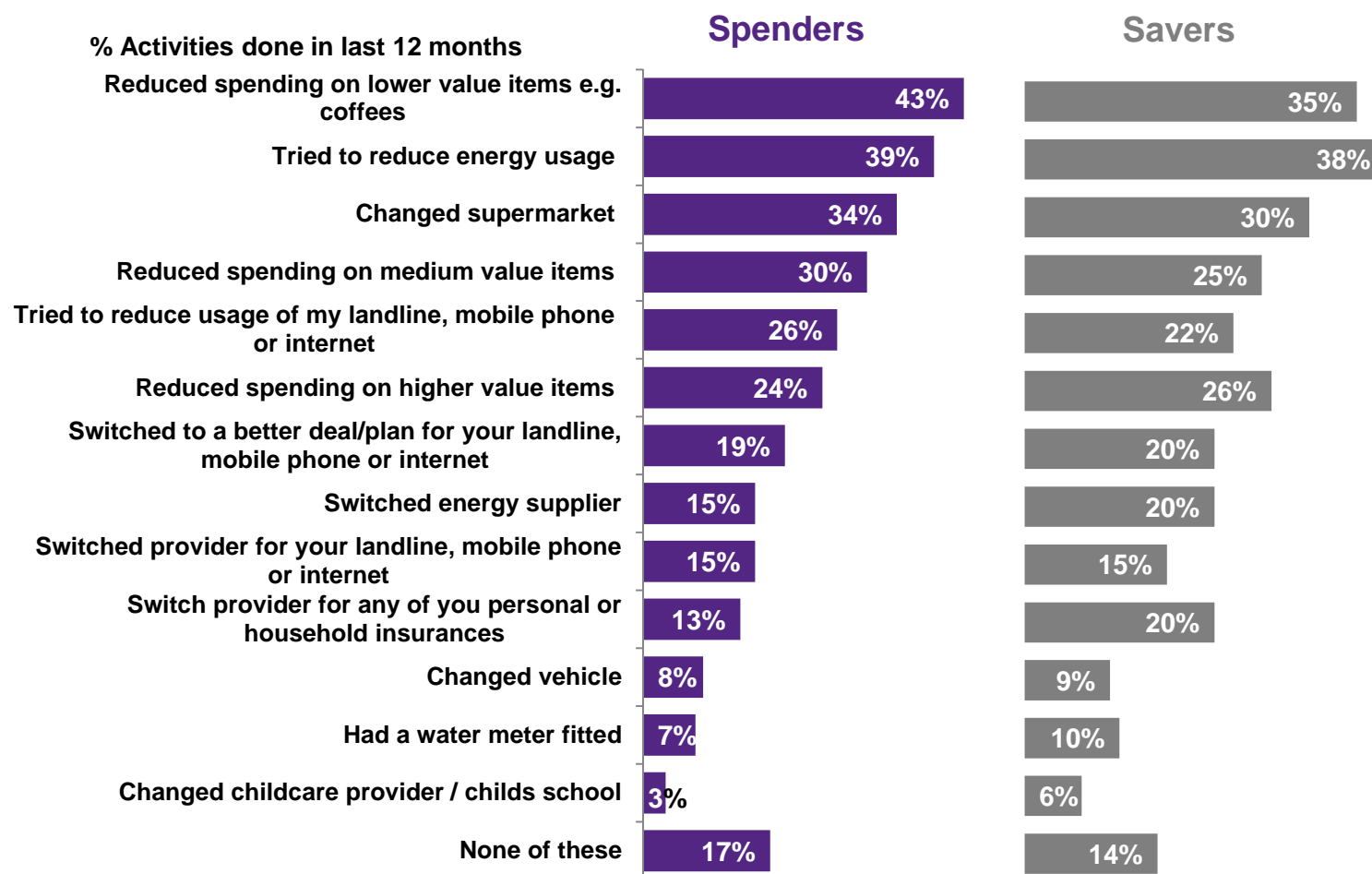


ONS Family Spending 2013

Q9. If you had to cut back on your spending by an additional £100 every month, what would you cut back on? All Savers who would cut back to save £100; Overall total = 878; Variable totals by type of spending shown above

Cutting back behaviour to date

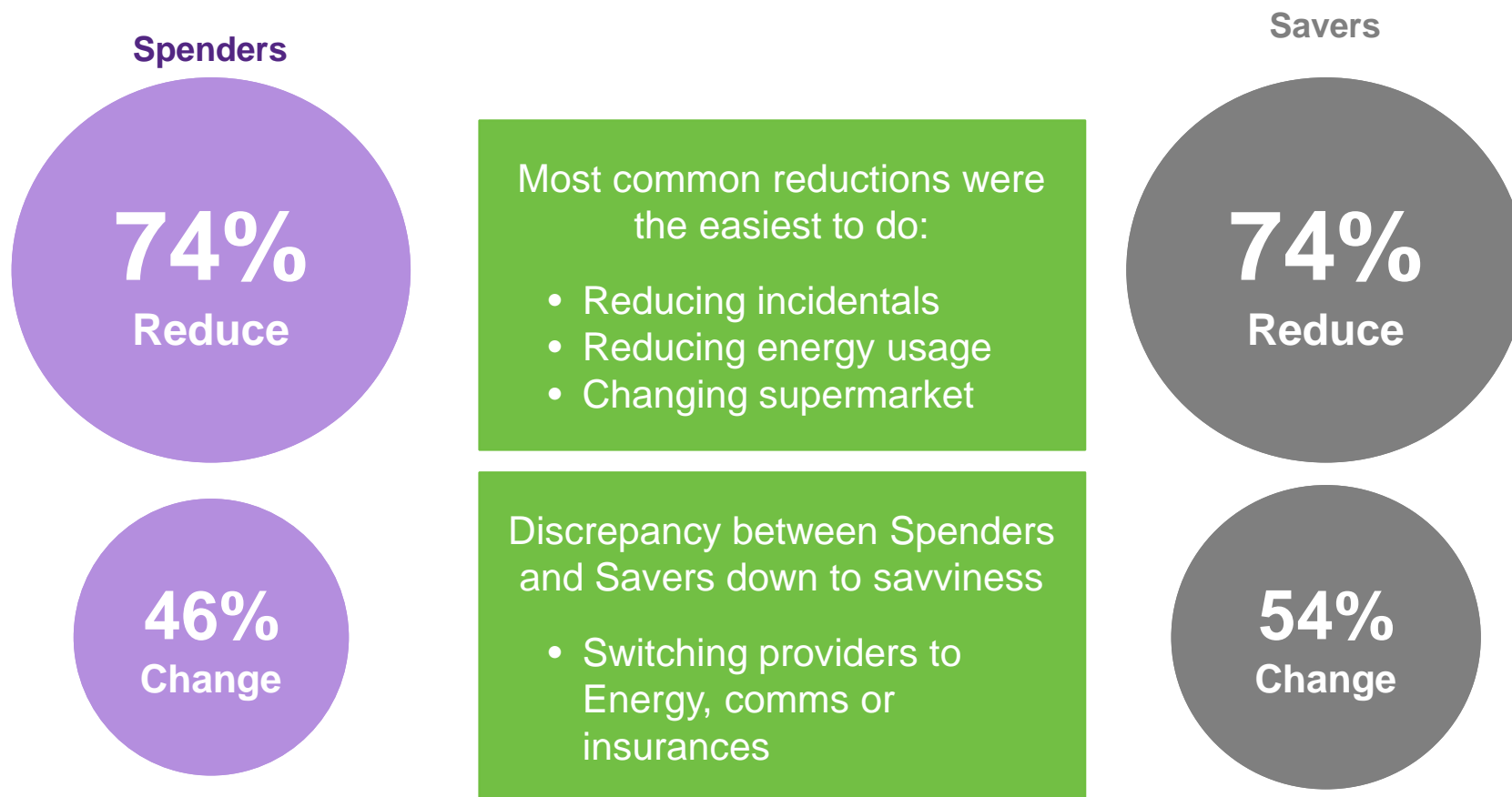
- Amongst spenders, it is the smaller value items and those easy to implement (e.g. no need to wait for contract to end) which have been most implemented
- Overall however 1 in 6 suggest they have done nothing at all



