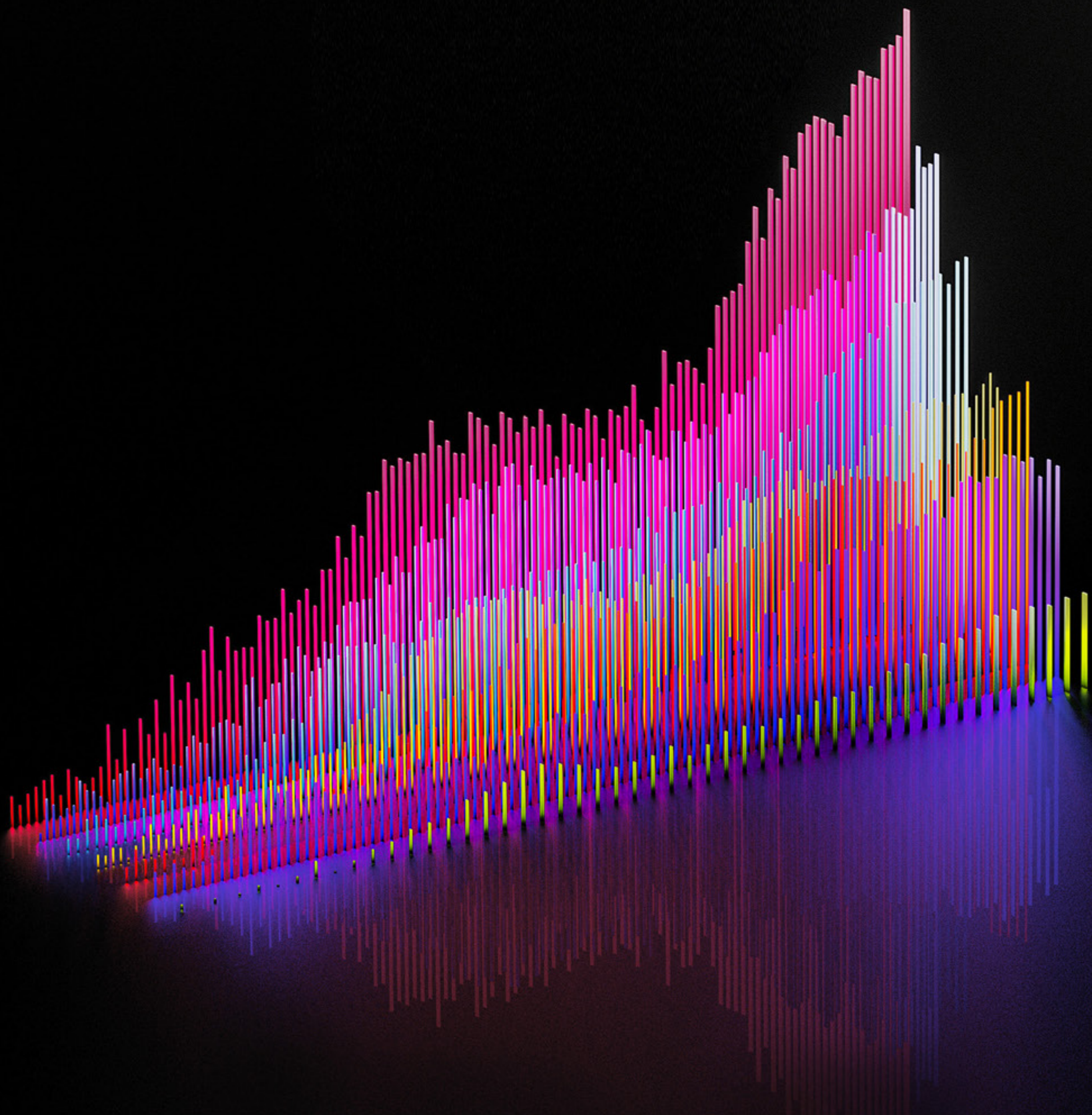
Finding the future

Financial services trends



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Welcome

Welcome to the second edition of Kantar's Digital (Dx) Analytics global trends report series, Finding the Future. In our first edition, we focused on the beauty and cosmetics sector. We now turn to the dynamic financial services sector with a lens on consumer banking including alternative investments. Kantar experts from around the world (including Germany, Poland, Türkiye, the United Kingdom, and the United States) share their insights on innovation and sector trends.

