



KEY TRENDS

2021

**Teamspirit
anticipates
the challenges
for the year
ahead**



INTRODUCTION

Entering 2021, desperate to turn the corner on 2020 amid remaining lockdown and vaccine uncertainty, a sense of optimism still triumphs. Because what 2020 has achieved, is to pivot the world's economies into behaving better and thinking collectively.

THE TRANSFORMATIVE BUILD BACK HAS ALREADY STARTED

- There's been unprecedented growth in ESG investment, with market outperformance and what's being called a paradigm shift in ESG indices growth.
- Better governance has become a must-have, with Goldman Sachs vowing not to help companies go public without at least one 'diverse' board member, and BlackRock expecting at least two female directors on the companies in its portfolio.
- Consumer and business digital adoption vaulted five years within the space of about eight weeks after the first lockdown.
- A brand's stand on societal issues is driving 63% of consumers' buying behaviour in the UK, US and India, affecting whether they choose, switch, avoid or boycott the brand, with brands responding to racial injustice seeing a 3.5-6x gain in trust.
- With the boom in sustainability-linked loans ESG measures as part of the banks' overall lending criteria is predicted to go mainstream rather than specialist offering.

Which is why our 2021 Trends, perhaps unsurprisingly, reflect a renewed sense of purpose within the financial services sector. Canvassing our multi-disciplinary teams for the trend that they feel will dominate, a uniting thread is one of humanity. The traction around The Kindness Economy, a trend highlighted last year, is becoming all pervasive - affecting the very products and services being created, as well as brand behaviour and messaging.

Digital domination continues, but now fused with a widened focus on embracing society, as explored in WealthTech, and in how TikTok and content snacks will be used to reach the disengaged and cynical.

And with the Social pillar of ESG now foregrounded, ESG has moved from buzzword to become business-critical. Which is not a box-ticking exercise, as our trend 'Reputation Watch Out' warns. Now is the time for actions, not words.

Here's to the changing of the guard and a new world order. May this year be the one where the financial services sector realises new inclusive and resilient foundations that help everyone to thrive.



ESG: BUZZWORD TO BUSINESS-CRITICAL

The pandemic has reshaped the global economy. It has demonstrated the resilience of ESG (Environmental, Social, Governance) investing, with global inflows exceeding US\$71bn from April-June 2020 and reaching US\$1tr overall. ESG investing has been gaining momentum for years amid climate change, making it the buzzword of the financial services sector. But will the next decade bring sustained action and behavioural change?

Historically, E, S and G haven't been afforded equal weightings, with the Environmental pillar dominating. The pandemic has foregrounded the Social pillar, with social bonds becoming the fastest growing part of sustainable finance, and large investors launching social funds. And a growing focus among investors on how companies treat their workers, how inclusive they are, and how they benefit wider society.

For ESG to move mainstream, the availability of products and services to encourage new business models, technologies and lifestyles will be vital.

The major banks have introduced green mortgages, but it's still a nascent market, requiring innovation, incentives and robust risk frameworks if the UK is to meet its climate targets. Other than Triodos and Ecology, there are limited ESG-linked bank accounts or credit cards. Wealth managers will deliver ESG-informed advice in 2021, and in pensions, organisations such as Make My Money Matter are highlighting how our money makes a real-world impact.

The talk around ESG must now be turned into action. This year we'll see a maturation of the three pillars and improvements in reporting impact. We'll also see the rise of products and services that cement ESG within our everyday, as well as long-term finances.

IMPLICATIONS

- Do make ESG business-critical. It should be central to everything you do.
- Do take action, measure it, and report on it. It's not enough to just be part of the conversation; this should be backed up with evidence of impact.
- Don't wait and see. Join working groups, partner with and learn from organisations who've already made great strides



1

THE GROWING IMPORTANCE OF IX

Remember the office? Those town hall meetings where the Exec team talked about your company's purpose and performance against values; the events supporting your local community; the birthday sing-alongs for friends and colleagues? Just some of the communications that used to make up your company's multi-layered Internal Employee Experience (also known as IX). An experience that shouts out who the company you work for is – and the culture that makes it special.

Fast forward to 2021 and this glue has evaporated for most employees. Some haven't been in the office since March; the majority are working from home, and large financial brands have told employees they can work from home for ever.