Q10. Thinking now about the last 12 months have you made any of the following changes in order to save money?;
Total Spender; n = 1,500; Total Saver, n = 1,500

Cutting back behaviour to date

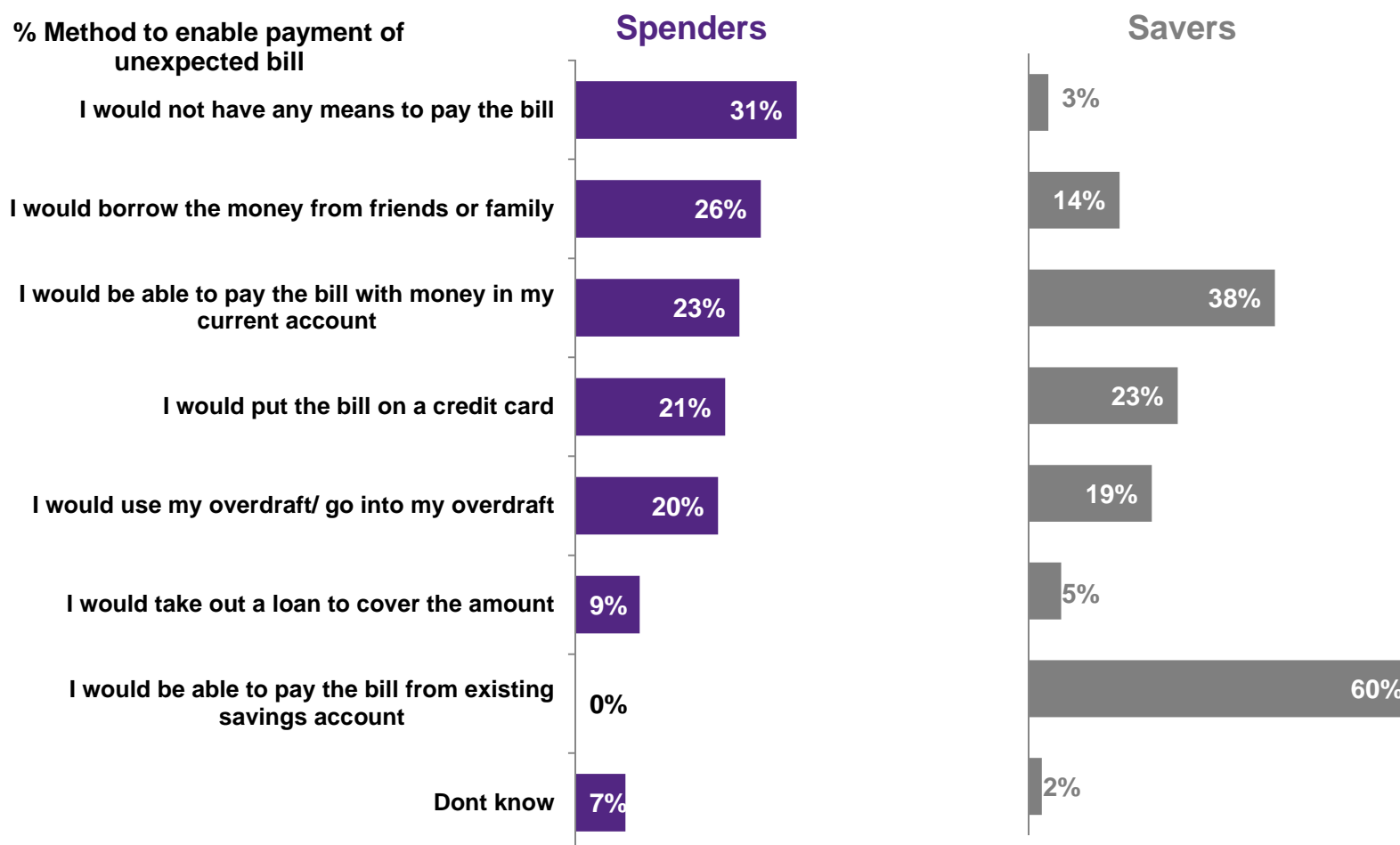
- In the current climate, it would appear that the vast majority (Savers and Spenders alike) have made some in-roads into at least assessing the extent to which they could belt tighten



Q10. Thinking now about the last 12 months have you made any of the following changes in order to save money?;
Total Spender; n = 1,500; Total Saver, n = 1,500

Dealing with an unexpected bill

- In order to meet the demands of an unexpected bill, spenders would either find themselves unable to make payment (3 in 5 of C2 or D) or are likely to fall back on their traditional borrowing methods