2022 is raising the stakes on all things digital with respect to finance, requiring banks to achieve a precise balance of cutting-edge innovation alongside traditional capabilities. All this is required to stay competitive, meet consumer expectations and contend with new disruptors. We hope that you will come away from this report with knowledge of the key trends and an understanding of how tools like Kantar's can help you become financial futurists.

Finance is a very personal and emotional matter. It affects every single life stage: From having a child and university planning, marriage and divorce, long term care and disability. Factors like losing a loved one or "coming out" impact how consumers behave with their money. Changes in population and technology dynamics mean that inclusiveness and representation matter today more than ever. In a world beset by a pandemic, with inflation on the rise and wars unresolved, consumers want to protect their finances. They need to know they are making the right choices and are supported so that they will thrive whatever the economic weather. This is a sector ever in flux, ever changing and ever demanding.

With so much to discuss, throughout this report, we aim to spark thoughts on new ways to give consumers what they need and demand from the financial services sector.

Chris Petranto
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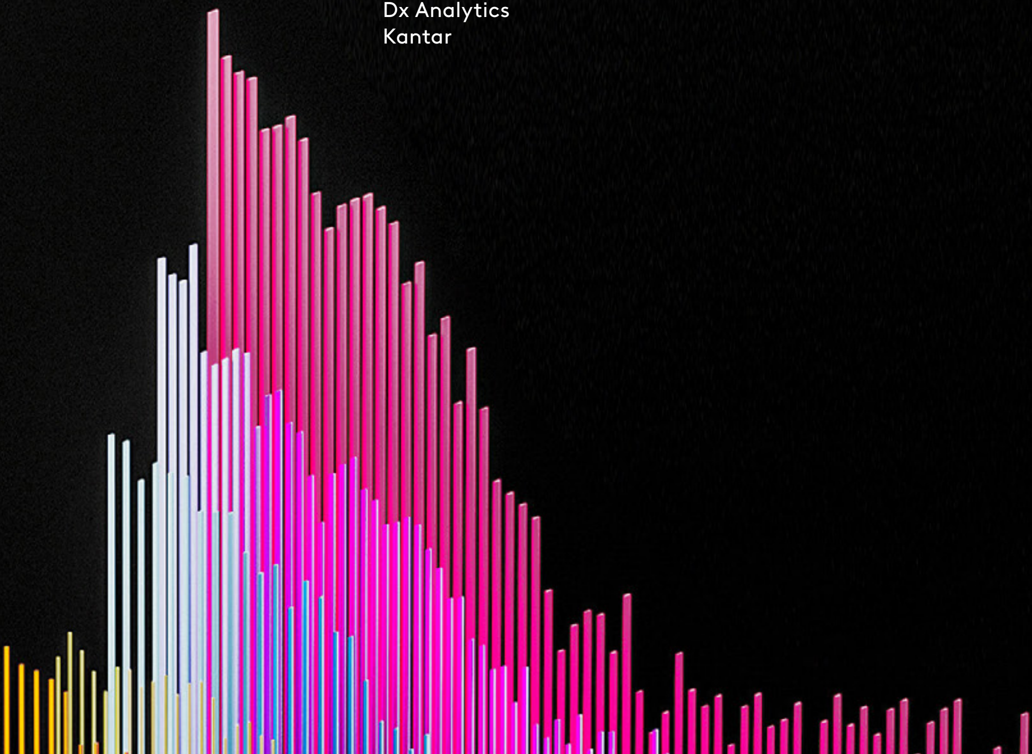


The Kantar trends framework

Macro trends or drivers

These are the big external factors like the ageing population, climate change and the potential of a pandemic. These typically take 5-10 years to bubble up and are big structural shifts that do not change that often. We refer to Social, Technological, Environmental, Economic, Political & Wellbeing drivers (STEEP).

Data sources
These include government data, news reports and industry sector information.

How to use
They are more useful for thinking about overall business and growth strategy.