IMPLICATIONS

- Companies of all sizes need to invest in the definition and delivery of employee experience strategies.
- Employee Value Propositions (EVPs), co-created with employees, clearly setting out a company's promise, are valuable tools within this.
- Zoom is not the only fruit. We can introduce you to little-known digital tools you can incorporate and integrate with everything from direct mail to next-generation streamed events.

But without a considered employee experience, employees will find themselves stateless, lost, demotivated and broadly freelancers. And the odd Zoom and a monthly newsletter won't bring them back. Companies that ignore this will be the ones that become less productive, lose staff and drain profitability.

Companies are already realising this. We're seeing significantly increased client budgeting for 2021, for the creation of multi-channel employee strategies that re-engage people with their company's purpose, values and direction. Re-instilling a sense of belonging, happiness and motivation.

2

THE UNSQUARE MILE

The City of London, particularly the financial district of the Square Mile, is a dramatically different place since the start of the pandemic. With few people back at their desks, the Waterloo & City underground line remains closed through lack of demand, and many service businesses which depend almost exclusively on weekday footfall, are shut.

But the financial services industry is still open. As anyone who has taken out a mortgage or loan, managed their investments or consulted with their wealth manager since March can testify, the sector has proved remarkably able to function virtually as normal.

But where does that leave the Square Mile in future, if it's the financial centre of the country in name only? And what are the implications for financial services businesses that risk losing their visibility and influence?

Just as the financial services industry put the City on the map, it might now rise to the challenge of pioneering a different future for it, as a centre of innovation for a new generation of financial products and propositions. For example, investment houses might partner with property developers to repurpose their surplus office space to reflect the needs of a more residential community, with homes, entertainment and public services, such as schools and surgeries. Thereby investing directly in the City as asset owners and managers. Likewise, mortgage providers might create more flexible products to enable people to buy and own property over a shorter time period. Or maybe life and pensions companies could explore the concept of combined retirement income and low-cost housing propositions, to enable older people to live in the City in a more vibrant environment, with shared facilities to reduce the cost of living. Welcome to the Unsquare Mile.

IMPLICATIONS

- In an accelerated digital world, the City may be empty, but financial services are alive and well.
- Decimated commuter footfall presents an opportunity for the Square Mile to come back to life as a community.
- New financial products and propositions to reflect a more flexible, virtual customer base are required

3

WEALTHTECH

The prominence of WealthTech – defined as technology that unites wealth and technology to provide digital solutions to enhance personal wealth management, investment, and asset management – has been steadily gaining momentum over the last few years, so it's no wonder that it was recently ranked as one of the most mentioned trends among financial services influencer discussions on Twitter in Q3 2020, according to GlobalData.

Robo-advisers are well known in this space, with Insider Intelligence predicting that they'll be managing \$4.6tr by 2022. Perhaps less well known is Robo-retirement, helping individuals as well as SMEs better manage their savings and investments. And digital brokerages, which help retail investors gain stock market information more easily, and furnish them with data and insights previously available only to the professionals. These are set to flourish and further expand the influence of retail investors that we've seen in 2020.

Perhaps the biggest implications could be WealthTech's ability to provide affordable advice to address the UK's advice gap, with 5.3m of the population saying they would pay for financial advice if it were perceived to cost less, according to OpenMoney. This is further compounded by a lack of financial advisers, with one in five advisers predicted to exit the industry in the next four years, according to The Heath Report Three. As Robo-advisers evolve, their opportunity is to support financial advisers' efforts to provide more holistic, life planning focused advice, not just investment and savings advice. This could make the UK populace more financially resilient and, above all, happier.

IMPLICATIONS

- Expect disruption to traditional distribution models, such as brokers and financial advisers, and WealthTech to start to complement human advice.
- The decrease in cost of advice through WealthTech could democratise financial advice, thereby expanding the sector and resulting in more resilient personal finances.
- Greater use and collection of huge amounts of valuable financial data, will make personalisation of financial products and services more effective.

4

DISSEMINATION DIVERSIFICATION

Donald Trump's time in the White House will be remembered for all manner of reasons, but perhaps one of the most culturally significant will be his use of the term 'fake news'. This perceived lack of trust in mainstream news rapidly spread across the Atlantic, and shows no signs of abating in 2021. In fact, the latest Ofcom figures ranked the BBC News channel, the UK's public service broadcaster, as the least impartial source of TV news – according to viewers.

