

The Consumer Money Mindset in the Time of COVID-19

From how people feel about brands and businesses, to what and why they consume products and services, the one thing we can count on right now is change. This change has caused uncertainty and anxiety and a drastic shift in attitudes, behaviors and consumer sentiment. The truth is that we can't be certain about the long-term implications of the COVID-19 pandemic, but we do know there is a momentous broad and personal economic impact. We must deeply understand the consumer mindset around money and how this crisis is impacting consumers' financial lives. With this understanding, we can help inform and develop the products, experiences and communications that Americans need to help manage their financial lives through COVID-19 and into a post-COVID world.

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Introduction

With the rise of the novel coronavirus, there has been a complete disruption of the financial ecosystem, at both a technological and institutional level. The unease that this creates for consumers is very real. **The main job of financial brands, coming out of this situation, is to craft customer experiences and communications that deepen trust and loyalty, providing stability in the midst of instability.** Various groups of the population will come out of this with different needs. Brands must understand these groups intimately in order to find successful paths to meaningful customer engagement. There will be an accelerated demand for new digital products and services, new customer experiences and new communications—all with a customer-first approach. When we step back and look at the employment landscape, most people are working fewer hours than before the pandemic and joblessness is rising.

The insights presented here will help inform the next wave of product development and communications that brands and financial organizations should pursue to improve people's financial lives during, and after, the time of COVID-19.



Key Takeaways

Changes in behaviors that started before the pandemic are accelerated into a more compressed timeframe. These include the need for:

- Mobile and digital solutions for financial lives
- Customer-first products and experiences
- Empathetic communications

And, consumers are looking for shorter-term immediate help to their wallets, including reduction or elimination of fees, deferred payments, high-yield savings accounts and better credit terms.

About The Study

This report comprises insights from the seventh wave of Logica's Future of Money Study, which has been tracking the way people make, spend, save and invest money since 2017. Our nationally representative study surveyed 1,000 American adults balanced on gender, income and generation. An additional 200 older Gen Zers (age 16-23) were also included for generational comparisons. The research was complemented with dyad online interviews with select respondents by our qualitative partner, KNow Research. It's important to note that the study was fielded from April 8-14. With consumers sheltering in place and swiftly rising coronavirus cases and fatalities, the landscape was bleak during this period. Many could not even leave their houses for the most basic tasks, including in-person banking and visiting the ATM.

Impact on our employment and income

Consumer adoption of technology is at an all-time high, as stay-at-home orders force people to work, connect and seek entertainment via solely digital means. When we examined financial behaviors, we found that—in the financial space—technology adoption will have the largest impact on how people work and make money. Americans also believe that the coronavirus fallout will primarily affect the way they work, more so than the way they save, spend or invest money.

“The hours are less, and I may suffer a financial loss as I struggle to pay my bills. I would have to start accessing funds from my emergency reserves, which is not what I had been planning to do. It also means that I will work more years before I retire.”

COVID-19 impact on money



how people make money



of Americans believe technology will have the greatest impact on how they make money over the next five years



