



The Covid-19 Challenge

How to build a better
Financial Services sector.

Our viewpoint,
the opportunities and
the potential transformation.

Financial services is familiar with crisis...

Global health crisis Covid-19 has already changed life as we know it. The virus and its tragic human impact have resulted in unprecedented government intervention, social isolation measures, record unemployment - and the biggest fiscal stimulus ever launched.

On an economic level, central banks have responded by cutting interest rates, lending freely and encouraging financial institutions to extend credit to adversely affected firms and consumers, to prevent a prolonged recession. In capital markets, Covid-19 has caused the fastest bear market in history. On top of this, we're seeing huge shifts in the way that we work, educate and consume, with technology and automation set to transform industries in wholly new ways.

... but this time we'll emerge differently

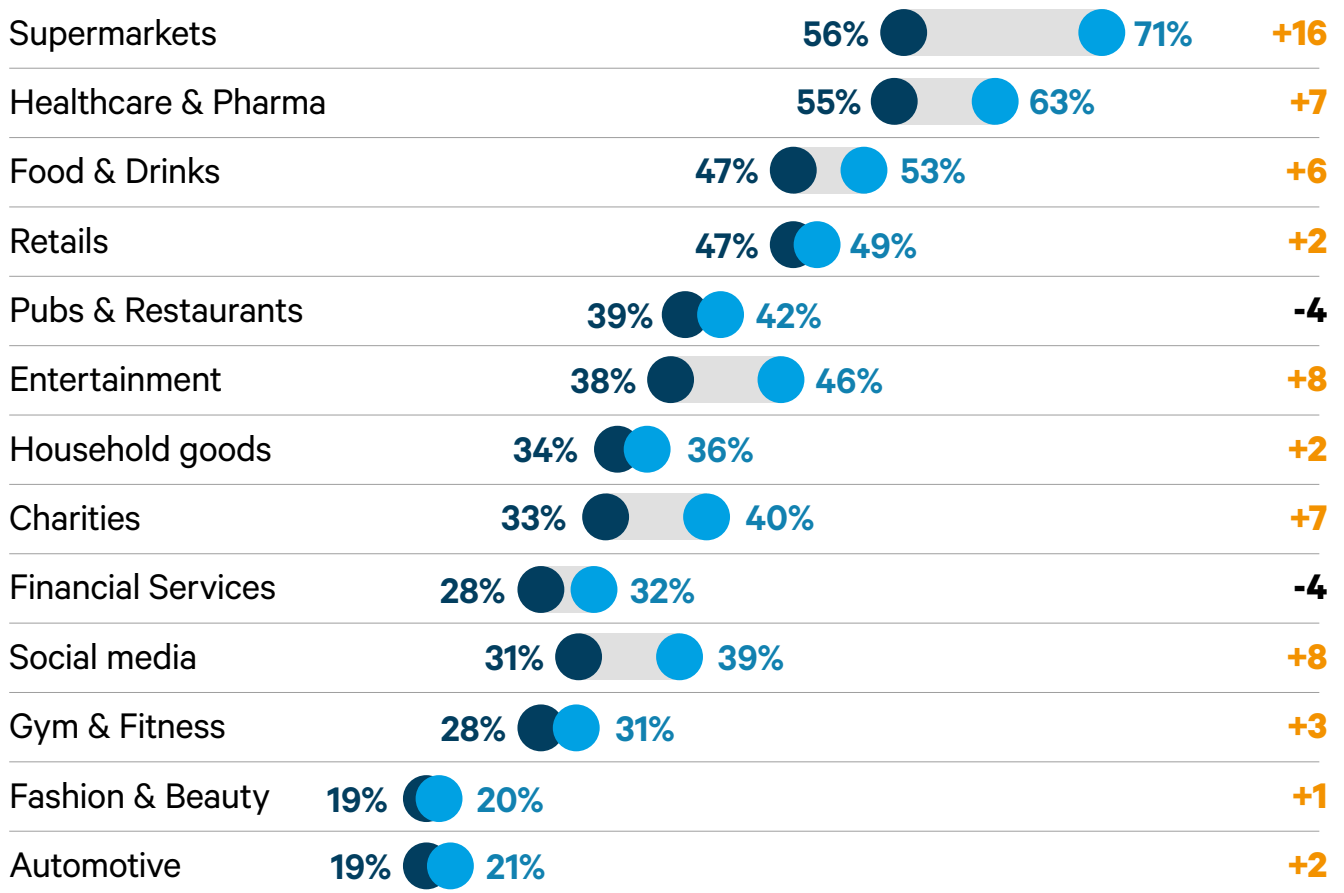
This is very a different landscape from the financial crisis of 2008, when financial institutions were seen as being responsible, then rescued by the Government and ultimately the taxpayer. The distrust of banks has continued: in 2018, a YouGov survey revealed that a staggering two out of three people in the UK don't trust the banks to work in the best interests of society.* A recent survey also suggests that financial brands could improve their reaction to the current crisis.**