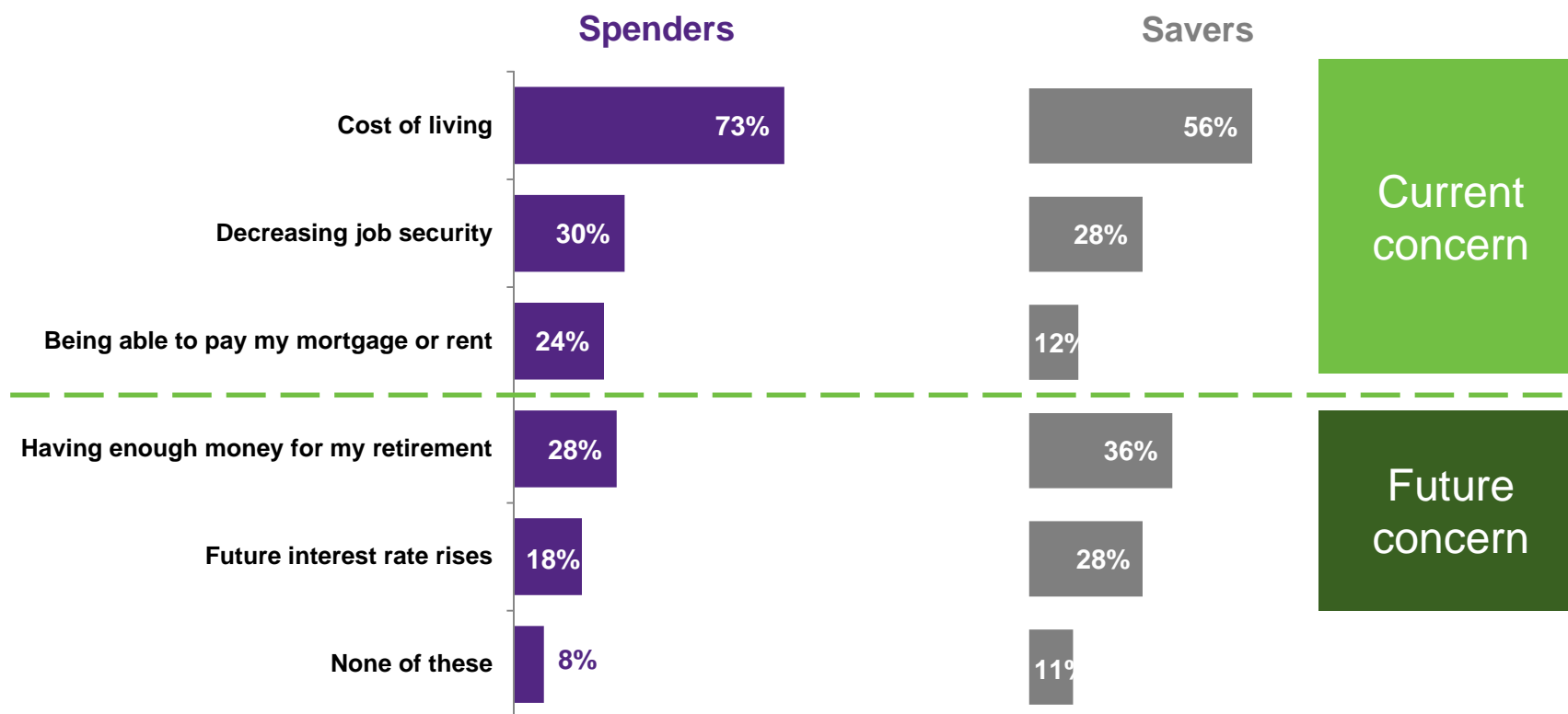


Q11. I'd now like you to imagine that you have just received an unexpected bill for £500 (e.g. for a new boiler, large car repair bill). Which of the following would you do to enable you to pay this bill?;
 Total Spender; n = 1,500; Total Saver, n = 1,500

Levels of debt and future behaviour

Current concerns

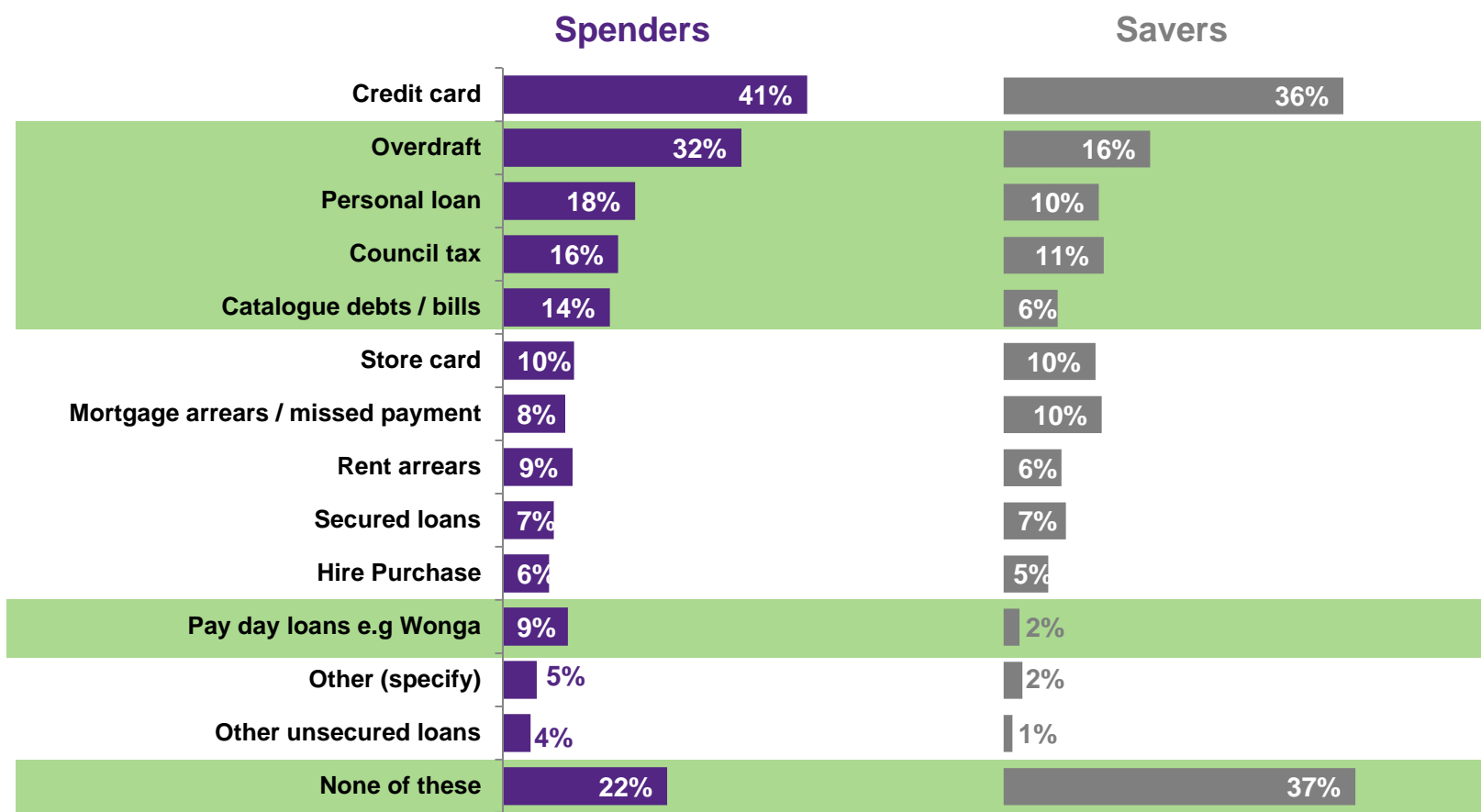
- The biggest concern was the cost of living, though levels were higher amongst Spenders
- Savers were also more concerned about the future both short and long term – interest rates (potentially even an immediate concern) and retirement