how people spend money

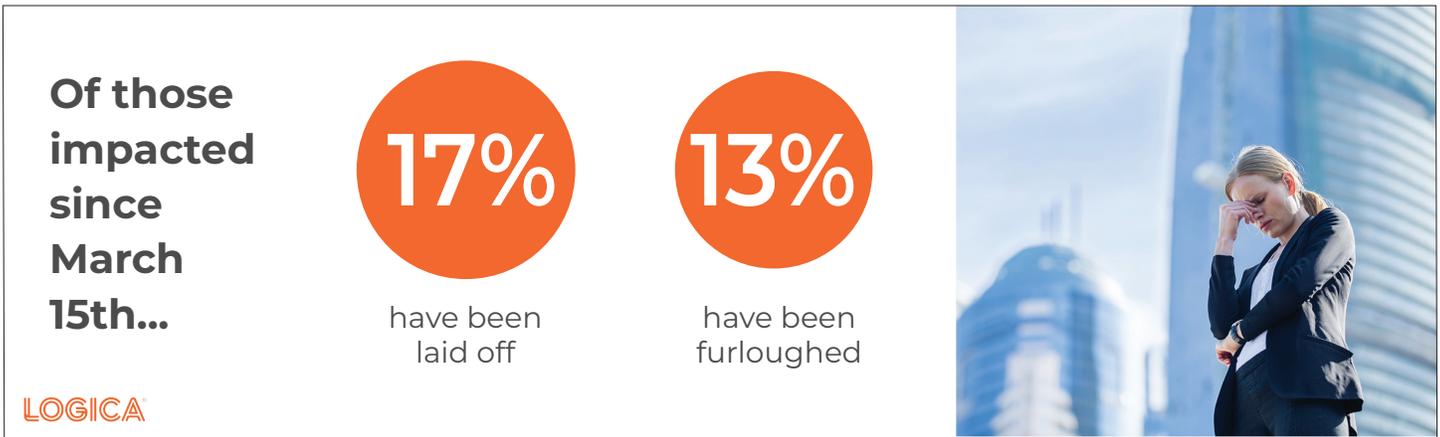


how people save money

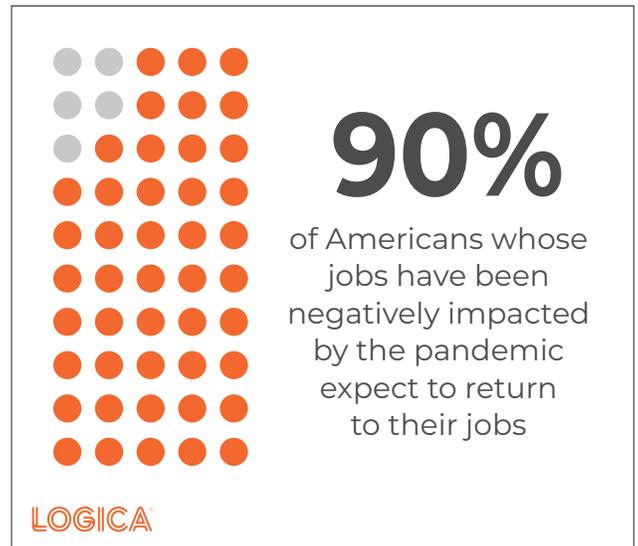


how people invest money

When we step back and look at the employment landscape, most people are working fewer hours than before the pandemic. In mid-May, there had been a total of 36.5 million claims¹ for unemployment insurance, and the joblessness rate is at its highest level since the Great Depression².



Despite this bleak picture when it comes to work, people are optimistic. Ninety percent of those with reduced or eliminated hours expect to continue working at their primary source of income after the crisis. This rosy view may change as the pandemic continues, and we will continue to track this metric in future waves.



When we dive into income levels, we start to see a duality emerge. From a gender standpoint women are in a far less stable position than men when it comes to finances, overall stress and preparedness.

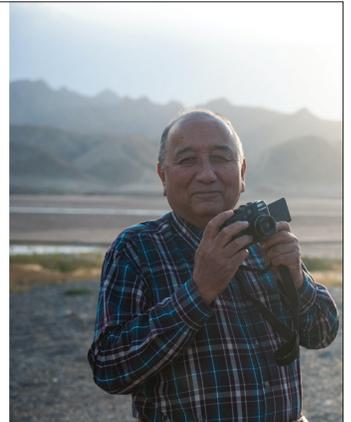
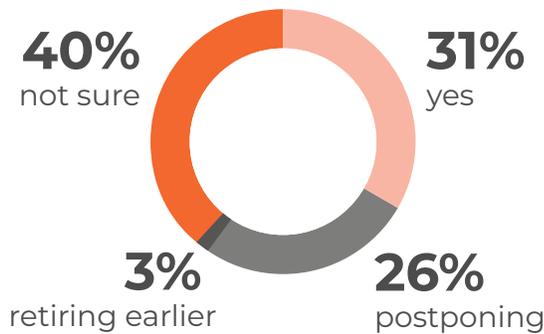
We see the immediate impact of the crisis on the way people work when we examine retirement plans. A quarter of people are not going to retire as they originally planned.