This lack of trust presents challenges to the financial services sector, where trust is so critical. In practice it means that businesses will have to redouble their efforts in understanding their target audience and the media they consume. The sector's default to the Financial Times, the BBC and TechCrunch is worth exploring to see whether there might be other options, as readers, viewers and listeners recalibrate their choices.

Might it also be prudent to explore more local publications? As specialist 'trade' titles double down on content, their audiences are swelling, and it's worth remembering the breadth of local radio stations across the UK. On a national radio level, just a few years ago, the only speech radio stations that firms would consider appearing on were Radio 4 or 5 Live. Today, there are other, genuine options with LBC, Talk Radio and Times Radio. When it comes to a national newspaper, does the piece of advertising or PR need to be in print? In fact, might it be more effective online? Audience change is happening, and when it comes to selecting the right media, it really is no longer business as usual.

IMPLICATIONS

- Consider the importance of audience trust in a publication as the era of 'fake news' continues.
- Take time to re-understand your key audience and the audience of various media.
- Brands are no longer automatically defaulting to the 'same old' titles.



CAUSES ON YOUR SLEEVE – TO HANDS MAKING A DIFFERENCE

When it came to brands supporting hope and doing good, in 2020 many shouted from windows, wore badges, reposted videos, wrote thought pieces and signed letters, plotted ambitions and set out strategies – all helping connect through lockdown. But 2021 will require something a lot more fundamental from brands. Action.

Brands will need to go quickly from that approved purpose to practical steps. The questions that will be coming our way will include, after a year of inaction and a lot of nodding and supporting, what will you actually do?

2021 will be the year that people are not just critical of authenticity, but condemn the lack of it.

What do you do: your products, your solutions, your partnerships for better racial equality, your sustainability changes, your spend on community bettering? No more cheerleading. Get on the field.

Or get used to your ‘likelihood to recommend’ scores also starting to see some action.

IMPLICATIONS

- 2021 is about putting your purpose into action.
- Use partnerships and outsiders to ask the tough questions about your actions.
- Don't wait – put in place some clear smaller actions now, building over time.





THE RISE OF THE CRAFT

With this year's move to working from home, there's been a dramatic uptick in creativity pouring out onto social media. From sourdough breadmaking to picking up old instruments, the sheer number of creative outlets has risen.

But what does this mean for financial services? As we move into a more hybrid way of working, these creative outlets will continue. Making way for more experiments and exploration. And all of this will enrich ideas and conversations shared between colleagues and clients – opening the door to alternative ways of approaching solutions.

2021 is likely to experience a rise in lateral thinking, enhanced by exposure to more culture and connection. We may well start

to see marketing that directly incorporates these newly rekindled outlets, or uses them for inspiration. It could result in more poetry being used in ads, taking time to celebrate the craftsman's story, or fresh ways to conduct meetings, new ways to connect personally with those we work with.

In financial services, so vital to the recovery, we envisage a hunger for more category-breaking advertising, as the industry steps into its leadership role. This is the perfect place for added creativity to come pouring out, and we expect to see braver design and executions. More will be 'online' and embracing alternative ways to reach audiences. And with audience expectations for more from financial services providers, now is the year to answer the call.

IMPLICATIONS

- Celebrating and showcasing craftsmanship will continue to thrive and seep further into financial service communications.
- Don't be left behind in enjoying and trying the novel ways to reach audiences, as companies focus on more digital streams.
- Expect to see a rise in bolder, category-breaking ideas that utilise the creative outlets people have been exploring this year.

BRAND ADAPTATION ARE WE HUMAN AFTER ALL?

As the world retreats into its own home, our homes and brand messages move into fragmented media spaces, pulled apart by algorithms, what will keep us together?

A fragmented media space creates multiple touchpoints for engagement. But if brands want to be noticed, they need to move seamlessly across these digital spaces. Because of this, we are seeing more and more shape-shifting logos. Logos that change in size, complexity or colour, depending on where they are placed. These responsive logos ensure consistency no matter what the medium, allowing maximum readability and brand recall.

