The influence of financial promotions on young people’s decision-making
Introduction

The Consumer Financial Education Body (CFEB) is responsible for helping UK consumers understand financial matters and manage their finances better. This includes young people. Earlier this year we commissioned research to look at the extent to which young people are targeted through financial advertising and the impact of these promotions on their purchasing decision.

For the purposes of this research and to avoid any confusion for firms, we have used the definition of a financial promotion from the Financial Services Authority (FSA) Handbook: ‘An invitation or inducement to engage in investment activity’. Such promotions appear all around us, from adverts on TV to billboards, shop windows, in newspapers and on the internet.

The FSA has specific rules with which firms must comply when they produce financial promotions. This is to ensure that consumers are provided with material which is fair, clear and not misleading.
Why do financial promotions to young people matter?

Young people are vulnerable in making financial decisions.

Young people face more responsibilities and challenges than ever. They now bear more of the costs of their education, they can borrow large sums of money, and they must do more to plan for the future. But our Financial Capability Survey\(^1\) shows they have lower financial capability than other groups, even allowing for their lower incomes and relative inexperience of financial institutions.

Promotions are often the first contact the young person may have with a product.

The complexity of financial products can make it more difficult to compare products, so young people may be reliant on financial promotions as a source of information.

Engaging young people with financial products is difficult.

The 16-24 age group are a notoriously difficult group to reach when it comes to personal finance. Products available for this age group, such as current accounts, can lack differentiation between brands, so firms sometimes provide additional features or incentives to attract attention and engage customers.

---

The research

Research was conducted in two phases.

Phase 1: CFEB commissioned Qube Media\(^2\) to identify and analyse types of promotions targeted at the 16-24 age group, for current accounts, savings accounts, credit cards and insurance, and examine the influence they might have on the young people’s decision-making. This phase used a combination of research techniques:

- **Quantitative survey** – of 500 young people on the financial decisions they faced, the financial products they had recently purchased, their understanding of financial promotions, and their satisfaction and confidence with financial decision-making.
- **Social data mining** – of online financial conversations occurring between February and March 2010 amongst young people, such as in forums and discussion groups.
- **Communications audit** – of the volume, type, and themes of the communications targeted at the 16-24 age group. It also analysed recent ‘above-the-line’ paid-for advertising, and social media activity for selected brands.
- **Expert interviews** – conducted with two high street banks, selected because they offered all the product ranges included in the survey, to determine the strategic approaches used to promote financial products and engage with young people.

---

2 - Qube Media is a social media agency, focusing on social media research, strategy and marketing.
Phase 2: Was conducted by The Futures Company\(^3\) to understand in more detail the journey young people experience when engaging with financial products, through:

- **Focus groups** – of 45 young people, who had either purchased a financial product in the previous six weeks, or were looking to make a purchase in the coming weeks, to explore the decision-making journey and influencers when purchasing a financial product.

- **Expert interviews** – with the three financial services firms that had most resonated and had an impact with the young people surveyed in Phase 1 of the research.

**Summary findings**

- The marketing landscape is continuously changing. It is increasingly difficult for consumers to identify and separate promotions from general communications, especially as use of the internet develops. The more traditional ‘above-the-line’ (TV, radio, press, outdoor) advertising is being complemented by the use of online activity, such as discussion forums.

- The brand, rather than specific targeted promotions, particularly resonates with young people.

- Young people perceive their knowledge of personal finance to be high. They feel confident with dealing with their finances, despite a lack of understanding of basic financial terms. Given this, it is unlikely that they are in a position to make informed choices.

---

\(^3\) - The Futures Company is a consultancy created through the merger of Henley Centre Headlight Vision and Yankelovich. It specialises in futures and trends, in future-facing research and innovation, and in segmentation, quantitative analysis and modelling.
The findings

Advertising

Media spend by financial services firms targeted at young people peaks in the third quarter of each year, which coincides with the start of the college and university year. However, the proportion of overall spend for above-the-line advertising specifically targeting young people with youth products or messages is small.

Typical channels to reach young people are online (including social networking sites and youth orientated web sites), targeted press and youth television channels (such as MTV).

