

# Introduction to our Segmentation

Deepening understanding of people in financially vulnerable circumstances

6<sup>th</sup> October 2022

# Who is speaking today



Lauren Peel – Fair4All Finance



Tom Johnson – Trajectory



Aidan O'Brien – CACI



Jamie Morawiec – CACI



Sophie Williams – CACI

# What are we covering today?

Why segmentation?

The target audience definition

How we created our segmentation

Introduction to the segments

Supporting assets

How to use our segmentation

What else is coming

**Our purpose** for segmentation

**to support the design  
and development of  
more effective financial  
products and services  
to improve financial  
resilience**

**Our purpose** for segmentation  
**to support any**  
**organisation who is**  
**passionate about financial**  
**inclusion to further**  
**understand people in**  
**vulnerable financial**  
**circumstances**

# The target audience definition

## Target audience definition

**We have defined the target audience as those who are financially vulnerable**



# How we created our segmentation



## What is segmentation?

A way of **grouping** the population based on **similar characteristics**

### **Differentiable**

Similar within,  
distinct between

### **Viable**

Manageable size  
and number

### **Intuitive**

Make good sense  
to the end user

## How we created our segmentation

**Segments were  
created to focus on  
behaviours more  
than demographics**

**Behaviours are more  
useful than  
demographics for  
understanding  
needs, drive strategy  
and developing  
propositions**

# Methodology

Survey to 3165 people who meet our target audience definition

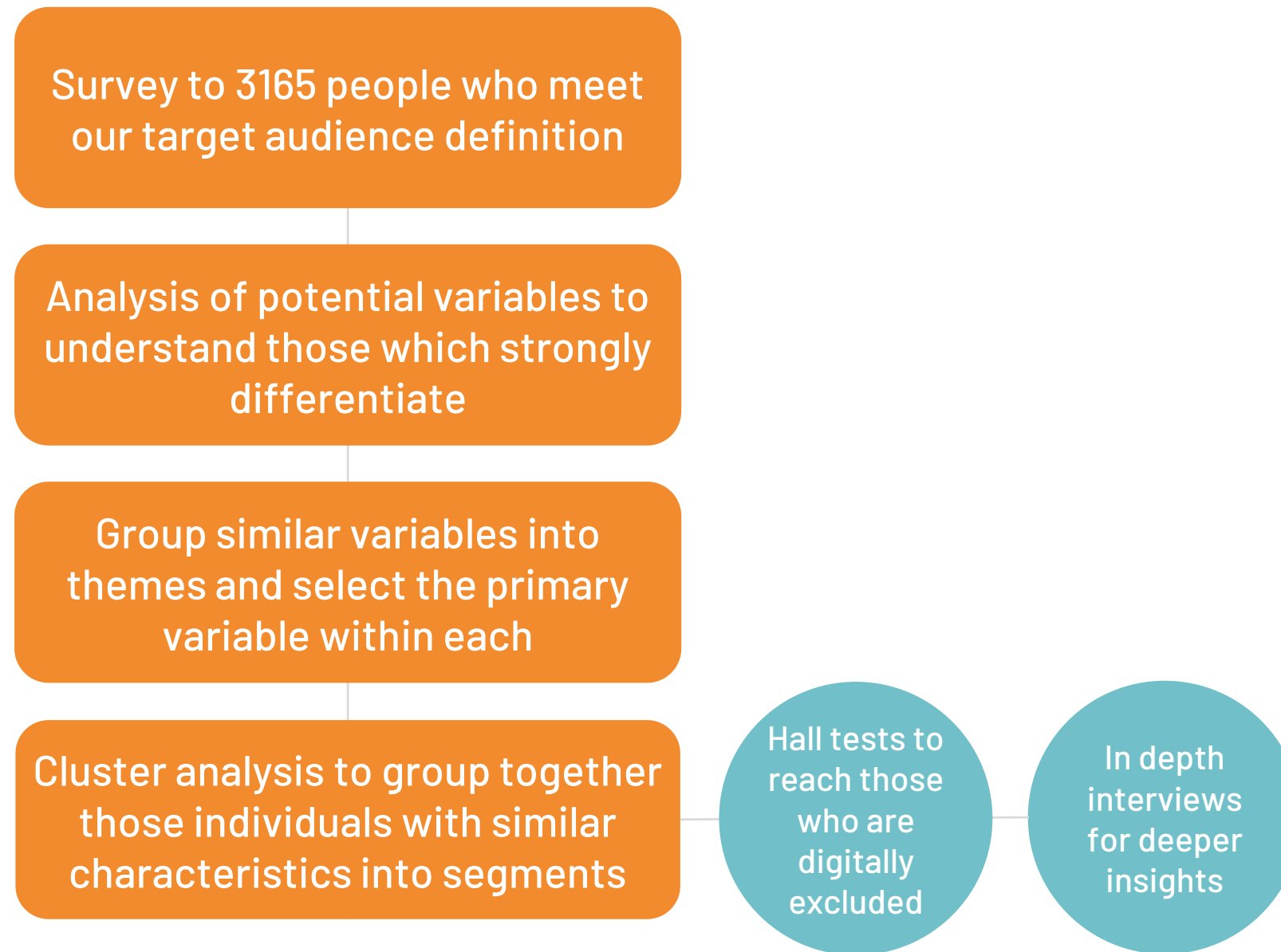
Analysis of potential variables to understand those which strongly differentiate