Trust in banks still low ten years on from financial crisis

In general do you trust banks to work in the best interests of UK society?



How well have brands reacted to the crisis?



● 20 - 24 March | ● 31 March - 2 April

Banks and financial institutions are in a stronger position

Governments already expect banks to fuel our recovery from the crisis, promising support for their readiness to lend. Moreover, with stronger financial regulation (e.g. The FCA's SMR), disruptive technologies and competition affecting the sector, the focus of FS brands firms has turned towards the needs of the customer. During the Covid-19 crisis, we've seen the FCA imposing debt payment holidays; and the Bank of England has warned lenders and insurers to withhold dividends in order to protect their balance sheets and prioritise their customers.

The benefits of adopting a longer-term view are also in evidence in capital markets where we've witnessed the resilience of ESG investing during the crash, adding to speculation that companies marrying profits with social purpose will continue in popularity once the crisis passes.

Global lockdowns have also highlighted the environmental benefits of a less frantic pace of life, with UK air pollution down by over a third.*** Arguably, the legacy of Covid-19 will be foregrounding the power of (and need for) collective action in response to the world's next major health crisis – climate change.

Covid-19 will act as a catalyst for existing trends such as technological adoption, automation and wellness – areas which the financial sector is already navigating through mobile adoption, AI and efforts to promote education, professional advice and financial wellbeing.

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The catastrophic Covid-19 crunch



Tragic human cost

- Evolving daily, but over 2.9m confirmed cases globally, 200k+ known deaths (as at April 28th 2020).



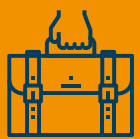
Crippling economic cost

- Global GDP growth forecasted to shrink by 2.3% in 2020.
- Growth in US and Europe forecasted to plunge by 9.1% and 5.8% respectively.



Unprecedented market volatility

- Fastest bear market in history (FTSE 100 fell by almost 50% in a month; S&P 500 fell over 20% in 16 trading days).
- Oil price turmoil.



Rising unemployment

- 22m file for unemployment (USA)/1.5m new claims for Universal Credit (UK).
- Hiring on hold for many, with further job cuts expected.
- UK company insolvencies rise dramatically in April.



Heading for recession

- Estimates that UK economy could shrink by 35%; UK GDP by 13%.

With an unprecedented response



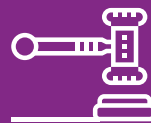
Government intervention

- Unprecedented intervention, from a 'wartime' style government.
- Fiscal stimulus:
 - > £330bn package to support businesses (15.9% of GDP).
 - > Central bank cuts interest rates by 0.65% and lowers capital requirements for UK banks; asks lenders to halt dividends.



National lockdown

- Three-week lockdown imposed on March 23rd; extended to six weeks:
 - > Non-essential retail outlets closed.
 - > Public gatherings and social events prohibited.
- Restricted travel:
 - > Advised against all but 'essential' travel.



Regulator pushes for consumer protection

- Imposes payment holidays on all types of debt for three months.
- Overdraft measures (e.g. zero interest for three months).
- Scam warnings.