Financial position to withstand the coronavirus by gender

	men	women
Income	\$84K	\$74K
Stressed	62%	74%
Have money left over after paying monthly expenses	60%	47%
End up short each month	14%	21%

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Those planning to retire at same time as they planned to before March 15



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Financial Brand Actions: What you need to know

Decreased and unstable income, alongside other sweeping negative impacts on work, will result in decreased bank deposits, missed payments and changes to financial plans.

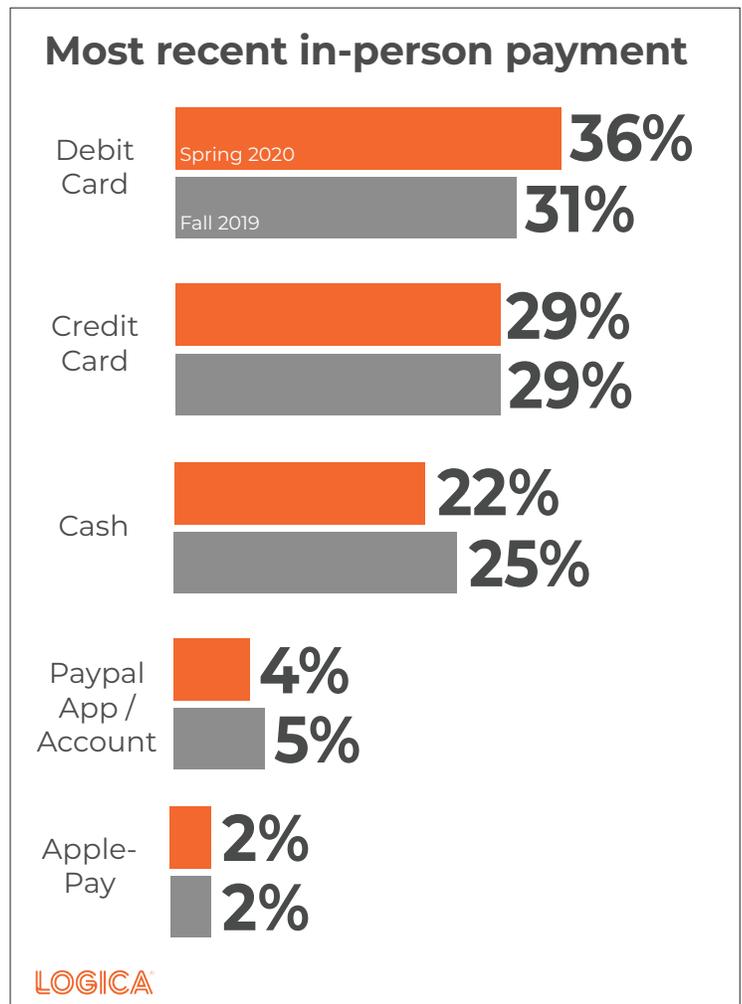
- How can you help your audience gracefully navigate these changes?
- What kinds of new products, support and experiences can you offer to offset these new discrepancies?
- How can you shift your communications to reassure your consumers with a focus on service and solid advice?
- How can you help investors know when it's a good time to invest or move money?

Think about new technology solutions: faster, real-time paychecks; cash management help; changes to terms and fees; and other strategy changes that can help your market get through this tough time.