Group similar variables into themes and select the primary variable within each

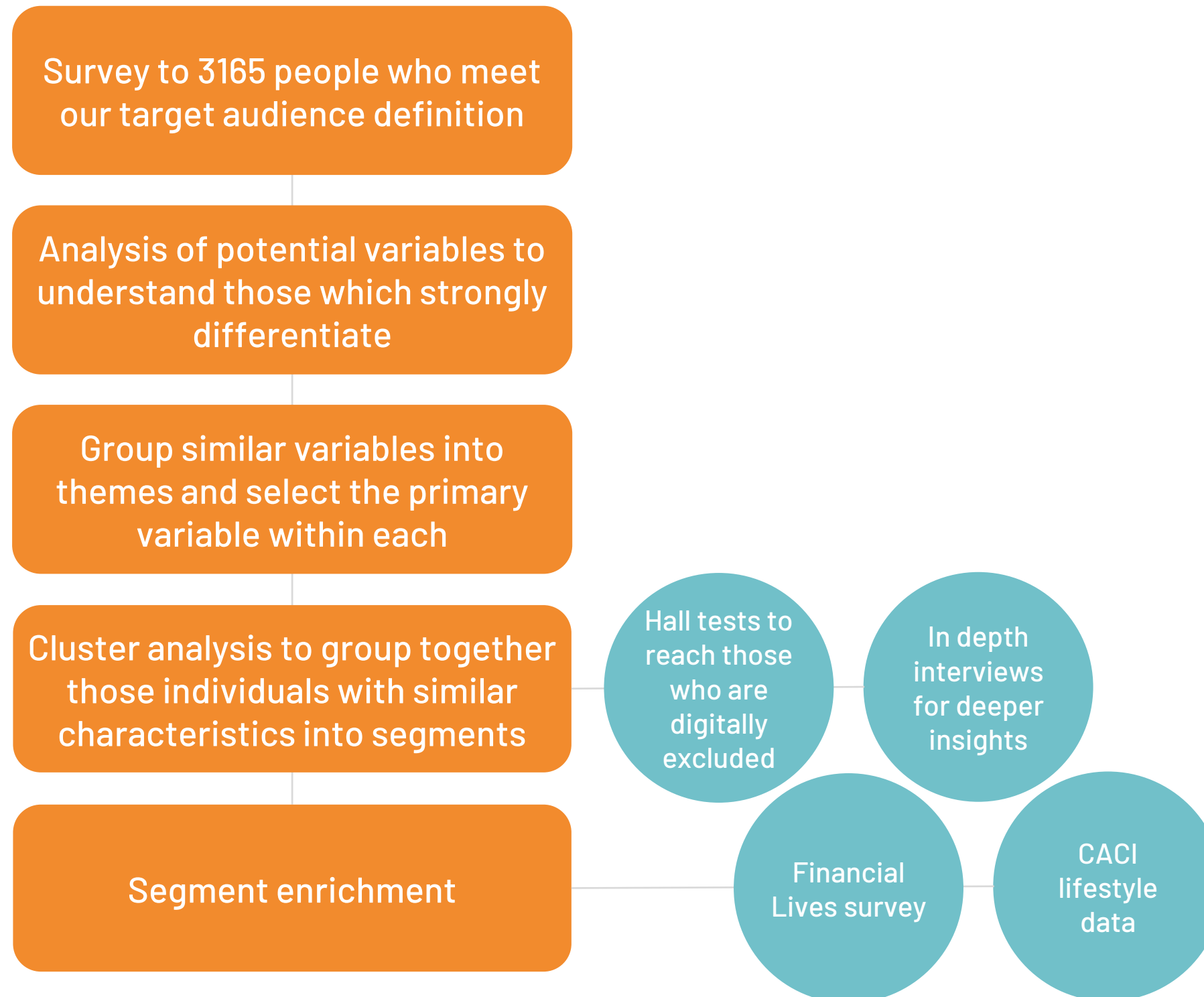
# What **drove** the segments

- **Zero hours contracts (causing flexible incomes)**
- **Have an unsecured personal loan**
- **Rejected for credit in the last 12 months**
- **Used foodbanks in the last 12 months**
- **Has payday loan/short term credit**
- **Struggling to repay owed debt**
- **Used savings as a primary income in the last 2 years**