Q22. Which of the following things concern you at the moment? All Spenders; n = 1,500; All Savers, n = 1,500

Current debt ownership

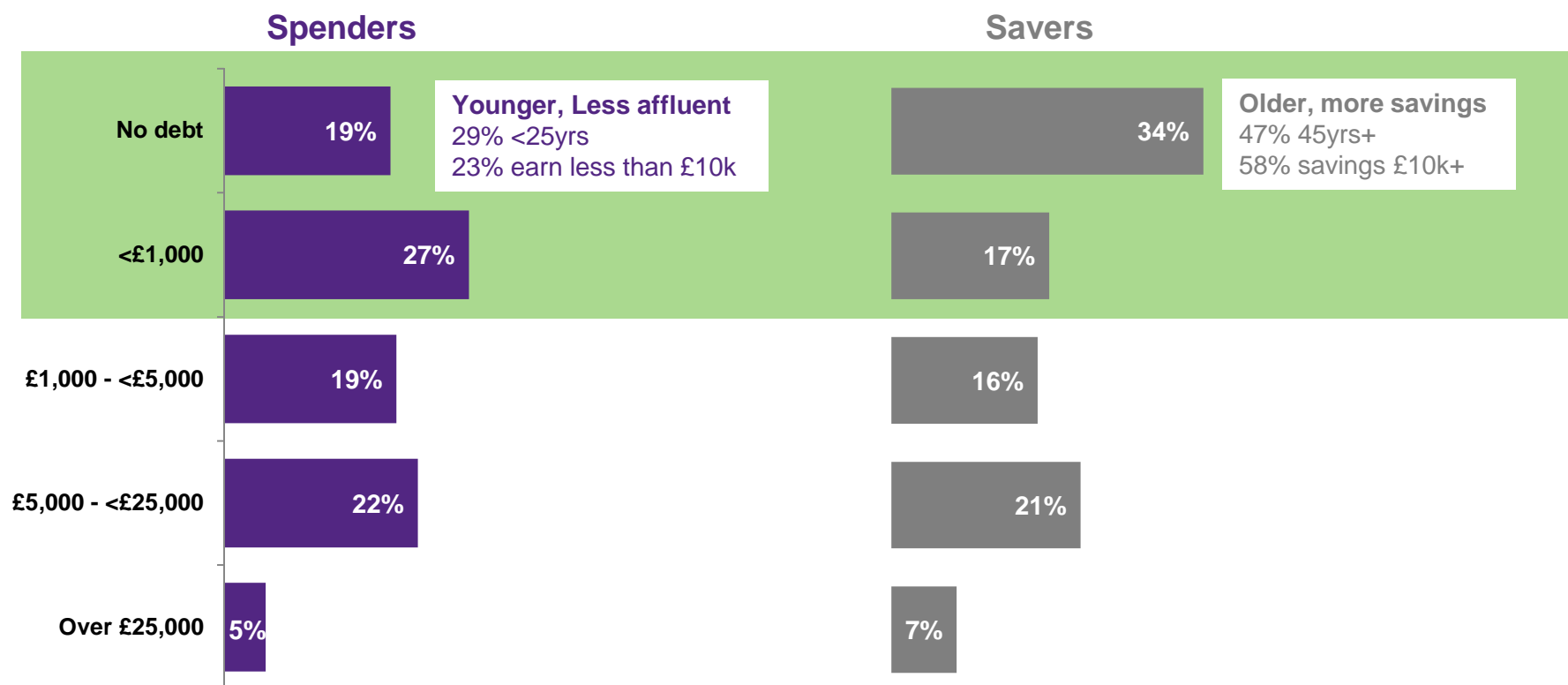
- A variety of debt was prevalent across both audiences, though a higher proportion of Spenders had debt as a result of an overdraft, personal loan, catalogue or pay day loan. Only 1 in 5 Spenders had 'none' compared to over 1 in 3 Savers



Q15. Could you tell me which types of debt do you currently have, if any;
Total Spender; n = 1,500; Total Saver, n = 1,500