Micro trends or consumer trends

Here, we are at the level of consumer and cultural trends which include lifestyle, attitudes and values. They are the result of shifts in consumer expectations, attitudes and needs in response to macro trends.

Data sources
Attitudinal and values surveys, social data.

How to use
More useful for brand strategy and positioning, marketing communications and content creation.

In this context, Kantar has a proprietary attitudinal database: Global MONITOR. It operates in 31 markets and provides quantitative indicators across eight needs, offering a view into how those needs are prioritised by consumers within and across markets.

Category and product trends or expressions

These trends are much shorter lived and include types of products, benefits and ingredients. They exist in a one-to-two-year framework and are less predictable. These are leading edge manifestations of particular energy in any given market. New products, services, subcultures, messaging, and campaigns are all expressions.

Data sources
Social and search, panel and industry data.

How to use
Product innovation and renovation, communications.

In this context, Kantar's Dx has proprietary tools powered by big data and AI. Using close to population level data, they enable brands to understand trends across all markets, languages and categories in a few days. They can monitor continuously and understand relevancy by category and market.

The world → **The consumer**

DRIVERS
Trends: Discrete, measurable and sustained forces that change and shape the consumer landscape

Organized by:
Social, Technological, Environmental, Economical, Political & Wellbeing drivers

CONSUMER TRENDS
Trends: The result of shifts in consumer expectations, attitudes and needs in response to the drivers

Organized by:
Protection, Wellbeing, Connections, Identity, Experiences, Flow, status, responsibility and consumer needs

EXPRESSIONS
Trends: Leading-edge manifestations of particular energy in any given market

Organized by:
New products, Services, Subcultures, Messaging campaigns, etc.

The world ← **The consumer**

A macro viewpoint

Flow and protection are the consumer trends and drivers for financial services

In financial services, almost all trends are driven by our need for **protection and flow**. Consumers have just come through an unprecedented period of personal and economic instability created by the global pandemic. While concerns about Covid-19 have abated with vaccines now readily available in most of the world, war and inflation dominated the news and brought about new supply chain shortages in 2022. Gas and fuel oil are hitting levels not seen since the 1970s and quickly changing behaviours as well as causing greater political instability. How can consumers protect their assets while demanding easier ways to buy and invest?

The need for Protection drove consumers globally to tangible assets like real estate and pushed them to increase their investment in insurance. But here too, supply chain issues (along with demographic ones as the large Millennial cohort enter their parenting years) drove up pricing in housing and left many frustrated first-time buyers. Consumers in countries on the edge of war, or ones with very high inflation, began checking policy terms and increasing their investments in insurance as a hedge against potential disasters.

Since the pandemic consumers' need for Flow—efficiency, accessibility and flexibility—has continued to rise. **Think about the rise of Apple Pay, scanning to pay, transactions that are contactless, everything that we refer to as "fluid finance."**

Retail flowing through ecommerce

The pandemic was a significant driver of change in consumer purchasing behaviour, especially with respect to ecommerce. Data from Kantar's COVID-19 Barometer reports that buying online is the number-one action people do more than they did pre-pandemic, including in emerging African and Latin American markets, which saw some of the largest by-category increases. Covid removed retail rails and further pushed the omnichannel revolution that was already underway. Shop on your phone, alert the store you are there and pick up curbside became common.

The pandemic increased experimentation with ecommerce in categories that had previously lagged globally (in countries other than the UK, where it had already taken hold) such as grocery and food delivery. Although physical retail still makes up most of the retail spend, many of the habits formed by consumers over the pandemic are predicted to remain. The supply chain and infrastructure investments made by the largest ecommerce players during this period will also help online retail continue to increase its share of overall retail spending. This is likely to accelerate the adoption of digital-first or online-to-offline business models for many retailers.

The move to cashless

With the digitization of finance and some markets moving to a near cashless economy, consumers are seeing an influx of new offerings that enable them to spend and manage their finances in more accessible, seamless and spontaneous ways.

Spurred by the digitisation of money and the digital economy, consumers now have access to more innovative and inclusive forms of finance. Receiving, spending and managing money is becoming more convenient and personalised in ways that would never have been possible in economies structured by physical currencies.