Impact on how we're paying for purchases

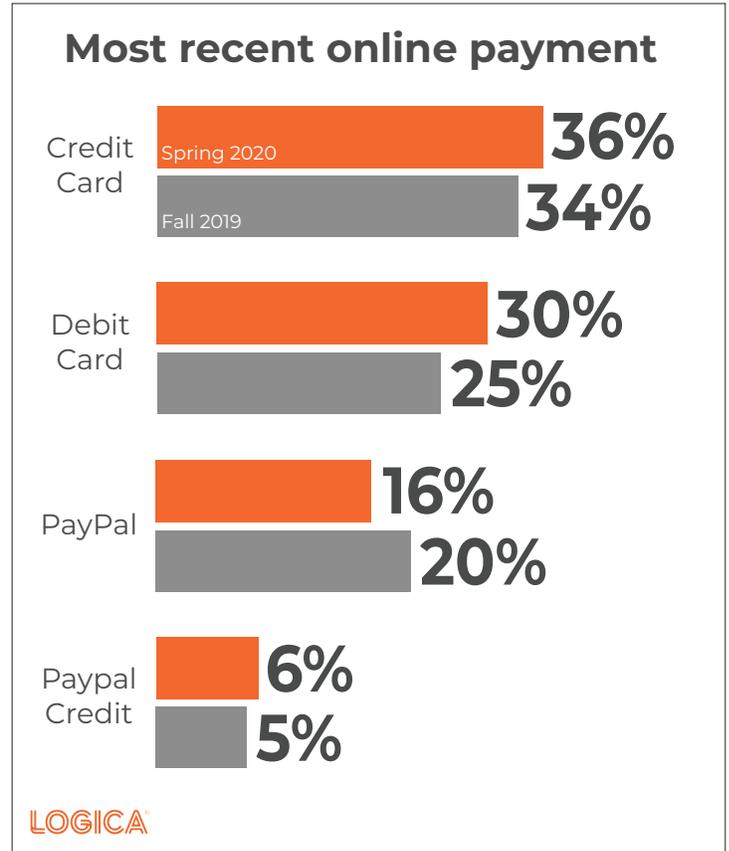
Some are predicting that the COVID-19 crisis will spell the end of a cash-based payment system³ altogether, driving an increased need for digital payment methods. Both individuals and businesses are seeking contactless pay for in-person transactions, eliminating the need for objects to exchange hands. Financial companies and institutions will see an accelerated demand for digital tools.

When we asked people how they paid for their last in-person transaction, we saw a shift toward more debit card payments, while credit cards remained static. As expected, preference for cash is down overall, while mobile app usage such as Apple Pay is still low on average for face-to-face interactions.



We found a few surprising trends when we looked at online payment methods, including a dip in PayPal usage. We attribute this to an initial increase in online shopping for staples where people were not using the PayPal app such as for Amazon or grocery store purchase payments. PayPal reported⁴ May 1, 2020, as the largest transaction day in history. We expect PayPal to trend back up in future waves.

Person-to-person (P2P) payment methods, however, are dominated by PayPal. When we look at P2P, we've seen a slight lift across the board for all methods. Early indication is that Zelle and Venmo are up over last year.