# Methodology



# Methodology



# Introduction to the segments



# We have 6 segments, ordered by life stage



# Segment comparisons: demographics

1.3m people Unsteady starters	3.9m people Squeezed and sliding	3.5m people Credit crisis families	2.2m people Difficult debts	3.6m people Forgotten families	3m people (un)golden years
18-34	25-44	25-44	35-44	25-54	45+
Renting (private or a room from friends/family)	Mortgaged and renting families	Social housing	Private renters, some mortgaged	Social housing	Social housing, some homeowners
HH income £25k+	HH income £30k+, inc £50k+	HH income <£25k	HH income £25-£50k	HH income <£20k, many <£10k	HH income <30k
Zero hours contracts or part time work	Salary plus child benefits	Benefits and some part time or zero hours	Salary plus child benefits	Reliant on benefits, some carers	State pension (some private pension), some still in work

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# Segment comparisons: debt

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Unsteady starters	Squeezed and sliding	Credit crisis families	Difficult debts	Forgotten families	(un)golden years
<b>Likely source of debt</b>					
Arrears Overdraft (unarranged) Credit card	Credit card Overdraft Buy now pay later	Arrears Owe to family/ friends Credit card Overdraft Catalogue debt	Credit card Overdraft Personal (unsecured) loan	Arrears Credit card Owe to family/ friends Catalogue debt Benefit overpayment	Credit card repayments
<b>Debt severity</b>					
Debt has increased over last 12 months	Debt has increased over last 12 months	I am struggling to repay the debt that I owe	I have been in debt for the last 12 months	I am struggling to repay the debt that I owe	I'm struggling to save anything for my funeral
Debts £500 - £5k	Mixed savings and debt	Debts range from <£1k up to £10k	Debt levels £2k-£20k	Low debt levels either due to attitudes or access	Low debt levels but little in savings
<b>Where they go for help or advice about money</b>					
Friends and family, online forums, local services (eg job centre)	Online forums, bank or building society, information websites (Moneysavingexpert)	Debt advisers or council services	Online forums, information websites (Moneysavingexpert)	Debt advisers or council services	TV programmes about money, bank or building society, information websites (Moneysavingexpert)

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1 Unsteady starters

2 Squeezed and sliding

3 Credit crisis families

4 Difficult debts

5 Forgotten families

6 (Un)golden years

**Younger people with flexible incomes establishing their home, work, and financial lives. They often use shorter-term credit in smaller amounts**

## 1 Unsteady starters

## 2 Squeezed and sliding

## 3 Credit crisis families

## 4 Difficult debts

## 5 Forgotten families

## 6 (Un)golden years

- **Highly indexing for 0 hours contracts**
- **Some part-time work and some students**
- **Privately renting or staying with friends/ family**
- **Smaller loans, more frequently – possible credit card debt**
- **Don't know where to turn for financial help**



1 Unsteady starters

2 Squeezed and sliding

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6 (Un)golden years

People with **less certainty** around their finances and **increasingly squeezed**. Most are **just about managing** their debts, but some are using savings or borrowing more to make ends meet

## 1 Unsteady starters

## 2 Squeezed and sliding

## 3 Credit crisis families

## 4 Difficult debts

## 5 Forgotten families

## 6 (Un)golden years

- **Often have a mortgage and some are privately renting**
- **Many have children (61%)**
- **Debts from BNPL and credit cards**
- **Have seen their level of debt increase over the last 12 months**
- **The pandemic led many to use their savings**

1 Unsteady starters

2 Squeezed and sliding

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6 (Un)golden years

**Families who are in a cycle of juggling and struggling with everyday bills and debts; finding as much credit as they can in all forms**

## 1 Unsteady starters

## 2 Squeezed and sliding

## 3 Credit crisis families

## 4 Difficult debts

## 5 Forgotten families

## 6 (Un)golden years

- **Often not working or carers, some part-time and 0 hours contracts**
- **Likely to have children at home (65%)**
- **More likely to have more than 5 sources of debt**
- **Highest use of food banks**
- **Often struggling to pay back the debt they owe**

1 Unsteady starters

2 Squeezed and sliding

3 Credit crisis families

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6 (Un)golden years

**Reasonable income, renting families. They are burdened with repayments on higher, longer-term, debt levels from multiple sources**

## 1 Unsteady starters

## 2 Squeezed and sliding

## 3 Credit crisis families

## 4 Difficult debts

## 5 Forgotten families

## 6 (Un)golden years

- **Often privately renting but some have a mortgage**
- **Many have children (59%)**
- **Good income levels but more likely to have longer-term debts in excess of £10k**
- **Struggle to save monthly**
- **Debts from credit card, use of overdraft, personal (unsecured) loan and may have missed payments**