Payments went with the flow

With chips in many credit cards, ticketless transit became the norm in Rome and NYC as customers bypassed lines for tickets or fare cards in favour of "tap to pay." In a major expansion of the Apple Pay Express Transit system, T-Union—which handles public transit payments across many cities in China—is now allowing travellers to ditch tickets if they own an Apple device. In 275 Chinese cities, users can now add their information to their iPhone or Apple Watch to pay for buses and subway service.

The Korean bank Shinhan launched Face Pay, which allows users to pay without a card or smartphone. Face ID recognition tools are used at payment terminals to detect the user's bank account and withdraw accordingly. It works with 3D and infrared cameras **reading 100+ facial feature points for 99.9% accuracy**. Nestlé has created a facial recognition checkout at their brand-operated grocery store in Barcelona. Users download the Face to Pay Nestlé Market App, link it to a credit card and pay by simply taking a selfie when they leave the store.

The unbanked had more options as cashless societies expanded

Efforts will need to be made to get the poor, the rural, the elderly and small businesses onboard the cashless society. In the short and medium term, the transition away from cash may exacerbate economic inequality gaps—as the rich willingly move away from cash while the poor have no choice.

The World Bank estimates that there are roughly **1.7 billion adults worldwide without access to a traditional bank account**, most in emerging markets in Asia, Africa and Latin America.

Smartphones and the low-cost digital tools they enable (such as digital wallets, cryptocurrencies, and alternative reliability measures) have been an important driver of financial inclusion. These tools have lowered barriers to entry in more developed markets as well—expanding financial education and raising accessibility to consumers not traditionally welcomed by the banking system, such as lower-income consumers and youth.

A good example is how Tpaga is bringing mobile payments to Colombia's unbanked. It gives consumers and companies the ability to move to a cashless world even when they are not part of the traditional bank system. Many Colombians are unbanked and **90% of consumer** transactions in Latin America are made in cash. Tpaga offers a virtual wallet to people so they can make payments and even gives them a bit of rudimentary financial education because they can track their spending through the app's functionalities.

Crypto: Disrupting financial services overall

One of the most interesting aspects of the financial sector is that the current level of economic uncertainty is driving some consumers and industries into alternative currencies and the entire world of finance that exists in the Metaverse. There is an irony to consumers' desire for protection pushing some into the much riskier investments afforded in the world of crypto and decentralised banking. Many in this cohort are too young to have personally experienced the mortgage-backed global economic meltdown of 2008 or the dotcom bust. Boomers, in contrast, are much less likely to be tempted by a new financial sector that demands an understanding of a new and unfamiliar paradigm.

Cryptocurrencies are potentially transformative, but issues of liquidity, stability, adoption, competition and regulation play key roles in determining whether they enter the mainstream. While its current unregulated nature links it with crime, illegal markets, and unbridled speculation—some central banks, like China's, have begun their own pilots to explore the creation of state-sponsored, regulated, legitimate cryptocurrencies.

While need for protection rises in parallel

It is no surprise that our need for **protection** has risen in parallel to the desire for **flow**. Just when Covid-19 started to retreat from the headlines in early 2022, inflation and war rose and increased consumers' insecurities with respect to financing. Some have become more risk averse and actively seek protection with respect to personal finance.