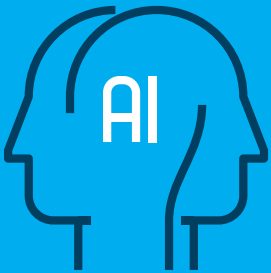
Covid-19: The catalyst for existing trends...

Covid-19 will accelerate existing macro trends which will transform industries, including:



Technology

The crisis has forced us into the wholesale adoption of technologies, with work, education and retail going virtual. Trends likely to accelerate include supercomputing (big data) and interconnected technology (Smart Cities, 5G, IoT).



Automation

The downturn will increase levels of automation – for example software, AI and robotics – with businesses under pressure to restructure, so there may be a second human cost in terms of livelihoods. 41% of businesses are set to accelerate automation post-crisis.



Wellbeing

Healthcare and wellbeing will be in sharp focus – with a holistic view becoming more widely accepted, as well as protecting ageing populations, safeguarding universal systems, and rapid adoption of digital health and telemedicine.

... coupled with megatrends to shape the 'New Normal'

2010s	2020s
Wealth	Health
Humans	Robot
Boomers	Millennials
1%	99%
Wall Street	Main Street
Capitalists	Workers
QE	MMT
Bailouts	Helicopters
Leverage	Deleverage
Deregulation	Intervention
Buy backs up	Dividends down
Globalisation	Isolationism
EPS	GDP
Deflation	Stagflation
Credit	Commodities
Growth	Value
Large	Small
Large US Dollar	Gold

Isolationism (post peak globalisation)

Focus on resolving trade disputes and strengthening local ties.

Quantitative limitations

Central banks have pushed the limits of monetary policy with QE, with interest rates already low or negative.

Climate change

Attention turns to policy, solutions and the e-technologies to solve it.

Conscious capitalism

A move to stakeholder capitalism and more weight to ESG criteria and employee satisfaction, alongside profit.

Automation

Rapid rise of robots, automation, 5G and Smart Cities.

Older societies

Ageing populations; growing middle class in developing countries.

Source: BAML 2020 Vision

So, who will emerge the winners? The progressive and pragmatic

Not all companies follow the same strategies during a recession, and not all will emerge triumphant. However, history shows us that winners achieve the difficult but optimal balance of defence and offence, commonly displaying the following traits:

- Recognise cost-cutting is necessary to survive, but that investment is necessary for growth.
- Tend to prioritise **operational efficiency** over employee cuts.
- Offensive strategies are comprehensive e.g. creating new business opportunities by making significantly greater investments than rivals do in **R&D and marketing** and **investing in assets** such as plants and machinery.

Source: Harvard Business Review, Roaring out of Recession, 2010

The opportunity for Finance? Be a driver of positive change

Alongside structurally fueling the recovery, financial services has a crucial role to play in ensuring that we can emerge from this crisis resilient and equipped with a longer-term mindset.

The opportunity to ensure customers – both consumers and SMEs – are financially resilient for future challenges, with a focus on education, financial wellbeing and their ability to plan for the long term.

The opportunity for asset managers to adapt their strategies towards companies with strong, long-term fundamentals, and to create portfolios that can weather crises such as this one. By thinking for the long term themselves, and encouraging customers to do the same, companies will transform not only Finance but our society for the better.

“This crisis did not originate in banking, but they can be part of the solution, and it might engulf them instead if they turn away. They must not gouge customers, and need to suspend dividends and high-end bonuses.”

Paul Tucker, Chair,
Systemic Risk Council

Communication is always the answer

Building better relationships
with colleagues, clients,
customers and community.

In a crisis, communication is not only crucial, but can be transformative. At Teamspirit, we believe in transforming the world of finance for the better – something we've been doing for the past 25 years - in and out of a number of market crises.

Every crisis brings new challenges, but how financial firms communicate during these uncertain times is crucial for cementing and transforming their most important relationships – from employees, to customers, suppliers, creditors, investors and wider communities.

