the Money Advice Service

Market Segmentation

An overview

CACI

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Introduction

The Money Advice Service exists to change people's lives by helping them make the most of their money. We do this directly through a free and impartial advice service, and by working in partnership with other organisations. As part of this, we are a major funder of free debt advice across the UK.

The statutory remit of the Service is to:

- enhance people's understanding and knowledge of financial matters
- enhance people's ability to manage their own financial affairs
- work with others to improve the availability, quality and consistency of debt advice services

In order to fulfil this remit, it is essential for the Money Advice Service to understand the different needs of consumers in the UK. To this end the Money Advice Service has undertaken a segmentation to identify and profile the different groups of people that exist, and to understand their specific financial and advice needs.

The objectives of the segmentation exercise were to:

- understand how consumer needs differ and identify the areas of greatest need
- provide a common language across the organisation to be used when designing services
- improve the targeting of the Money Advice Service resources and activity to ensure the right people are reached in the right way at the right time
- inform the UK Financial Capability Strategy
- facilitate the dialogue with financial services institutions and third-sector organisations around understanding and communicating with consumers

This document summarises the segmentation model; more detail on the methodology and the segment profiles is available at **moneyadviceservice.org.uk/en/corporate/research**

Requirements of the segmentation

The key demands from any solution were that it should:

- group UK consumers into easily understood, addressable and discrete segments
- be explicity focused on financial capabilities
- encompass both money advice and debt advice
- recognise the importance of lifestage in defining needs and behaviours
- have sufficient robustness and longevity
- be intuitive, easy to understand, and easy to communicate internally and externally
- be easy to apply to the majority of datasets (e.g. customer databases or research data) without the need for complex algorithms or 'golden questions'

The Money Advice Service defines 'financial resilience' in terms of five 'pillars' consisting of income, savings, protection, credit and demographics.

Given these requirements, the Money Advice Service decided that our segmentation should be focussed on 'financial resilience'. This is one of the key outcomes from improved financial capability, and can be defined as the ability to withstand a variety of 'income shocks', based on a combination of income, savings, protection, credit usage and demographics. It is also considerably easier to define and measure than the broader concept of capability.

Overall approach

A number of approaches to the segmentation design were considered. The idea of building a bespoke segmentation solely from a new large-scale consumer survey was rejected due to the problems associated with assigning consumers, in subsequent surveys or from customer databases, to the segments. Typically this requires the use of bespoke algorithms and 'golden questions' that have to be asked to all respondents, making it hard to apply the segmentation to existing datasets. The cost and timing implications of this approach were also considered disadvantageous.

At the other end of the spectrum, the existing generic 'off-the-shelf' solutions were rejected on the grounds that they were insufficiently focused on financial resilience or capability. While they do contain data on financial behaviour and demographics this is imprecise or incomplete.

The approach adopted by the Money Advice Service was to use an existing segmentation system (CACI's Fresco model) and to reconfigure the most disaggregated sub-segments into new segments that explicitly recognised the different levels of financial resilience.

Building the model

CACI's Fresco model was created from a variety of data sources including CACI's Ocean consumer database and GfK's Financial Research Survey (FRS).

Ocean utilises records from research surveys, open data, government data and several other sources to create a dataset of 51 million adults, with up-to-date name and address information along with a wide range of variables including demographics, income, behaviours and attitudes.

The FRS is a nationally representative survey of 60,000 GB adults per annum, interviewed both offline (face to face) and online to ensure representativeness of the adult population.

The Fresco model comprises 12 core segments, and within these 45 sub-segments, and within these a further sub-division of 134 micro-segments.

It is the 134 micro-segments that formed the building blocks of the Money Advice Service segmentation. The modelling process initially re-grouped these micro-segments on the basis of financial resilience variables held by CACI. This was then refined using data from the Money Advice Service's Financial Capability Survey 2015.