Young people’s unprompted recall of recent financial promotions was relatively low, with only 26% of the young people surveyed being able to recollect one. The most significant promotions are those discussed within a close peer group or via word-of-mouth and social media. In this way, promotions provide young people with social currency (information shared that encourages social interactions) among friends. Young people were found to remember specific promotions as a result of this social interaction, rather than from seeing the promotion itself. So, whilst this engagement is not always recognised as promotional activity, it may have an impact on decision-making.

It is clear that young people are subject to, and aware of, wider financial promotions not necessarily targeted at them – such as for general current accounts.

The promotional messages used for wider audiences are reassuring and aim to promote trust and safety, in reaction to the financial crisis. This differs from the tone of communications specifically to young people which is upbeat and positive. A typical promotional message is ‘hassle-free’ banking.
Online activity

The online environment continues to grow as a medium used to engage young people with financial products, both for specific financial promotions and to engage young people with an overall brand.

The ‘Millennials in Banking Survey 2008’, carried out for Microsoft, found that to engage with customers of the ‘Millennial’ generation (people between the ages of 18 and 30 years) banks must embrace a higher-tech approach. When asked how they research or learn more about financial services providers 26% of young people questioned for this study said they would read customer reviews on the web, but only 9% said they would look through social networking sites like Facebook or My Space.

Our research findings suggested that young people were protective of social networks, preferring to reserve these for entertainment, and that finance was an unwelcome intruder. However, they were open to using the mechanics of social networking, such as using multimedia content, sponsoring links in existing social networks, and opportunities to comment and provide feedback. Our social data mining research also found evidence of online conversations between young people such as ‘Which bank has the best internet banking service for current accounts?’. Young consumers are thus also leading marketing of products through recommendations, and this discussion forms part of their social currency.

When it comes to making a financial purchase, we found that the internet is the most popular channel, with 55% of the sample having made, or plan to make, a purchase in this way. The social space may offer opportunities for closer communications with young people, learning more about their customer experience and expectations that can benefit the service to young consumers.
Product range

Where product targeting does occur for young people it is often limited to young person or student bank accounts.

Specific young person current accounts are promoted to young people up to the age of 18. Student accounts are then offered where appropriate, along with basic current account products once the young person has left formal education. Firms use current accounts to initiate and establish a long-term relationship with a customer, meeting lifecycle needs.

Credit card promotions are generally not explicitly targeted at young people. However, brand advertising is evident and firms attract young people by appealing to lifestyle aspirations and features such as discounted event tickets.

Insurance products are rarely targeted specifically at young people. There is little detail about insurance products at the promotion stage and the decision-making of young people is often based entirely on the final quote.

What do young people think, and what do they want?

Product engagement

The young people surveyed have a low interest in finance. They do not believe there are financial benefits to engaging more fully with financial products. They feel that there is little innovation and differentiation between these products, which limits their interest and engagement.

Young people’s engagement with current accounts and savings accounts appears to be particularly low. Often these products were purchased at a young age, by their parents or carers, so they have little interest in the choices. As advertising spend shows, when students go to university

'I’m not going to spend four hours on the internet reading about current accounts because between X Bank and Y Bank there’s no difference.’

Employed, 19-24 age group.
there is the opportunity to promote student accounts, indicating the potential importance of the life stage.

Product options for young people not in education, employment or training appear to be limited and young people in this group are often directed to generic products, possibly because this group is recognised as having a lower income than average. Products tend to be aimed at consumers in general and there is little sense of any being particularly 'young person-friendly'. Consumer power could be important here – giving young people product choice and making them aware of these choices could increase their engagement.

We found greater interest in the car insurance and credit card markets. Young people perceived differentiation between products, and the short term commitment was viewed as an advantage. For example, car insurance requires yearly renewal, with engagement likely to provide financial benefit to them through searching for a good deal.

When they were considering the purchase of a financial product, our survey found that young people considered a number of factors to be important. The key driver when choosing a financial product is the interest rate, with 41% considering this the most important factor and 24% naming it as the single most influential factor.
The influence of financial promotions on young people’s decision-making

Most important / influential factors driving choice (n=500)

Young people’s learning experiences

As they get older, young people feel that they become wiser. Those towards the upper end of the age band apply past experience to their decision-making. This resonates with young people asking for advice from peers who have past experience and advice to share.