1 Unsteady starters

2 Squeezed and sliding

3 Credit crisis families

4 Difficult debts

5 Forgotten families

6 (Un)golden years

People with **very low income and low savings**, with many **living in poverty**. They have lower levels of debt potentially explained **by fewer options to access credit**, or attitudes to credit

**1 Unsteady starters**

**2 Squeezed and sliding**

**3 Credit crisis families**

**4 Difficult debts**

**5 Forgotten families**

**6 (Un)golden years**

- **Living in social housing**
- **Likely to be struggling to repay any debt they owe – this might be from arrears, owing money to family or catalogue debt**
- **More likely to feel there is no point applying for credit as they are likely to be rejected**
- **Don't know where to turn to for financial help**
- **High use of foodbanks**



1 Unsteady starters

2 Squeezed and sliding

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6 (Un)golden years

**Older people, many with health issues. They have better financial circumstances than other groups but having limited ability to earn means they are worried about the future**

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## 4 Difficult debts

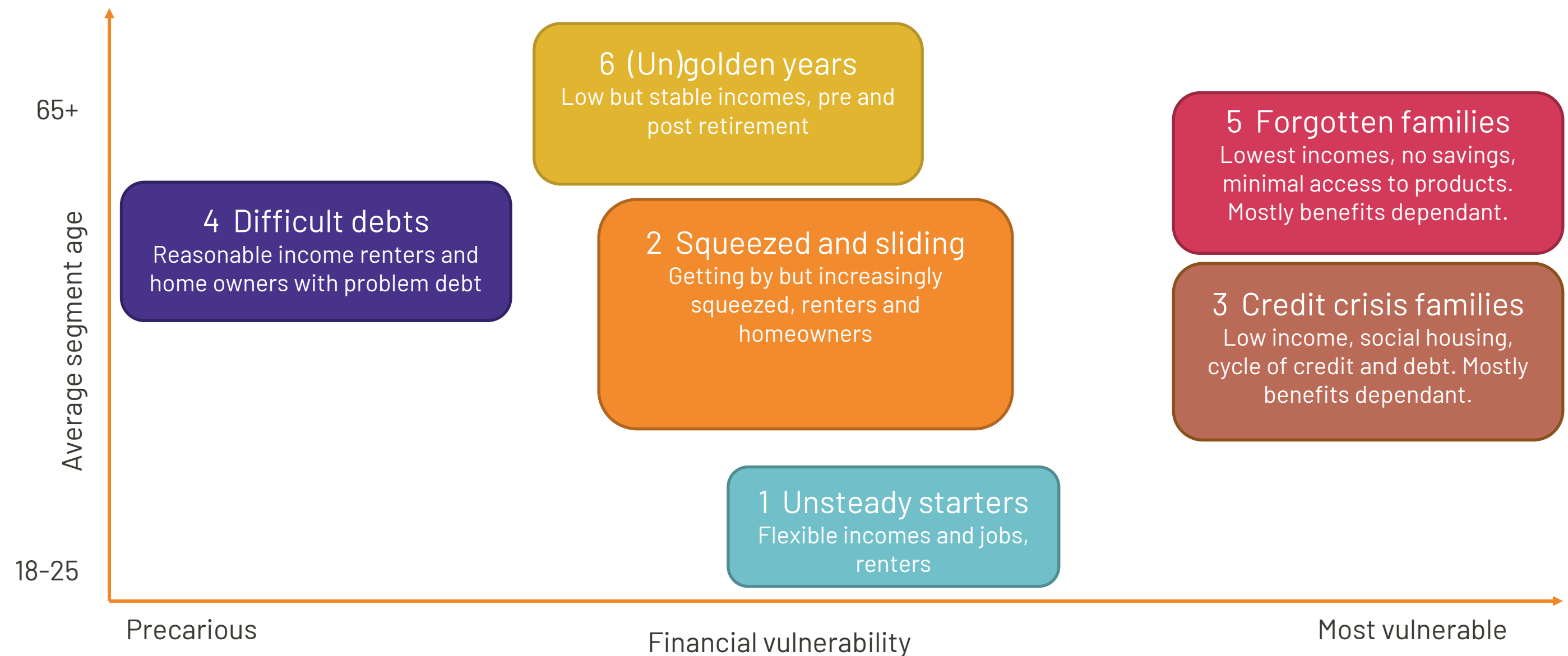
## 5 Forgotten families

## 6 (Un)golden years

- **Living in their modest home or housing association**
- **Around half are still working but those who are retired are usually living off their state pension**
- **Try to put money aside as a safety net in case of unexpected bills**