As we retreat homewards and adapt to our new normal, so do brands need to adapt to our new normal needs. People strive

for deeper connections with these familiar spaces, new zones for work and working out. Brands that reassure and lead, rather than pure profit, will be rewarded.

Knowing when to speak is also as important as knowing what to say. Is your brand sharing or lecturing? Brands should evoke trust, by bringing new ideas and understanding. Diversity of thought, orientation, education, religion and ethnicity will create better connections, more empathy, more shared experience and connection in an isolated world.

Brands thrive on their ability to be understood. People do too. The best way to understand people, is to listen to them. 2021 is the year for listening with commitment to understand.

IMPLICATIONS

- Make sure you have the right tools – specifically digital brand assets – to be part of today's world.
- Share your story in the most authentic way possible – people need meaningful connections that are of value.
- Reflect the world we live in – increase diversity in advertising photography and stories, or you will be left behind.



8

THE YEAR THAT FS REALLY EMBRACES TIKTOK

2020 has seen TikTok explode onto the social media scene. As lockdown gripped the world, teenagers introduced their parents to the platform. Suddenly the demographics shifted, and so did the mindset as to how it could be used as a platform. Instagram was left in its wake, and even its recently released Reels long-form video platform was a pale imitation of the TikTok experience. The new kid on the block continues to make huge strides.

IMPLICATIONS

- Having already seen the introduction of snack-sized financial advice coming out of the States via its rising financial services stars, we expect to see UK financial services start to take the same sort of advantage.
- With fantastic top and mid-funnel content engagement opportunities, don't be surprised to see brands creating awareness and consumer education pieces for the TikTok platform.
- Brands will connect with more TikTok influencers. The financial education space is ideal for the TikTok platform. By engaging with the platform's stars, brands can expect to see real cut-through with audiences that have traditionally been both disengaged and cynical.

Thus, we predict 2021 will be the year that TikTok matures. With Biden in the White House, the restrictions in the US will almost certainly be lifted. This will pave the way for business to start investing heavily in video content.

So what are the three things we should expect to see in financial services?



9

REPUTATION WATCH-OUT

What would someone say about your business if you weren't in the room? How would they describe you? Are you a brand that they feel confident in, or even proud of? Or do you leave them wanting? These are vital questions when pondering your brand reputation.

But then you need to ask yourself, how am I building and protecting that reputation?

Reputations are built over a period of years. But they are fragile, and can come crashing down in moments. In financial services, a good reputation is like oxygen to a business.

So why is reputation more of a trend now? Not only have we experienced a global pandemic that brought the planet to its knees; the markets crashed, civil unrest climbed, and we continue to see protests on the streets, opening the world's eyes to everything from racial inequality to LGBTQ rights to the dangers of climate change.

IMPLICATIONS

- Reflect. Just because you've done something a certain way for decades, doesn't mean you can't change.
- Make sure you walk the walk, then talk the talk.

What does that have to do with financial services? We look after people, and the psyche of people is evolving. People want healing, safety, genuine transparency and fairness.

So, what is your brand doing – doing – to address the changing wants of society? This is the key to reputation. Actions speak louder than words.

We've seen the reputational damage that rainbow washing does to a brand; the same with green washing, and we'll no doubt see our fair share of ESG washing in 2021.

So, reputationally, what will we see from financial services brands in 2021 and beyond? Firstly, a lot of self-reflection. Then a lot of doing. Then, maybe, people will talk about you even more favourably when you leave the room.

- The world is becoming more compassionate. So can business. Being human isn't unprofessional.



CONCLUSION

We believe that 2021 will see stakeholder capitalism as outlined by the Davos Manifesto become the dominant business model. Financial services has a key role to play in creating a fairer society that can support a move to a carbon-aligned economy, where society can work and live in harmony with the planet.

To play their part, financial services providers need to Revisit, Refine, Redesign and Reinvigorate their mission, vision and values, for both their external audiences and internal culture. This isn't just due marketing diligence; it has to be aligned with the short, medium and long-term commercial opportunities that our new world order has created.



If you would like to discuss how any of these trends are likely to affect your business, to join our mailing list, to be invited to our events or to receive our regular newsletter, please get in touch at hello@teamspirit.uk.com.