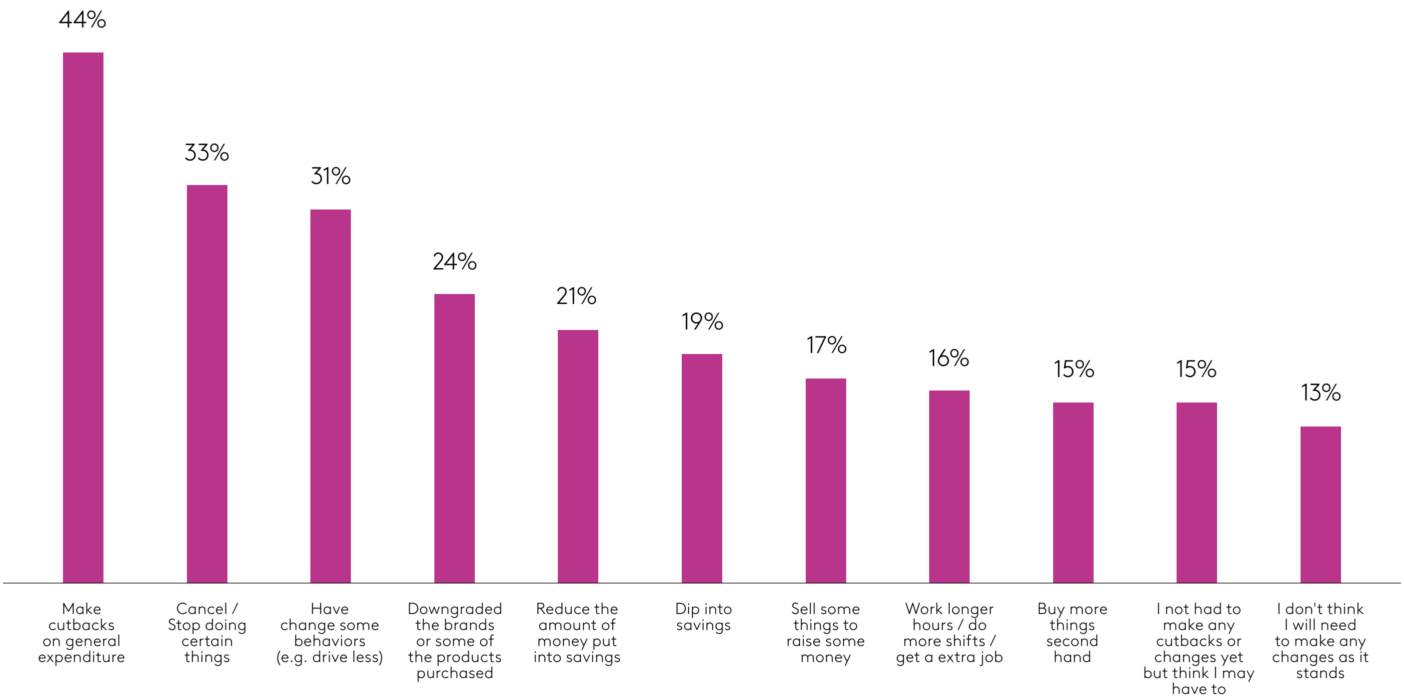
Considering rising prices and other factors making financial markets more unpredictable, research suggests that most individuals throughout the world have either planned or are going to make adjustments to their spending and investment habits (Figure 01).

There is a global flight to real estate as an investment (perhaps the most tangible investment that exists), that in conjunction with a housing shortage, is driving up prices there.

In this report we will examine how a country significantly and directly impacted by the war in Ukraine, Poland, is experiencing economic changes. We will also look closely at how a huge market like the US is reacting to financial change. In a global economy, the tightening of access to fuel oil, cooking oil and grain is impacting prices at home, the pump and the grocery store. We also highlight Türkiye, where the **annual inflation hit 79% in July** of 2022, a 24-year high.

Figure 01

HOUSEHOLD CHANGES AS A RESULT OF RISING PRICES OR OTHER ISSUES



United States rundown

High inflation, no real recovery

Just when the US seemed on an even post-pandemic keel, war and inflation are taking their toll and markets have turned decidedly bearish. It's no longer a question of "if" a recession, but "when." In a mature economy like the US, middle-class consumers are the economy's largest group wielding the greatest spending power.

Many, hit by the global recession a decade ago, have not regained ground from those losses. The pandemic further chipped away at assets from the less affluent middle class and in this context we see that the need of protection is evident with insurance being by far the most researched financial service with **7% growth over the last two years**. Credit cards with a decline of 6% over the last two years and loans (+8%) follow (Figure 02).