# Segments of those in financially vulnerable circumstances

Six segments show the breadth of financial vulnerability – the size of the box represents the size of the cohort



# Supporting assets



# 2 Squeezed and sliding

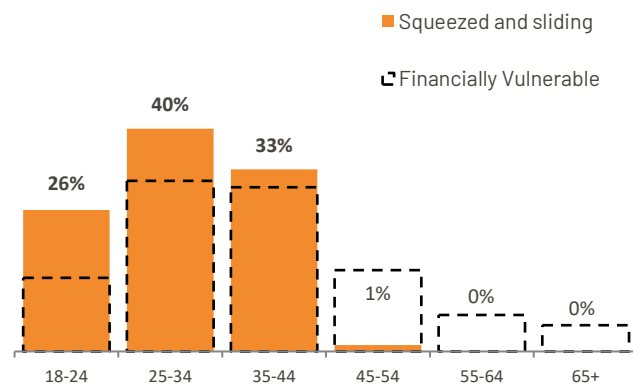
**3.9m** **22.2%**  
Financially Vulnerable Population

People with less certainty around their finances and increasingly squeezed. Most are just about managing their debts, but some are using savings or borrowing more to make ends meet.

'I get paid on the last day of each month so it would be helpful to be able to split payments'

## Demographics

### Age range



### Gross household income



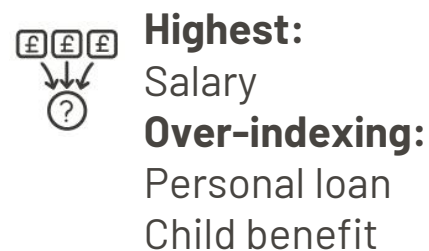
### Financially dependent children



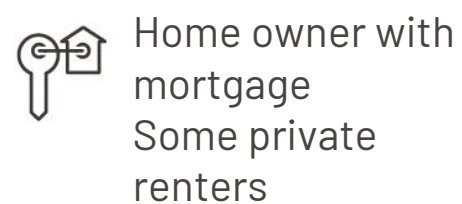
### Type of work



### Income source



### House Tenure



## Debt and savings

### Level of debt



### Sources of debt:

- Credit card
- Overdraft
- Buy now pay later

### More likely to:

- Have used an **arranged loan** in the last 6 months
- Have **seen their level of debt increase** over the last 12 months

### Level of savings



### Circumstances which could put them in trouble:

- Increases in the interest rate affect their mortgage payments
- Redundancy/ income shock
- Rising childcare costs impacting ability to work

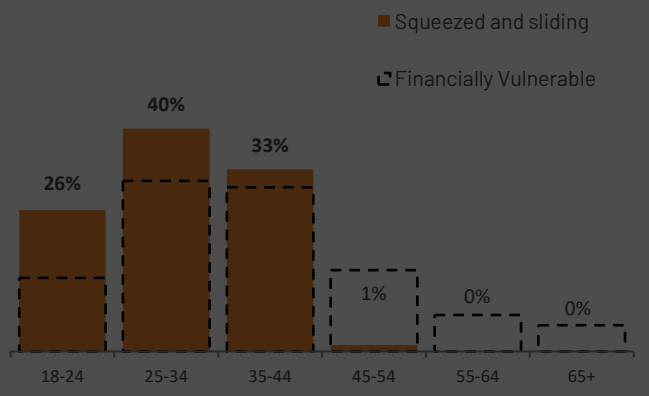
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Financially Vulnerable Population

People with less certainty around their finances and increasingly squeezed. Most are just about managing their debts, but some are using savings or borrowing more to make ends meet.

## Demographics

### Age range



**Gross household income**

£30k +

Financially Vulnerable = £29k

**Gross household income**

£30k +

Financially Vulnerable = £29k

**Financially dependent children**

61%

Financially Vulnerable = 56% and 8% have more than 2 children living with them

Age range	Squeezed and sliding (%)	Financially Vulnerable (%)
18-24	26%	1%
25-34	40%	0%
35-44	33%	0%
45-54	1%	0%
55-64	0%	0%
65+	0%	0%

### Type of work

- Full time
- Part time

### Income source

- Highest:** Salary
- Over-indexing:** Personal loan, Child benefit

### House Tenure

- Home owner with mortgage
- Some private renters

### Level of savings



### Circumstances which could put them in trouble:

- Increases in the interest rate affect their mortgage payments
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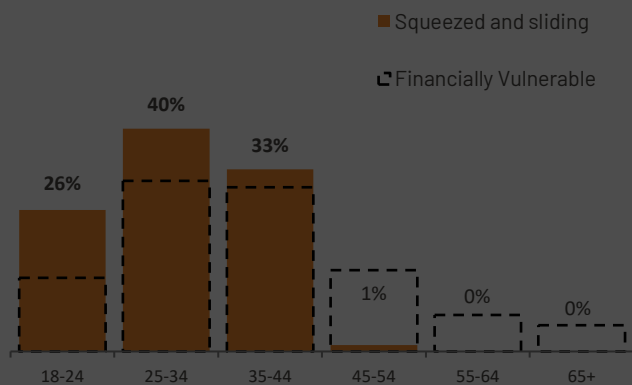
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'I get paid on the last day of each month so it would be helpful to be able to split payments'