During crises, people still need information, guidance, inspiration and entertainment – and we're currently helping our clients strategise and shape the stories they will deliver going forward with a number of guiding frameworks.

**During crises,
people still need
information,
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If you can't get to a Barclays, you can still use Barclays.

At Barclays, we know things are very uncertain at the moment.

Things that were once normal, like popping into a branch or going to work, are no longer normal.

So, we wanted to reassure you, while all this is going on, with our app and online banking you can manage your money like you did before. And we're updating our website daily with helpful Guides and the latest information on our services.

To help those with the most urgent needs, we ask that you work with us, and check our website first. And only call if you have an immediate financial problem that can't wait.

Thank you for your ongoing patience and support. Together, we'll get through this.

For more information search Barclays coronavirus



You must have a Barclays current account, be aged 16 or over and have a mobile number to use the Barclays app. T&Cs apply.

A message from our colleagues to our customers



Barclays offers triple overtime pay for staff on coronavirus frontline

Barclays backs BBC Coronavirus charity appeal

Changing the narrative

We can already see a more inclusive, stakeholder-based narrative emerging amongst financial brands. Barclays, for example, has unveiled special loan facilities for businesses, extended customer overdrafts, donated to charities, and showcased how their in-branch experience has moved online – in an emotive video centered around their employees.

Barclays announces £750 interest-free buffers for anyone with a pre-agreed overdraft from May 1 until July 9 to help borrowers suffering in Covid-19 crisis

>> 90-day payment holidays for our affected customers

Life is anything but normal at the moment, so we've made a few changes to help our customers manage their finances.

In addition to having stopped all late payment and cash transaction fees, we're offering a 90-day payment holiday for our customers.

Which means if you're worried about your finances, you can apply to have your payments paused for 3 months.

This won't affect your credit rating and you can easily do it online, so there's no need to call us.

1. To see if a payment holiday is suitable for you, simply visit barclaycard.co.uk/paymentholiday
2. Fill out the online form
3. You don't need to do anything else, we'll send you a text if your application is approved

Visit our website for the latest information and helpful advice on how to manage your Barclaycard.



Payment holidays are subject to eligibility criteria and T&Cs. Interest will continue to accrue on the balance during the payment holiday.

B2B PAYMENTS

Barclays Rolls Out Coronavirus Loans To Help Large UK Corporates

Social media shows memories of 2008 still linger

Analysis shows that even though the public has acknowledged some of the efforts banks have made to help with the impact of the coronavirus pandemic, memories of their behaviour before 2008 and during the global financial crisis linger on.

While their decision to cancel dividends might have been welcome and, indeed inevitable, from a PR perspective, this has not been well received by investors and people depending on banks' regular dividends for their retirement income.

On a positive note, education, help and preparation are all topics consumers are celebrating, and there is an opportunity to focus on this.

Insights	Trend Score	Posts (last month)	Monthly History
Dividend	27	787	
Being Furloughed	25	461	
Natwest Loan	24	431	
Adverse Credit Score	24	430	
Being Accepted	23	435	
Month Break	23	432	
Good Viable Businesses	21	320	
Is About To Lose	21	320	
Level Of Contempt	21	320	
So Wrong	21	320	
Bank Of England Rate	19	260	
Apply	18	1144	
Am Told	17	680	
Are Unable To Explain	17	190	
Have Been Communicating	17	190	
20bn Taxpayer Bailout	16	180	
Investment Help	16	180	
Dividends and Bonuses	16	173	

Keeping the communication drumbeat going

In a crisis, businesses typically cut costs, reduce prices and postpone new investments. In this context, marketing can be one of the first things to go. Yet businesses that continue to maintain share of voice and share of market are proven to enjoy rises in profitability that outweigh short-term savings.

9x

Faster recovery in stock market value from brands who advertised during the 2008-9 crisis.

78%

Believe brands should help them in their daily lives at the moment.