James Campbell
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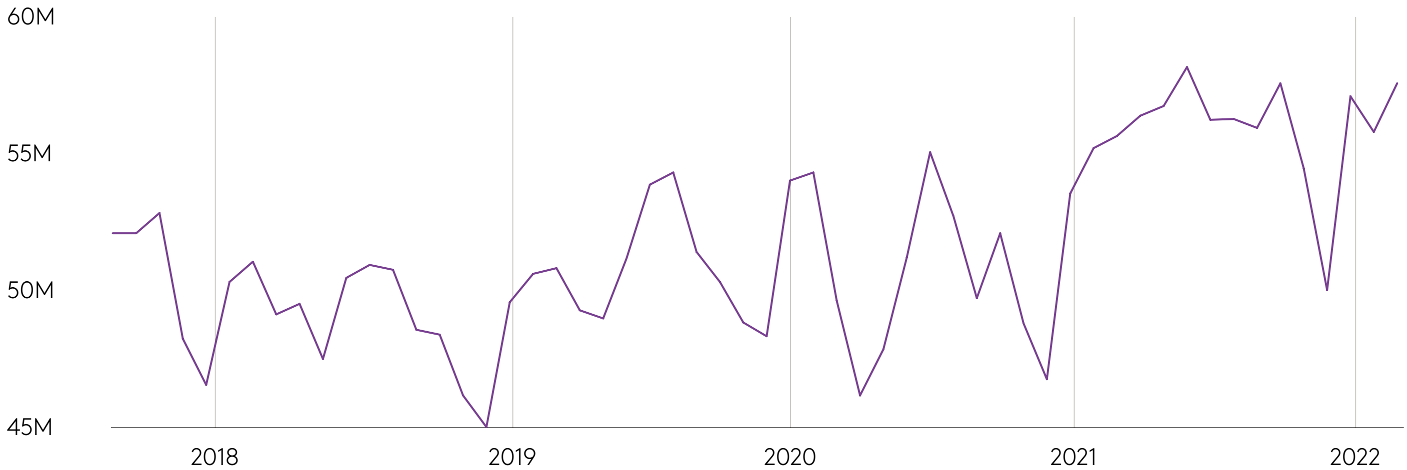
Kantar, US

Figure 02

INTEREST IN INSURANCE



Consumer spending rocky while household debt continues to rise

US consumer spending experienced declines throughout the early pandemic given the absence of restaurant and entertainment options or the need for new clothing given all the working from Zoom. Economic stimulus payments jumpstarted spending and kept trends relatively flat since May 2021. But just as public places fully reopened, gas prices slowed down demand for car travel and have taken a bite out of restaurant spending. So too, shortages of basic goods like formula, soda and cat food have consumers noticeably uneasy.

Think of how supply chain shortages lead to new cars selling for above their sticker prices and such a shortage of used cars that they often were priced at nearly what a new car would cost (if it were available).

Households initially managed this debt load because they spent less during Covid-19. **The total household debt in the US is now at a high of $15.6 trillion**. The increase in debt load in 2021 was the sharpest spike since the financial crisis of 2008-09. Now, with inflation on the rise, expect household debt levels to only increase.

In this context, we observe a growing interest in secured loans (Figure 03) for businesses (PPP) and property such as cars and mortgages. On the other hand, there is declining interest in short-term sources of financing such as cash credits, installments, and payday loans. The pandemic triggered a sharp decline in interest on credit cards (Figure 04) but despite high inflation, consumers seem to be ready to be spending again.