## Demographics

### Age range



Gross household income

£30k+  
Financially Vulnerable

### Type of work

Full time  
Part time

### Income source

**Highest:**  
Salary  
**Over-indexing:**  
Personal loan  
Child benefit

### House Tenure

Home owner with mortgage  
Some private renters

### Type of work

Full time  
Part time

### Income source

**Highest:**  
Salary  
**Over-indexing:**  
Personal loan  
Child benefit

### House Tenure

Home owner with mortgage  
Some private renters

Low

High

- Rising interest rates in the interest rate affect their mortgage payments
- Redundancy/ income shock
- Rising childcare costs impacting ability to work

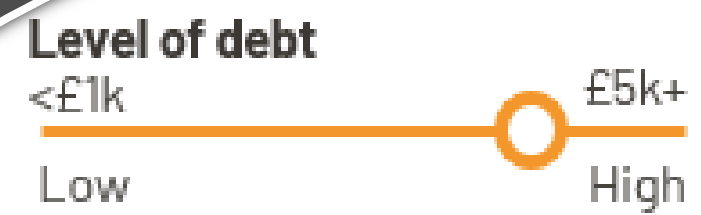


# 2 Squeezed and sliding

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Financially Vulnerable Population

People with less certainty around their finances and increasingly squeezed. Most are just about managing to pay their bills using savings or borrowing

'I get paid on the last day of each month so it would be helpful to be able to split payments'



**Sources of debt:**

- Credit card
- Overdraft
- Buy now pay later

**More likely to:**

- Have used an **arranged loan** in the last 6 months
- Have **seen their level of debt increase** over the last 12 months

**Circumstances which could put them in trouble:**

- Increases in the interest rate affect their mortgage payments
- Redundancy/ income shock
- Rising childcare costs impacting ability to work

**Sources of debt:**

- Credit card
- Overdraft
- Buy now pay later

**More likely to:**

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Demogr  
Age r  
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**Type of work**  
Full time  
Part time

**Highest:** Salary  
**Over-indexing:** Personal loan  
Child benefit

Home owner with mortgage  
Some private renters



# 2 Squeezed and sliding

3.9m 22.2%  
Financially Vulnerable Population

People with less certainty around their finances and increasingly squeezed. Most are just about managing their debts, but some are using savings or borrowing more to make ends meet.

## Channel

Preferred way to research/apply for/manage financial services:

Online, Chatbot/ webchat, face to face, via an app

Sources of info when looking for help or info regarding money:

Family and friends, Colleagues, Online sources, bank or building society

## Key Considerations



- Depleted savings and increased debt in the last year and struggling with rising bills.
- Managing multiple sources of debt. Could benefit from consolidation to free up money for essential costs.
- Medium term opportunity to help re-build a savings buffer
- Awareness raising of community finance providers needed as likely to have used prime or near-prime lenders previously – overcoming perceptions may be challenging

'I'm not a fan of monthly instalments. Renting a property makes you dislike the idea of never owning things'

## Finance products and behaviours



Savings



Short term high cost credit



More likely to **use their overdraft most months** to help **manage their finances**



Personal loans



Buy now, pay later contract



More likely to take out a personal loan to for a **one-off large, planned** expense or **home improvements**



Recent credit card



Car insurance policy



More likely to take out a personal loan to **cover rent or mortgage payments**



More likely to have made a **personal loan repayment in full**

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Financially Vulnerable Population

People with less certainty around their financial future and increasingly squeezed. Most are just about managing but some are using savings or borrowing more to cover their needs. Finance products and behaviours