Use of P2P by platform



PayPal



Facebook Messenger



Venmo



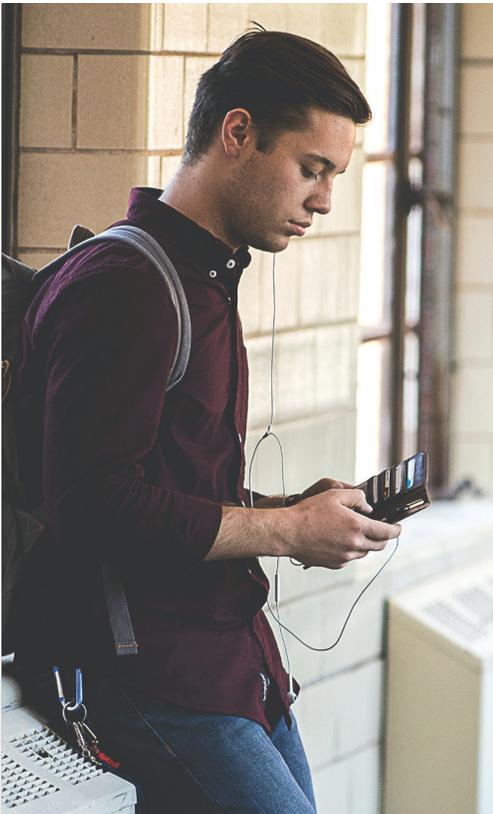
Zelle



Apple Pay Cash

We're going to keep a close eye on the performance of P2P apps. We are seeing evidence that younger generations are showing older ones how to use them. And, we see people using them more out of necessity. PayPal, along with some of its online payment counterparts like Zelle and Venmo, has jumped into the coronavirus emergency relief funds game⁵. The company, who announced a set of relief measures to help merchants worldwide, is waiving many of its fees, and is offering small-business loans through the U.S. Small Business Administration Paycheck Protection Program. These goodwill activities may promote increased use of the app in the future.

“I use Venmo a lot more now. The younger people use it. You're dealing with them and they're comfortable with that... My neighbors and I go shopping for each other and it's easier to get repaid with Venmo.”



Gen Z payment behaviors are changing

When we first started the Future of Money study, the oldest Gen Zers were still in high school and, since then, their financial habits have changed as they now are starting their first jobs out of college. In this wave of the study, we found that when it comes to payment methods, Gen Z is using PayPal less than their older counterparts and they are using debit cards more for online payments. One-third (33%) of Gen Zers report using P2P more now than they did before COVID-19. As they continue to enter the marketplace, it will be important to keep a close eye on their behaviors.

Financial Brand Actions: What you need to know

People are changing the way they pay for purchases, due in part to worries about sanitation (in person) and shifting to remote shopping behaviors (online). Debit card use is on the rise in all sectors.

- What can you do to make it easier for your audience to pay for purchases?
- How can you target the different generations that are important to your business, with messages that resonate for all?
- What digital payment solutions can you develop that fit with a COVID-19 and post-COVID landscape?
 - How can you educate and help people manage new payment methods through robust and thoughtful communications?
 - How can you help younger generations?

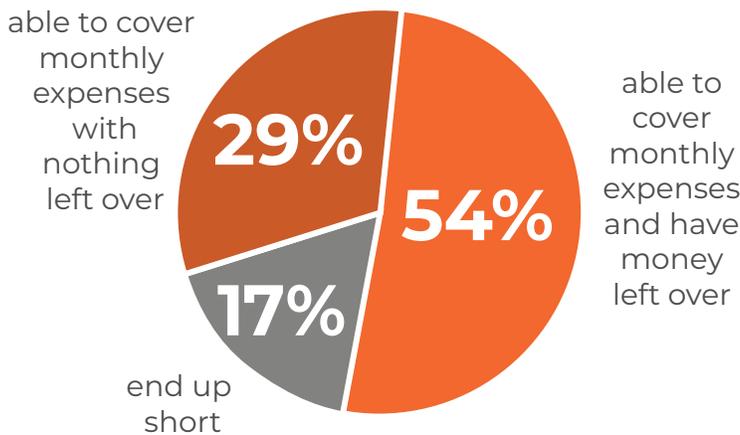
Impact on how we're managing our money

One in five Americans don't have enough to cover their expenses. According to a recent study by Marketplace⁶, 41% of Americans now say they could not pay an unexpected \$250 expense. In fact, the majority (68%) are stressed about their financial situation, and there is an opportunity for financial institutions to help.

