

# Fair4All Finance segmentation model refresh, 2024

In 2022, Fair4All Finance developed a segmentation model to better understand people in financially vulnerable circumstances. The model aims to support financial service providers in better understanding the diverse groups they serve or could serve, thereby enhancing financial resilience and expanding their customer base. Rather than focusing on a single factor such as household income or debt level, the model examines various financial behaviours and risks, providing a more comprehensive view of financial vulnerability.

It's important to recognise that the Fair4All Finance segments exist on a spectrum. While individuals may primarily fit into one segment, they can also exhibit characteristics or behaviours that span across segments. Within each segment, there is a range of vulnerability levels, influenced by unique financial situations and behaviours. The pen portraits and personas of each segment represents average tendencies.

## Initial development of Fair4All Finance segments

The Fair4All Finance segmentation model was first developed in 2022. Fair4All Finance partnered with CACI, a data and insight consultancy, and Trajectory, a research agency, to develop a segmentation solution tailored specifically to Fair4All Finance's objectives, combining data from multiple sources. The methodology for 2022 was the same for the 2024 refresh, allowing for comparisons between these periods.

Whilst a recommended natural lifespan for segmentation is typically around three to five years, recent global and domestic events, in particular the 'cost of living' crisis, have significantly impacted the population and affected the household finances of many. Therefore, we have recently reviewed and refreshed the existing segmentation to ensure it remains relevant and effective.

## Gathering detailed information on people in financially vulnerable circumstances

To refresh the data, Fair4All Finance worked with Trajectory in December 2023 to run a detailed online survey of 3,101 people in financially vulnerable circumstances of people who are 18+. This survey collected data on key points such as savings, debt, financial products, and other important aspects of financial vulnerability. The sample is not nationally representative but includes individuals who meet one or more of the following criteria:

- Sought debt advice in the past two years
- Been in debt for the last 12 months (excluding mortgage debt)
- Currently struggling to get out of debt (excluding mortgage debt)
- Relied on savings as income at some point during the last two years
- Lived in council or social housing within the last two years
- Been without permanent housing at some point in the last two years (for example, staying with family/friends, in a hostel, or accessing services for homelessness)
- Increased cost of living has pushed essential expenses above income
- Household income is less than £25k (before tax)
- Any of the above, and household income is less than £50k with savings under £2.5k
- Used a credit union, community finance provider, home-collected credit provider, or a payday loan in the last two years

Additionally, Trajectory conducted a nationally representative study with a shorter version of the survey for comparison purposes. This nationally representative sample of 1,500 people was collected online, as part of Trajectory's monthly consumer sentiment tracker, in early December 2023.

## Building the segmentation model with CACI

To build a segmentation at a UK-wide level, the solution made use of CACI's two datasets, Fresco, and Ocean. Fresco is CACI's individual-level segmentation tool. It classifies every adult in the UK population into segments, based on similar characteristics – in particular their financial behaviours, channel usage, life stage and affluence. Ocean is an attribute-rich consumer universe for the UK, containing over 500 variables on demographic, digital, lifestyle and attitudinal characteristics of individuals within a household. Several statistical methods, including correlation and principal component analyses, were applied to identify key segments within the financially vulnerable population to identify core features of importance from the survey. The driving variables (detailed below), showed discrimination and relevance across the financially vulnerable population:

- Zero hours contracts (causing flexible incomes)
- Having 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

Fresco segments the population based on age and affluence. At the most granular level, this divides the UK adult population into 130 micro-segments, which – using the driving variables – were grouped to form a set of new, bespoke segments focussed on financial vulnerability and exclusion.

Using the initial survey created by Trajectory, CACI appended segmentation information to collate detailed data specifically related to financial vulnerability.

## Retaining the segment grouping during the refresh

Since the current segments are well-embedded within Fair4All Finance and already widely adopted across the industry, the existing segment structure was retained. However, the segments were resized, refreshed and reprofiled to better reflect the population. CACI analysed the segment-driving variables captured in the December 2023 survey. This analysis identified which Fresco micro-segments needed reallocation to different segments and which new micro-segments should be assigned to a segment based on their financial vulnerability.

Many of the new micro-segments fall into groups of renters or mortgage holders, all of whom are between the ages of 18 and 54, with most being aged 25 to 44. A significant number of these individuals are relying on their savings as income due to sudden increases in rent or mortgage payments, leading to increased financial strain.

## The result: Fair4All Finance segments refreshed

Six different segments were then identified from this analysis, which you can find out more about [here](#).

**If you have any further questions on the methodology, please contact:**

Ellie Suckling, Consumer Insights Manager: [elena@fair4allfinance.org.uk](mailto:elena@fair4allfinance.org.uk)