Current debt volume

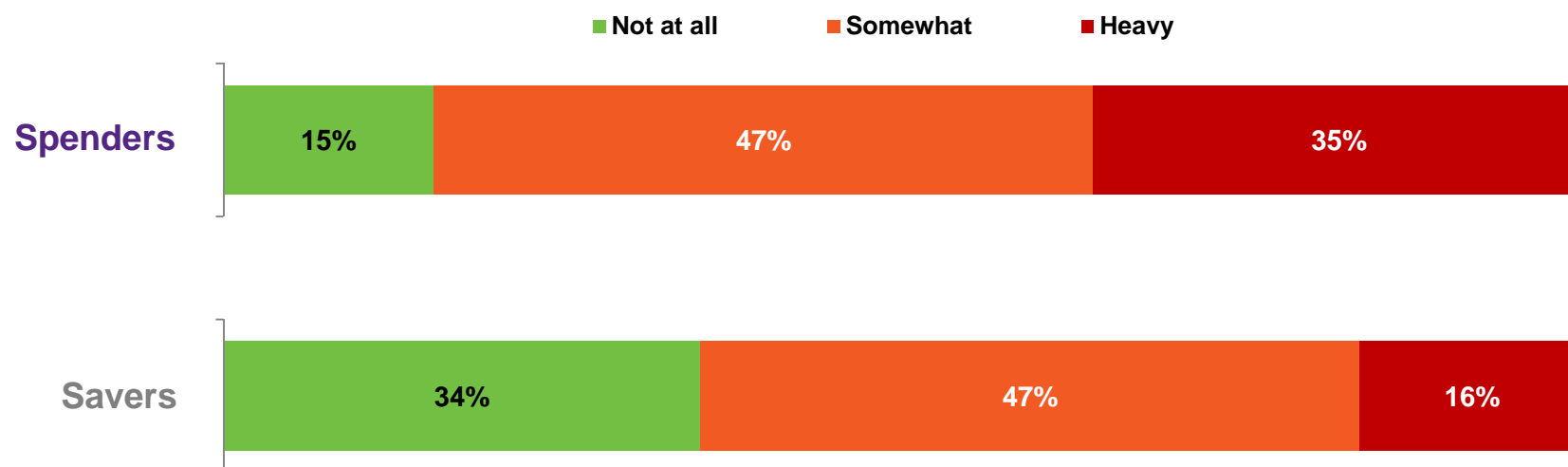
- High levels of debt were comparative between Spenders and Savers. The key difference between the two groups was towards the lower end of the debt spectrum - where Spenders were more likely to own less than £1,000 of debt than Savers



Q16. And can I ask approximately what is the total amount of debt you currently have, if any? All Spenders; n = 1,500;
All Savers, n = 1,500

Feelings towards debt

- Whilst the volumes of debt between Spenders and Savers are arguably not substantial, there is a significant difference in its emotional impact, with Spenders far more likely to feel their debt a burden

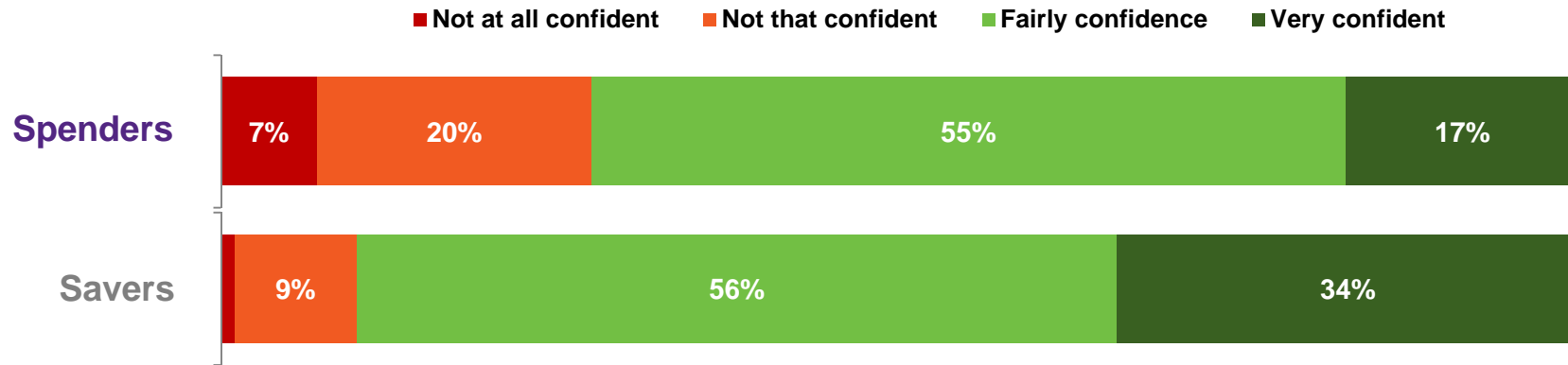


Q18. To what extent do you feel that keeping up with your bills and credit commitments is a burden? All Spenders; n = 1,500;
All Savers, n = 1,500;

Financial confidence with day-to-day money management



- Whilst the majority across the audience were reasonably confident with their day-to-day finances, those less confident were more likely to be Spenders



- Interesting confidence does grow with savings, but are also low amongst those with debt