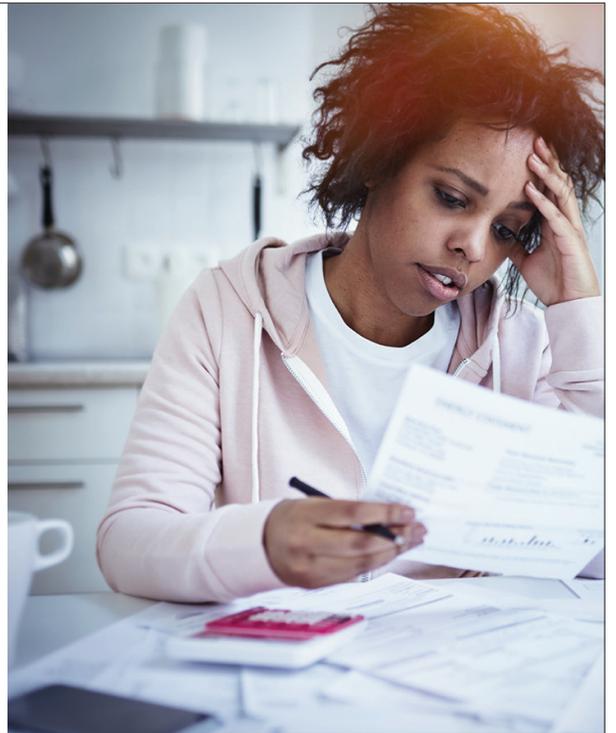
Our research also showed a split in how able Americans are to cover monthly expenses at this time. Just over half are able to cover monthly expenses and have some money left over, leading to a duality in consumer needs.

"I had a monthly plant box, Apple Music, and other subscriptions. I've tried to cut back on as many of those as I could. I'm just waiting until I'm working again to buy things that I want instead of things that I need."

Current ability to cover monthly expenses



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Many are struggling to make ends meet. They are getting by through a number of activities, including going without, missing payments and dipping into savings.

How the 17% of Americans who end up short each month are making ends meet during the pandemic



go without something



miss a payment or pick and choose which bills to pay



borrow from friends or family



put expenses on credit card



use savings

Recession has been part of the national conversation since the pandemic hit. Americans are taking note, with 31% preparing for a recession, primarily by setting aside money and eliminating expenses.