8%

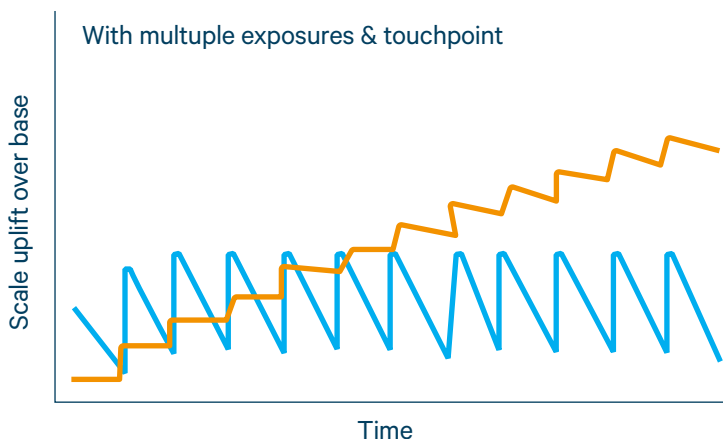
Consumers think brands should stop advertising during the crisis.



Winning a share of voice at this time supports a long-term recovery plan. Some 34% of our respondents said they were planning to either maintain or increase spending in 2020. There is a bank of studies from previous downturns to show that increasing investment sustains brand long-term growth... Diverting marketing expenditure into short-term price promotions usually damages brand value and is also likely to be unprofitable.”

Cheuk Chiang, CEO North Asia at Dentsu Aegis Network

Long-term growth needs brand and product



Emotional priming

Creates mental brand equity, is broader in reach. Brand growth stronger, leading to long-term volume increase.

Rational messaging

Generates short term sales, but brand perceptions unchanged. Focus on short-term persuasive messaging does not lead to long-term sales increase.

46%
Brand building

54%
Content/product marketing

Make what you do more relevant

With life moving online – specifically in the way we communicate, learn, work and shop – consumers are still looking for brands to offer practical guidance, inspiration and entertainment.

Communicating during a crisis is critical for brand recognition, especially when competitors may be cutting spend. It is not a time to reduce your share of voice, but rather prioritise and increase its relevance.

Brands should be considering reviewing and changing media, messaging and touchpoints to ensure they are reaching consumers with communications they are most interested in.

Reconsider your channel mix

A new, more agile channel mix may be necessary for some brands as more people move online and operate within the confines of their homes and neighbourhoods.



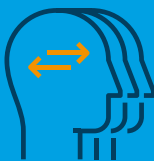
Online video

Online video, broadcast and TV streaming take the top spots overall for increased media consumption, proving popular across all generations.



Audio uptake driven by millennials

Millennials are driving the increased usage of radio, podcasts and audio streaming.



Generational differences

Key differences include the dominance of online streaming amongst Gen Z and Millennials versus broadcast for Gen X and Boomers.

Your quick Covid-19 communications checklist

Consider adapting – not abandoning – your strategy, to reflect:

1. Customer centricity

Understand how your customer is redefining value - and responding. What are their needs now? How can you meet them? What channels are most efficient in reaching them?

2. Consistency

History shows that maintaining spend can improve market share, whether competitors are cutting back or not, and customers will value the reassurance of recognising known brands.

3. Cost

Customers will be cost conscious and keen to get the best deal. The key is to remain competitive and reward loyalty.

4. Core values

Highlight what you stand for as a business to both employees and loyal customers and how these values translate into the current context.

In summary: Is now the time for financial services to shine?


As we emerge from this crisis, not only do we have a structural opportunity to be the engine of recovery, helping businesses and customers to emerge resilient, we have a greater opportunity to transform both people's lives and our world for the better.

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During crises, people are still hungry for information, guidance, inspiration and entertainment – and we're currently helping our clients review their strategies and shape the stories they deliver.





Want to discuss it further?

To help you navigate the 'new normal', our planning team have developed a number of frameworks and insight sessions to help you re-prioritise and refresh your current strategy where necessary.

Please contact us to set up a review on how your messaging, media and communication strategy could work even harder in the context of the new needs of the Covid-19 era.

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Visit [Teamspirit.uk.com](https://www.teamspirit.uk.com)

or call us on 020 7360 7878



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