## Channel

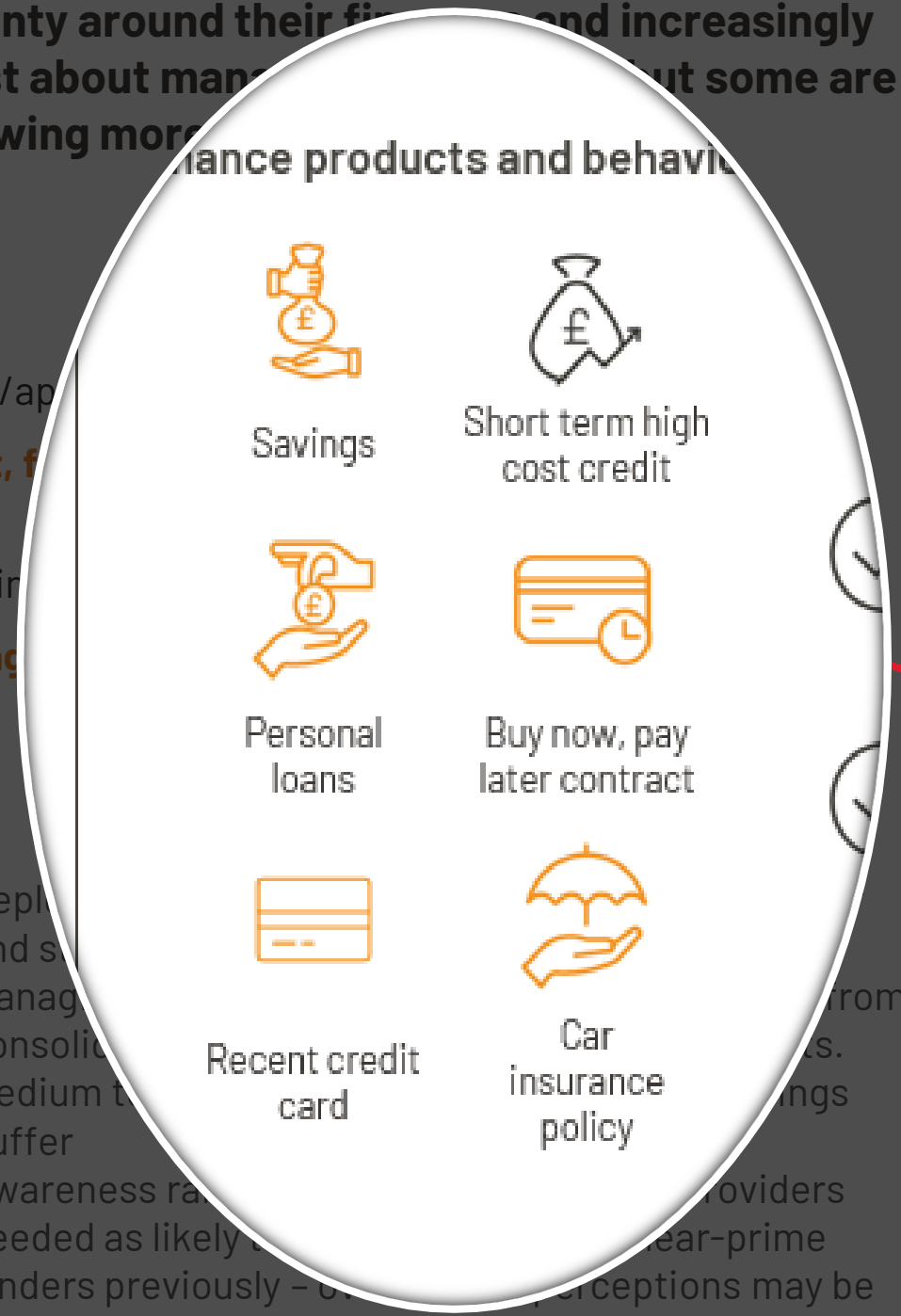
Preferred way to research/apply for finance products  
**Online, Chatbot/ webchat, Facebook**

Sources of info when looking for finance products  
**Family and friends, Colleagues**

## Key Considerations

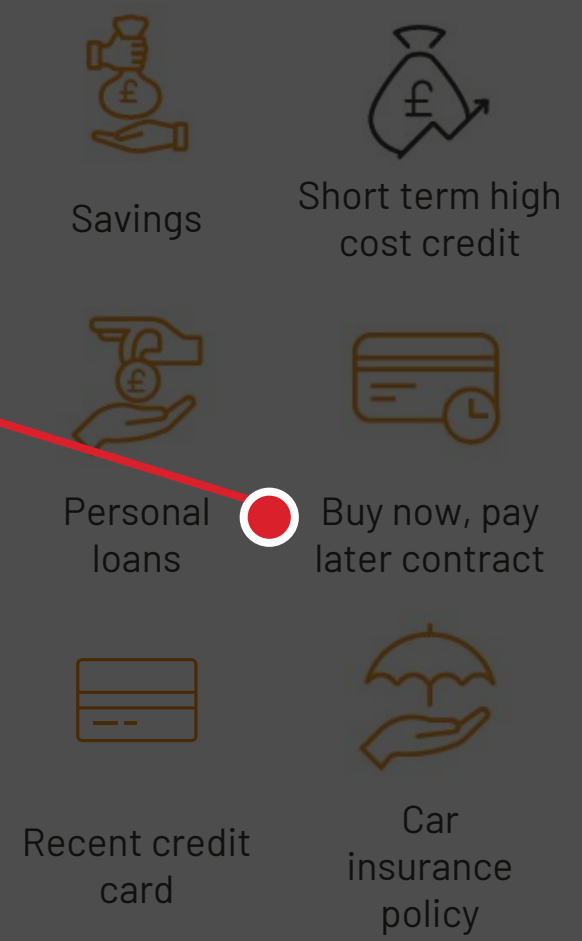


- Depleted savings and savings buffer
- Managing debt consolidation
- Medium term savings buffer
- Awareness raising needed as likely to use near-prime lenders previously - perceptions may be challenging



