

The Future Calls for Meaningful Inclusion

Market
FORCES

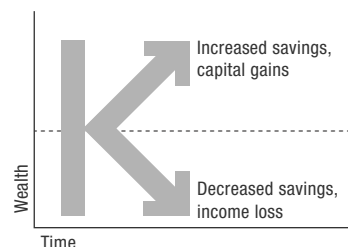
Perception

Vulnerable people are often left behind due to a lack of financial service offers that align with their specific needs. Limited availability of offers stems from the misbelief that the effort required to serve these segments outweighs the commercial opportunity for financial service organizations.

Market Forces

The pandemic accelerated and revealed the differences between segments of society. Some lost jobs and income while others experienced capital gains. New inclusive services provide access to cash and credit for vulnerable people, easing the financial burden. These include overdraft protection (e.g. Chime), point of sale financing (e.g. Klarna), and paycheck early (e.g. Monzo). These disruptors of today are laying the foundation of consumer expectations for tomorrow.

The K-Shaped Recovery



Reality

At Ipsos, we have tested over 6,000 Financial Services propositions ranging from banking, credit, investment, and insurance to fintech. A recent study shows that among various ways to access cash and credit, overdraft protection is most preferred. It also revealed insightful nuances:



Preference for overdraft protection is stronger among lower incomes (<\$25K)



Those drawn to paycheck early are ones who don't trust large institutions and like trying out new providers



Point of sale financing appeals more to high income groups (\$100k+) and those who never miss bill payments

chime

Chime, a highly valued disruptor in the U.S., has introduced overdraft protection and paycheck early, appealing to a low-income segment and differentiating themselves from large traditional institutions.

Most Preferred Ways of Accessing Additional Funds*

33%

Overdraft protection

Overdraw your account up to \$100 without being charged a fee

28%

Point of sale financing

Divide large purchases into monthly interest free payments

25%

Paycheck early

Get your paycheck two days before you normally would if you have direct deposit set up

14%

Small loans

Borrow up to \$500 for a small flat fee. Pay the loan back in three equal installments over a 90-day period

*Tiered stat testing (Overdraft is significantly more appealing than other options)

Source: Ipsos study, December 2020 among 600 respondents.

What It Means For Marketers

The success of Chime in the US demonstrates the potential of inclusive offers. However, success requires:

1. **A deep understanding of the underlying motivations** of distinct vulnerable groups to design not just products but also features and functionality. For example, low income groups are likely to exit the pandemic as net savers to recover what was lost. They are not looking for funds to purchase a TV, rather they need reassurance that they will not be charged an overdraft fee for everyday purchases.
2. **A committed and genuine intent to help** vulnerable groups and actually delivering on the promise. High interest rates and late payment fees are punitive in nature. Inclusive products need to be designed with allowances for users' reality. Often, we hear paycheck early services promise payment 2 days in advance but deliver only hours in advance, resulting in disappointment and lack of trust.
3. **A tolerance for risk** on the part of financial institutions is inherent in all these offers. However, the reward for the risk is a long-lasting relationship and now is the time to build these enduring relationships.