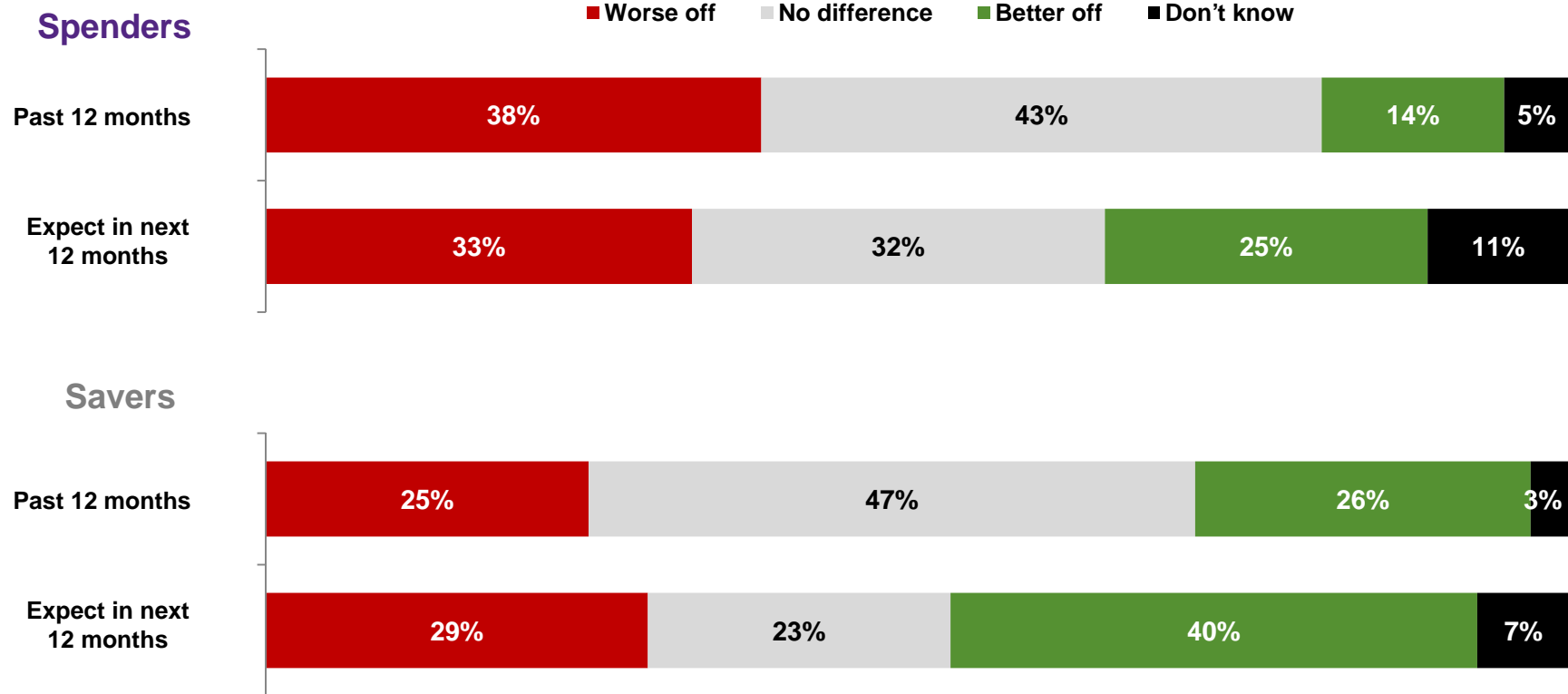
Top 2 box	No debt	Low debt	Medium debt	High debt
	(£0)	(£1 - £4,999)	(£5,000 - £24,999)	(£25,000+)
n	796	1,205	639	178
Very & Fairly confident	92%	80%	76%	80%

Q21. Which of the following would you say best describes how confident you feel about managing your money day-to-day? By this we mean budgeting and managing any savings or debts not complex investment products. All Spenders; n = 1,500; All Savers, n = 1,500

Perceptions of current and future financial situation



- Comparably, Savers felt more optimistic about their past and upcoming 12 months regarding their financial situation

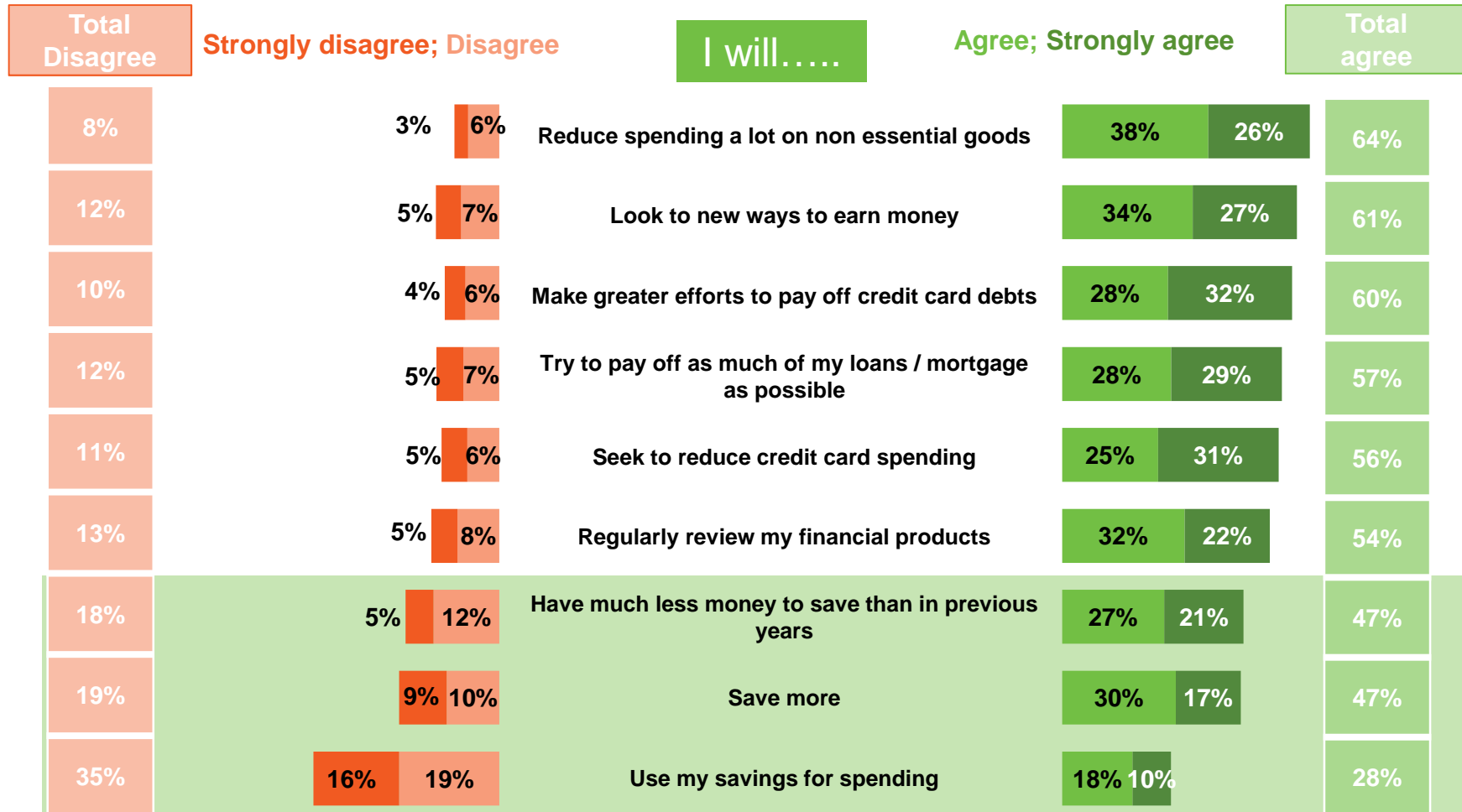


Q24. Have you personally started to notice any difference in your personal financial situation in the past 12 months, and do you expect to see a difference in the next 12 months? All Spenders; n = 1,500; All Savers, n = 1,500