'I'm not a fan of monthly instalments. Renting a property makes you dislike the idea of never owning things'

## Finance products and behaviours



- ✓ More likely to **use their overdraft most months** to help **manage their finances**
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## and behaviours



term high credit



how, pay contract



Car insurance policy



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## Key assets to support adoption and use

# Written Personas to bring segments to life.

### 1 Abi, 23, Barking

1.3m 7.5%  
Financially Vulnerable Population

Abi lives in Barking with her mum and her sister. She's the second highest earner in her household - her mum works full-time as a cleaner and her sister is at college - and she wants to both help her mum out with rent and save for the future. But Abi finds it tough. Her job is a **zero hours contract** doing admin at a local recruitment company and with irregular hours it's difficult to stay on top of both her household and personal finances.

Abi's hours are set a few days in advance and usually are between 20-25 each week. But sometimes they can be as low as 12 hours a week. **To deal with this fluctuation Abi puts a lot onto credit cards**, and lately has started buying things - especially clothes - using Klarna and Zilch. She prefers these - the trouble with credit cards is they lure you in with low interest rates and then jack them up. Over the past couple of years **she's built up about £2,000 of debt, split between credit cards and her overdraft**.

**She recently took out a loan from a mainstream bank to consolidate the debts**, paying off the overdraft and one of the cards with a bit left over for herself. The process was really quick, she looked up which interest rates were lowest on Compare the Market and then bank approved her right away online. **The monthly payments are manageable too and it's much easier just having that come out of her account automatically each month** than having to think about cards and overdrafts and fees all the time.

**She's not that bothered by the debt** - she knows it's important to pay it off, but occasionally other things are more important, like helping her mum with rent or buying new clothes for work. **Her mum's income fluctuated a lot during the pandemic and they didn't get much help from the government**, so for the last couple of years she's been trying to help out, contributing to rent each month and helping her sister out with money so she can stay in college. Her sister says she'll pay it back one day, but Abi isn't keeping a tally.

Abi has big plans for the next year. First, she wants to change jobs. After tax and expenses, her pay is close to £5 per hour and since petrol went up her commute has got more expensive. But her biggest gripe is her work clothes - she has to buy them herself and often gets told that what she's wearing isn't smart enough for the office, which has a strict dress code. She hates wearing the boring office wear - and particularly the uncomfortable shoes - and resents having to spend so much of her money on it. **Abi also wants to move into a flat of her own. But this seems a long way off** - she doesn't know how she'll get the money for a deposit, or if she'd be approved for the tenancy on a zero hours contract.

Short of a new, better paying job, Abi's not sure what her options are. She's not heard of credit unions - they sound like the sort of people who run checks on you when you apply for a loan.

fairall  
finance

CACI TRAJECTORY



**Key assets** to support adoption and use

# **Geographic counts by segment for market sizing.**

**Available by:**

Postcode District

Local Authority

Parliamentary Constituency

**Key assets** to support adoption and use

# **Tailored reports on products, customer journeys, marketing and brand**

Designed for community finance providers

Insights for all



# How to use our segmentation

**Understanding  
people is  
fundamental to our  
product, strategy  
and research work**

# Assets available to support your work

These outputs can be used for any organisation or individual working in financial services or in support of financial inclusion

		Increased customer understanding	Input for Strategy development	Product Development – iterative and new	Marketing planning and delivery	Customer journey planning	Understanding current portfolio mix	Sizing segment opportunities
Publicly available	Pen portraits	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	
	Personas	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>					
	Product and purchase Decision Report: Credit	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		
	Marketing and brand report	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Available on request	Knowledge Sheet with all variables	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>				
	Geographical volumes for each segment		<input checked="" type="checkbox"/>				<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	Data integration		<input checked="" type="checkbox"/>				<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

**What else** is coming

**Further webinars**  
**product ownership**  
**and purchase**  
**decisions by segment**  
**– and marketing**  
**channel usage**

**What else is coming**

**Segment deep dives,  
including webinars  
and workshops**

**What else would be  
helpful for you? Let  
us know**

# Q&A