Figure 03

INTEREST IN SECURED LOANS

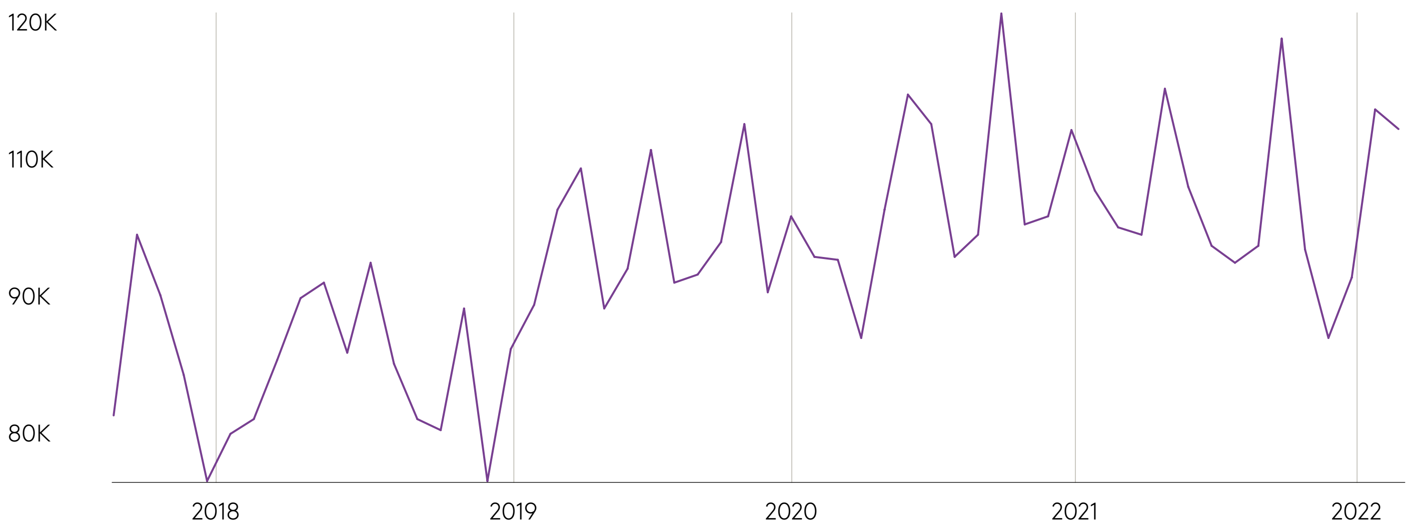


Figure 04

INTEREST IN CREDIT CARD

Wage growth remains stagnant

Wage growth has been lacklustre since the Great Recession, and the recovery contributed more to capital gains rather than wage growth. The full impact of the Covid-19 pandemic on long-term wage growth is not yet known, but early analysis by Payscale suggests that four to five years could be required for many workers to recover lost wages. Even if wages do rise, consumers may continue to be frustrated given the increased cost of groceries, oil and gas.

A housing shortage is met by rising interest rates

Millennials, initially reluctant to buy and heavy in college debt, have now entered their prime childbearing years and need suitable housing. Their sheer numbers, along with a lack of building to keep pace with population increases in urban areas, are leading to a US housing shortage.

The now chronic supply issue is compounded with the Fed raising interest rates above 5% for the first time in over a decade. Housing is not just scarce but likely much more expensive over the standard 30-year mortgage period.

Interest in mortgage loans reached a five year high in March 2020 and has remained generally higher than pre-pandemic levels since. Consumers are keen to understand what a mortgage means for their income (mortgage calculators) as well as understanding current rates. Rocket is a brand that has gained particular interest in this space; on their website, they offer help to increase consumer's 'mortgage IQ' with both a mortgage calculator and a home affordability tool. Interest has also risen for the 30 year mortgage rates, forbearance (stopping or reducing payments) and other brands such as AmeriSave, United Wholesale Mortgage and American Pacific.

Feeling the burn of alternative currencies

Global alternative currencies, in the form of cryptos like Bitcoin and Ethereum, have become increasingly popular over the last several years in the US. The Super Bowl, the US's ultimate product launch vehicle, was dubbed "The Crypto Bowl" for all of the celebrity driven pitches for alternative currencies. If Matt Damon, Reese Witherspoon, Tom Brady and Gwyneth Paltrow said it was a safe investment, it must be true! But late spring 2022 brought a massive crash of valuation that scared off some consumers and silenced the celebrities.

These markets have been defined by their volatility—the estimated total market value of cryptocurrencies was roughly **$740 billion in early 2018**, fell back to around **$100 billion in early 2019**, and sat at over **$2 trillion after an explosive 2021**. Renowned economist Robert Reich, among others, took to referring to crypto as just another Ponzi scheme in June of 2022.

In this larger context, what are US consumers focusing on? Bitcoin, Dogecoin and Ethereum are the top three crypto generating interest with Uniswap, Metaverse and Decentralized finance growing the fastest (albeit from a small base). In the context of the Metaverse, consumers are interested in the Nvidia stock, NFT, Oculus and Open Sea (Figure 05).