Full details of the methodology are provided in a technical report, available at **moneyadviceservice.org.uk/en/corporate/research**

The segments

The Money Advice Service segmentation comprises three macro-segments, and fifteen sub-segments.
The macro-segments have been labelled as follows:

STRUGGLING	SQUEEZED	CUSHIONED

STRUGGLING

They struggle to keep up with bills and payments and to build any form of savings buffer. They are the least financially resilient and the most likely to be over-indebted.

22.7% of the UK adult population

11.6 million UK consumers

Profile:

Most likely to have **low or no qualifications**: 60% (UK: 43%)

Most likely to be **not working or unemployed**: 23% (UK: 12%)

Predominantly in **social housing**

Heavily dependent **on benefits**

Financial attributes:

£21K Average **Household Income** (UK: £30K)

Median Savings Value £50 (UK: £1,000)

Highest levels of over-indebtedness 24% (UK: 17%)

Attitudes and behaviours:

Less likely **to keep up with bills without difficulty**: 49% (UK: 59%)

Less confident managing money: 50% (UK: 58%)

Think they **budget well**: 57% (UK: 61%)

SQUEEZED

Working-age consumers withsignificant financial commitments but relatively little provision for coping with income shocks. They are digitally savvy and have high media consumption but this is more for entertainment than financial information.

24.9% of the UK adult population

12.7 million UK consumers

Profile:

Mainly in **mortgaged** or **private rented** accommodation

Most likely to be **full-time employed**: 58% (UK: 42%)

Financial attributes:

£32K Average

Household Income
(UK: £30K)

Median Savings Value
£580 (UK: £1,000)

Highest level of debt: income
41% more than 1 month (UK: 30%)

Highest usage of non-mainstream credit: 11% (UK: 7%)

Attitudes and behaviours:

Less likely to **keep up with bills without difficulty:** 49% (UK: 59%)

Less confident managing money: 52% (UK: 58%)

The smallest proportion who think they budget well: 51% (UK: 61%)

Highest smartphone ownership: 73% (UK: 57%)

CUSHIONED

The most financially resilient group with the highest levels of income and savings and the lowest proportion of over-indebted. They are the most highly engaged with their finances.

48.2% of the UK adult population

24.5 million UK consumers

Profile:

Most likely to be **owner-occupier:** 75% (UK: 59%)

Most likely to be **retired**: 35% (UK: 23%)
Those of working age are more likely to be in **full-time employment**

Financial attributes:

£33K Average

Household Income
(UK: £30K)

Median Savings Value
£5,500 (UK: £1,000)

Lowest proportion of credit card users who revolve their balance
14% (UK: 20%)

Attitudes and behaviours:

More likely to **keep up with bills without difficulty:** 69% (UK: 59%)

More confident managing money: 65% (UK: 58%)

Think they **budget well:** 69% (UK: 61%)

The sub-segments

Each of the macro-segments can be broken down into between four and seven sub-segments, driven predominantly by lifestage, as shown below. In the case of the 'Cushioned' segment, there is an additional distinction between the 'affluent' and the 'comfortable' sub-segments. Both have savings and modest use of credit but the former have higher levels of both income and savings.

	STRUGGLING		SQUEEZED	CUSHIONED
Young Adults	Over-Burdened	Struggling Younger Adults	Squeezed Younger Adults	Young Adults in Affluent Homes Comfortable Younger Adults
Mid-age Couples and Families		Struggling Working Families	Squeezed Younger Families & Couples Older Squeezed	Affluent Couples & Families
Pre-Retired		Struggling Pre-Retired		Affluent Pre-Retired Comfortable Pre-Retired
Retired		Struggling Retired		Comfortable Retired Affluent Retired

Much more detail on the sub-segments is available in infographic form at **moneyadviceservice.org.uk/en/corporate/research** along with a technical report and further information on the segments.

We believe that this segmentation is of considerable value, not just to the Money Advice Service but to the sector as a whole. The model is robust, easy to use and has been validated via both quantitative and qualitative research. The Money Advice Service Insight & Evaluation team are more than happy to help with any queries and to provide further support.

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For more information on our Insight and Evaluation work, go to:
www.moneyadviceservice.org.uk/en/corporate/research