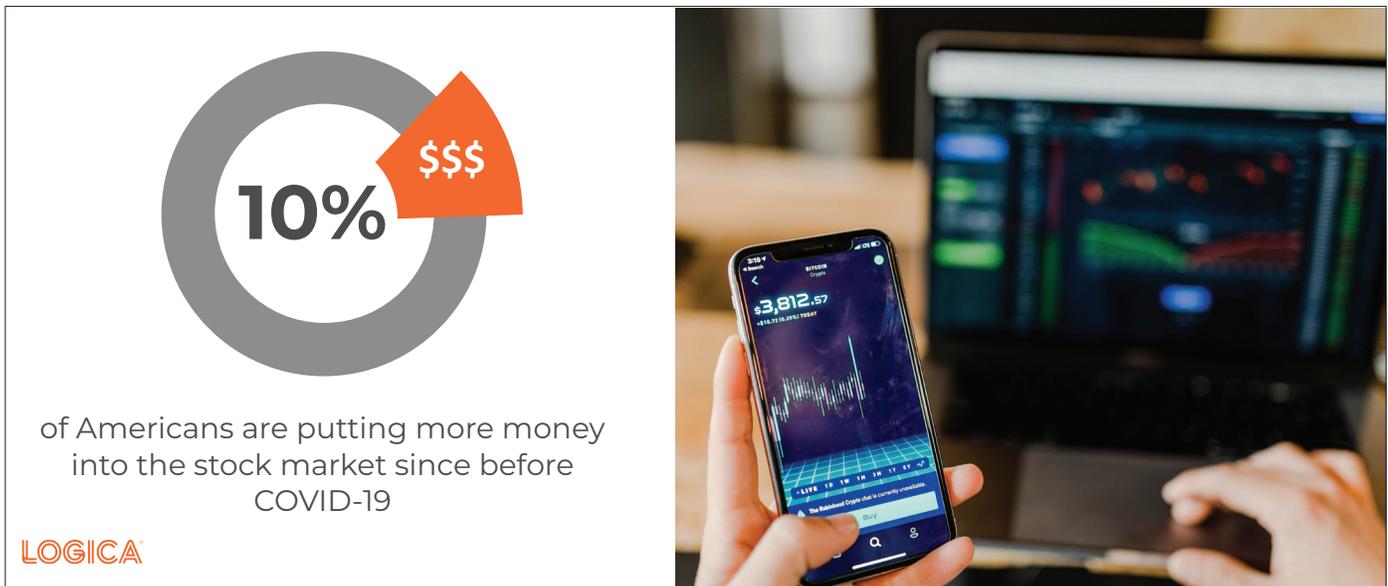
31%

of Americans tell us they are preparing for a recession



In this broad sample, Americans are split between those who are extremely challenged financially and those who are able to prepare for the future. There is a small contingent of people who are investing more, with 10% putting money into the stock market and 9% talking to financial advisors. Some investors may see this overall economic dip as an opportunity. In our interviews, we found that investors are seeking advice and using this as a time to learn more about both investing and long-term planning.

We also heard optimism in our interviews when it comes to how Americans are viewing their financial situations. While they are deferring large purchases and are generally spending less overall right now, they believe things will bounce back. With decreased daily spending (gas, travel, dining) and a rise in frugality, savings are going further and individuals are able to cover more expenses than they anticipated prior to the crisis.



Financial Brand Actions: What you need to know

Americans are feeling stressed about their financial situations right now. Overall Americans are taking a very cautious approach to spending, and trying to save more for the unknown future. On the other hand, some may be accumulating debt and using their limited savings to make ends meet. Ask how you can help guide an increasingly anxious customer through money management.

- How can you meet their needs as they focus on frugality, savings and new investment activities?
- What types of customizable education and communications can you provide in order to feed better customer experiences for a widely varied audience?
- How can you help those who have fallen behind and need extra assistance?
- How can you help the younger generations manage through this time?

Impact on brand engagement

Americans have changed their behaviors when it comes to banking and finances since the onset of the coronavirus pandemic. These changes will alter the way people approach money for the foreseeable future, if not permanently. Brand engagement methods must shift to meet these new financial needs, and quickly.



How? We directly asked people exactly what they want from their financial institutions. Expectations are high, and behaviors are changing daily, so brands would be well-advised to stay in close contact with audiences to understand their motivations and mindsets.

“My bank sent an email that hit all the points: ‘We know some people are experiencing unemployment, not being able to file and get checks. We feel your pain.’ They hit every point that someone impacted would feel... ‘If you need a deferral on credit payments, we are here for you and willing to defer for 90 days.’ Really nice of them!”

In our research, we uncovered some practical things that consumers would like brands and organizations to do to help usher them through these difficult times.



- Concrete actions include offerings that impact people's wallets such as eliminating fees, changing savings account options, deferring payments and other similar moves are important to consumers.
- Offering sage advice and resources to help guide people is key, alongside thoughtful philanthropic and charitable actions to help the overall community.
- Communicating all activities in a clear and consistent manner; pivoting to update messaging to reflect new offerings, activities and actions on all platforms.

Your audience members won't know all the great things you are doing without a hyperfocus on communication. Not only are consumers reeling from the all-too-real impact on their financial wellbeing, but their emotional sensitivities (and changeability) are at an all-time high. Brands must deeply understand the mindset of their consumer audiences—at a given moment in time—in order to create the most effective and empathetic messaging.

Market research that effectively uncovers these insights to boost understanding has never been more critical. The right insights can help advise everything from new products and services to messaging that resonates with the right people at the right time. Your actions and outreach at this crucial stage will have a lasting impact on ongoing brand engagement for your constituents.