Expected behaviour for next 12 months - Spenders



- Reduction was thought to be key moving forward – both in terms of spending and debt
- Saving falls to the bottom in favour of these elements

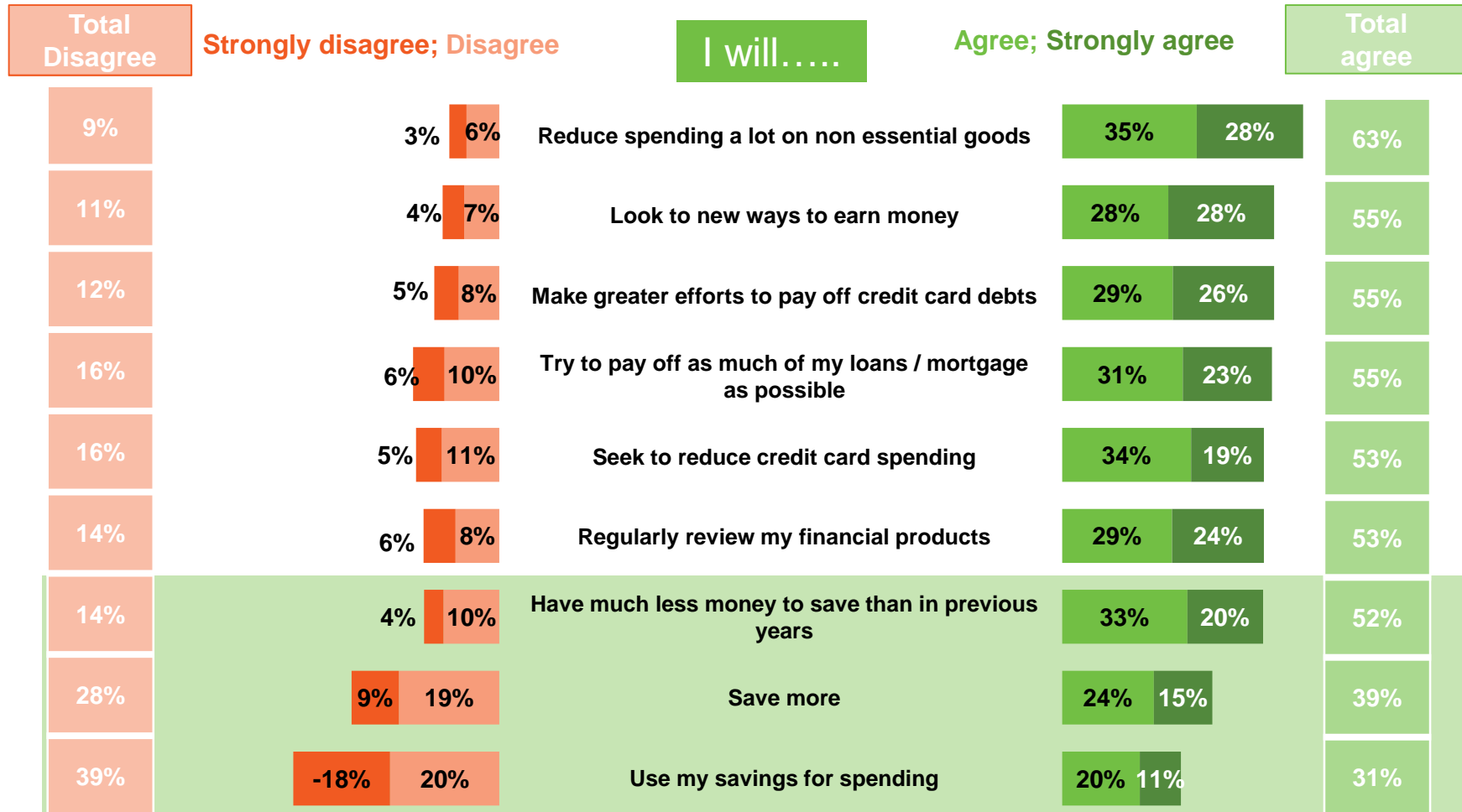


Q23. Thinking about your likely financial situation and behaviour over the next 12 months, to what extent do you agree or disagree with each of these? All Spenders; n=1,500

Expected behaviour for next 12 months - Savers



- Limited variance between Savers and Spenders though slightly less likely to be looking to save more



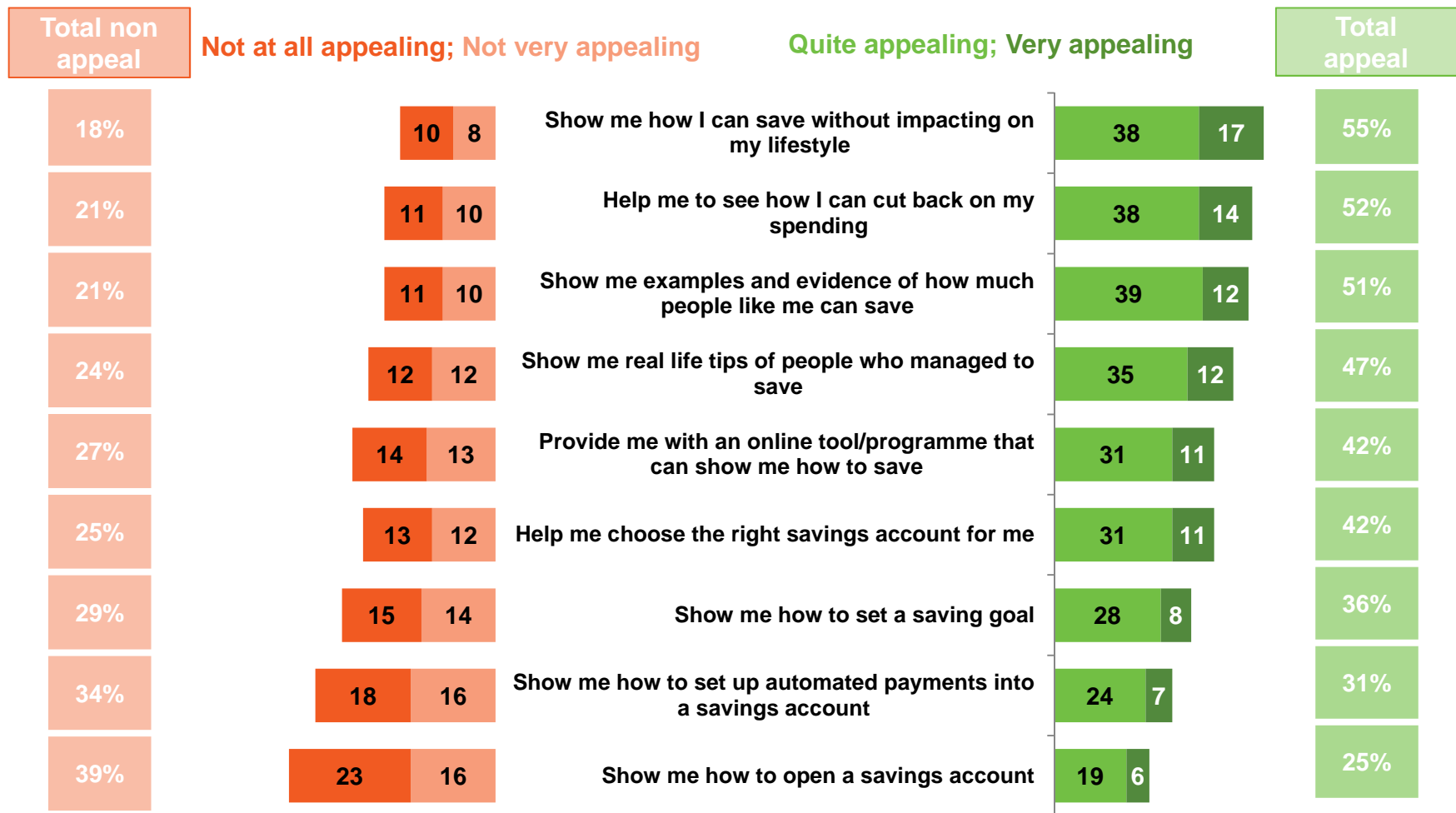
Q23. Thinking about your likely financial situation and behaviour over the next 12 months, to what extent do you agree or disagree with each of these? All Savers; n=1,500