Increasingly, young people are looking to the internet to research these experiences and seek recommendations. This was evident in the survey, where price comparison websites were some of the most highly recognised financial brands. Two price comparison web sites were the second (at 43%) and third (at 42%) most mentioned brand names by the young people we surveyed (a large well-known bank was the most-named at 44%).

However, because not all comparison websites are comprehensive or independent, young people could be making incorrect assumptions about the best ways to find information in order to make competent choices. This could...
suggest that they are therefore not in fact becoming wiser or as informed as they would believe.

Young people appear to have a baseline of caution in approaching financial decision-making. More than ever, young people are wary of the motives and methods used by financial services companies.

Overall, 51% of young people surveyed consider themselves to be ‘quite confident’ in their financial decision-making and 16% consider themselves ‘extremely confident’. Older consumers in this age group who have made a recent purchase were found to be the most confident.

Confidence in making the right decision when purchasing a financial product (n=500)

However, there are gaps in their detailed understanding of specific products and product terminology, and they often turn to price comparison websites as a source of information and recommendation. Given the lack of understanding of
The influence of financial promotions on young people’s decision-making

‘I wanted a current account and found I’d been given a premier account that was costing me more. I said I didn’t want it - change it. So they did.’

Employed, 19-24 age group.

Basic financial terms and conditions, it is unlikely that young people are able to make informed decisions. This suggests that there is some degree of vulnerability that young people do not perceive.

50% of the young people surveyed said they were ‘quite satisfied’ that the level of information given about a product in its promotion was sufficient to help them make a decision. But when this was broken down by product, it highlighted that some product promotions proved more satisfactory than others. For example 16% of savings customers said they were ‘not satisfied’ that financial promotions included sufficient information for them to make an informed decision (4% for current account, 6% for credit card and 7% for insurance).

When they have problems or complaints, young people say they like to deal direct and ‘face-to-face’ and would visit the branch to do so. They are happy to carry out basic services,
The influence of financial promotions on young people’s decision-making

such as paying bills and viewing transactions, online but prefer to interact in branch for financial advice or to make a complaint.4

We found little knowledge of formal channels of complaint, such as the Financial Ombudsman Service, suggesting vulnerability if they had to make complaints in the future.

Decision-making

Promotions tend to have most impact when young people are actively searching for products. Young people tend to weigh up the cost against the benefit of a product, implying that some conscious consideration behind the decision-making is taking place, which could be influenced by promotions. But this also indicates that promotions are not necessarily the trigger for a product purchase. However, it could also be the case that young people are simply unaware of how influenced they have been by a promotion, or that they were uncomfortable divulging that decisions about purchasing financial products are made rashly.

65% of survey respondents said they made their own financial decisions, but that ‘Mum or Dad’ is the most likely influencer on their purchase. Most young people consult a person known to them when making financial decisions.

Brand advertisements and communications make an impact on this age group. When presented with a list of financial brands, those respondents who could recall a recent promotion were most likely to recall seeing the name of the brand on a promotion rather than a specific product or service offered.

4 - Millennials in Banking Survey, 2008
In choosing a financial product, 27% of the young people we surveyed rated a company’s reputation as an important factor; only 14% gave this rating to its advertising.

**Number of brands considered (n=500)**

29% of young people consider five or more brands when making a purchase decision on a financial product, and 28% would consider only a single brand. This suggests polarisation of decision-making strategies amongst young people.
Recommendations and next steps

There is scope to build on this research and gain further insights into the following:

- CFEB will work to develop young people’s understanding of specific products and product terminology to support product engagement and reduce vulnerability.
- CFEB and the financial services industry can work together to ensure young consumers are fully informed about all suitable products.
- Further research the major influences on the financial decision-making of young people compared to adults and the importance of life stage and well-being.
- Examine whether promotions are driving the expectations of young people, and if so, whether they are being fulfilled, and what happens when they are not.
Contact us for more information about CFEB’s work with young people at ya.learning@moneymadeclear.org.uk

We are grateful to those who have helped us to develop this work.