Financial Brand Actions: What you need to know

Google searches⁷ for financial help were up more than 200% in April. The banking infrastructure has transformed dramatically. Now is the time for brands to deeply engage with consumers as they start to establish new behaviors post-COVID. Actions matter now more than ever as consumers look to how brands treat employees, support their communities, and help customers.

- How can you best communicate with target audiences to show that you are listening and empathize with them?
- What products and services can you offer to help consumers manage money under extreme circumstances in the short-term? In the long-term?
- How can you assure them through every communication platform available—from digital to on-premise to direct mail—that you have their best interests at heart and are making significant moves to guide them through this crisis?
- Are you making it as easy as possible for them to understand their options and how to get financial help?

Conclusions

There's no doubt people are anxious about day-to-day financial survival, and this extends to worry about what the future may hold for them from a money standpoint. They are changing the way they work, spend, save and invest in order to make it through these uncertain times. Brands must adapt in order to thrive.

This landscape creates unprecedented opportunities for brands who are willing to accelerate the development of:

- Innovative digital products and services that speak to the consumer's increased need for ease-of-use and connectivity when it comes to managing their money
- New customer experiences that are integrated and grounded in exceptional service that is focused on audience needs
- Empathetic, relevant and frequent communications that put customers at the center, illustrating tangible support and a community-oriented mindset

For brands to keep up, these kinds of consumer-centric offerings will need to launch at record speed, while also allowing for strategic adjustments and refinements as sentiment and needs shift. Quick-footed moves to meet consumers' needs in the time of COVID-19 will have to happen alongside the development of long-term strategies. In order to inform these important moves, financial brands and institutions absolutely must connect with customers on multiple levels.



Market research can give you a foundation for building these connections. Your consumer insights strategy should be:

- **Fast and effective for immediate needs:** Inform short-term planning for products, experiences and key messaging that will resonate with a consumer in distress.
- **In-depth mix of methodologies for long-term planning:** Quantitative, qualitative, behavioral research, ethnography and more can give robust, layered insights into how people believe their financial lives and behavior surrounding money will permanently change, and their expectations for the future.
- **Empathetic and emotion-oriented, for the human in all of us:** Emotions are driving consumer behavior more than ever before, so understanding the complexities and intensity of these feelings is vital. Dig into consumer sentiment to inform all of your communications and offerings.



COVID-19 is clearly hitting every aspect of the financial ecosystem. It will be critical for the duration of the crisis, and post-crisis, to have a deep understanding of Americans' changing financial needs and behaviors. Americans are looking for their financial institutions to help guide them through tough times. Taking an approach that puts your consumers first will ensure that your immediate and future moves will spell success.

Learn more about the money mindset of
today's consumer in the time of COVID-19.

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Reach out to us to help you get the insights you need in today's world.

About Logica Research

Logica Research creates custom marketing research solutions to help companies build the products and services that improve people's financial lives and drive business growth. The Future of Money Study is designed to give companies insights into how people think about money. Those insights can be used to help drive product innovation and create engaging communications that will wow customers. Insights from the research that Logica has conducted for clients have been published in the largest media outlets in the world including the *New York Times*, *The Financial Times*, *The Wall Street Journal*, *CNN*, *Newsweek*, *Time*, *USA Today*, Mashable, TechCrunch and GeekWire. www.logicaresearch.com

About KNow Research

KNow Research is a full-service, female-driven, insights consultancy on the front lines of research, delivering fresh insights through custom research design. KNow Research conducted in-depth interviews for the Future of Money Study this wave to bring human stories to the quantitative findings. KNow Research creates qualitative research design for clients by combining methodologies from traditional in-person research with online and mobile approaches. Clients include companies in the financial services, retail, fashion, personal care, and entertainment/technology industries. KNow Research designs and project-manages custom qualitative research studies to suit your needs and goals. In person or online, our work will unlock insights about your brand and audience. www.KNowresearch.com

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