Encouraging saving

What would encourage Spenders to save?



- Ultimately spenders are keen to retain the status quo and any comms will need to major on the compromise that will need to be made to their lifestyle (ideally how little!) whilst still achieving some savings – use of peer stories and specific tips more preferred



Q12. The following statements are all possible ways that a person, organisation or website could help people to start saving or to save more. How appealing (if at all) are each of the following statements to you personally? All Spenders; n=1,500

Impact of potential campaign statements

- From a comms standpoint, preference were mirrored across the board with strongest statements preferred – take, find, stay ahead rather than find out (semantically empowering rather than passive i.e. being shown rather than needing to find out or worse that you should have found out before!)

	Savers	Spenders
Find the £1000 you never knew you had	21	24
Take control of your money	18	15
Stay one step ahead of unexpected bills	12	11
Find out where you're wasting money	11	10
Find the money hidden around your home	9	10
Find out how much you could save each month	9	9
Find peace of mind with a savings buffer	8	8
Build up a savings shield and make sure nothing gets in the way of you enjoying life	8	7

Q14. Imagine there was a national campaign which is aimed at encouraging people with low levels of savings or no savings to start saving or saving more. Which of these slogans would be MOST likely to motivate you to save or save more?
And which would be the SECOND most likely slogan to motivate you to save or save more? All Spenders; n=1,500, All Savers; n=1,500

Summary and conclusions

- The profile of Spenders to Savers tends to mirror expected wealth profiles:
 - Savers exceeded Spenders with regard to household income
 - Slightly more Spenders were Self Employed and a higher proportion were part time – potential for variable income
 - Spenders tended to be slightly younger than Savers – less prudent?
 - Broadly Spenders also had a lower level of education and fewer were in the higher social grades (A/B)
 - From a lifestyle perspective fewer Spenders were married and significantly fewer owned their own home
- Saving mechanism and frequency of adding to saving also varied considerably across the two groups
 - Use of traditional saving accounts / financial products was less prevalent amongst Spenders preferring to retain cash (in home/wallet) or, at least, have easy access to any spare cash (current account)
 - Many Savers had also established a ‘savings habit’ whereby the vast majority (90%) were adding to their savings at least quarterly
- Interestingly Debt levels (excluding Mortgage) across Spenders and Savers were relatively similar, however, as a proportion of their household income, for Spenders, this was considerably higher
 - More difficult to pay off / service the debt – need to put more of earnings aside
 - As such debt was less of a worry for Savers – more means to fall back on including savings

What are the key blockers to saving?



- Across the board variance between spenders and savers with regard to (pure) attitudes towards saving was limited
 - Awareness that they should be saving was high
 - Spenders prioritise debt servicing over saving (despite higher absolute debt levels amongst Savers, Spenders have higher relative debt levels (when compared to income))
- With regard to spending, the variance between Spenders and Savers regarding claimed frequency of spend across all categories was also relatively similar and in fact, Savers were slightly more likely to spend more frequently on ‘incidentals’
- Equally, both sets had made in-roads to date, and planned to continue, to make reductions to usage of e.g. energy, telecoms
- So how do they differ?



- The relationship between income and savings (disposable income?) does, unsurprisingly, impact on current savings and perceived future ability to save
- Pragmatically Spenders are also more likely to prioritise debt servicing over saving

- Spenders also tend to be less confident with regard to money management – a knock-on effect of having fewer product holdings?
- Lower levels of income drives a feeling of being more precarious thus Spenders seek to keep any money they do have easily accessible

So, if the blockers are factors of demographic / circumstance, how can we encourage saving?



- The desire for advice appeared to sit firmly in the practical NOT the logistics of saving
 - How to reduce further
 - How peers *have* already reduced
 - How 'saving' can be achieved with limited impact on lifestyle
 - NOT how to open a savings account or how to set up a regular saving direct debit
- Equally the most preferred comms messages focused on 'getting more money' NOT 'making savings'
 - Mirrors current and project behaviour i.e. keen to repay debt first whilst also showing an interest in reducing outgoings / further borrowing

Whilst the goal to drive more prudent behaviour through this campaign appears to be needed (Spenders do have more debt and don't have the safety of savings to fall back on) perhaps the language of SAVING *per se* isn't the way to engage this audience. With the majority of Spenders currently in debt (and clearly showing signs that they know they need to service this before paying into savings) perhaps reinforcing the regularity / 'little and often' message (which translates to both saving and debt) through extremely focused and specific practical tips is the way to address this issue