Figure 05

INTEREST IN ALTERNATIVE CURRENCIES RANKED BY VOLUME

1	Bitcoin	81%
2	Dogecoin	847%
3	Ethereum	537%
4	Non-Fungible Token	
5	Coinbase	377%
6	Cardano	725%
7	Coinmarketcup	114%
8	Binance	-69%
9	Metaverse	19603%
10	Blockchain	3%
11	Cryptocurrency wallet	333%
12	Tether	82%
13	Uniswap	150840%
14	Kraken	245%
15	Cryptocurrency exchange	144%
16	Security token	3%
17	Decentralized finance	956%
18	Binance coin	215%
19	eToro	724%
20	Celsius network	92%
21	Digital wallet	111%
22	Smart contract	125%
23	Decentralized application	87%
24	Social trading	464%
25	Altcoins	361%
26	Waves	56%
27	BitBay	-2%

Germany rundown

Heightened sense of risk and insecurity

Interest in previous macro trends such as the pandemic and climate crisis has faded in the German market, with interest related to Covid-19 peaking in March 2020. The curiosity in "climate crisis" has risen since 2019 culminating in October 2021. Despite a decrease in the number of individuals interested in the topic, the subject is still far more prevalent in people's minds than it was in 2019.

Over 25 million Germans were interested in "political conflicts" in March 2022, making it one of the country's major concerns. Curiosity related to the conflict between Russia and Ukraine has soared with over 25.5 million individuals interested in the topic as of March 1, 2022.

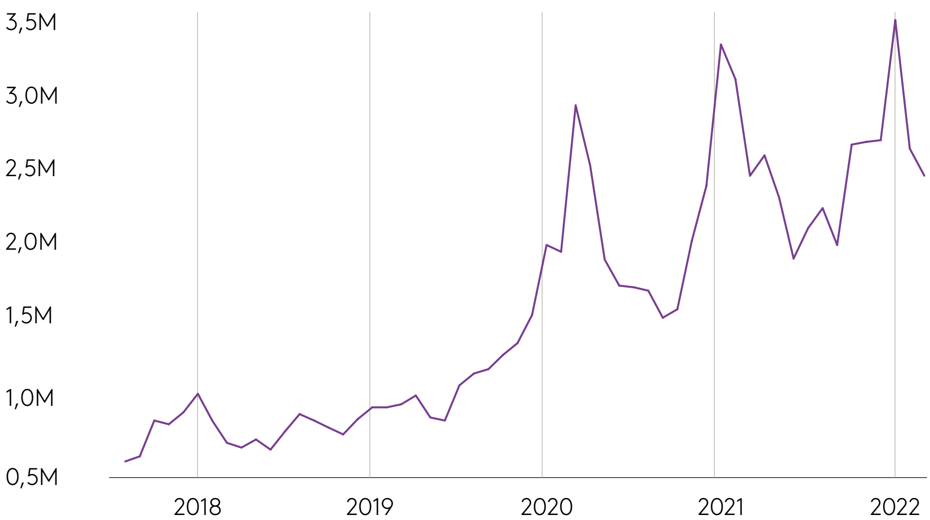
Another area that has been a primary driver of insecurity in 2022 is “Inflation” with over 1.5 million Germans interested in the topic as of March 1, 2022. Fuelled by high inflation, consumers are looking for ways to stabilise and improve their finances. The stock market is of appeal with ETFs becoming more popular. The moderate risk of ETFs seems to be acceptable for the typically risk-averse German consumers. They are interested in ETF recommendations and want to learn about purchasing platforms for these types of funds.

While personal financial consulting (F2F or face-to-face) remains critical for German consumers, online brokers are increasingly used for purchasing stocks. Consumer desire for convenience and 24/7 access to information during a pandemic pushed people to online counsel. On this topic, Germans have been showing interest in online brokers such as ING Diba, DKB, and Trade Republic.

Stephan Jaremenko
Director Business Development
Kantar, Germany

Figure 06

INTEREST IN EXCHANGE-TRADED FUND



The leap into crypto

Among younger consumers, the affinity for investments with risk has increased over the last year. Kantar data shows the rise in interest in alternative currencies such as Bitcoin, Ethereum and Cardano (Figure 07).

The introduction of ISO 20022, a global and open standard for payment messaging, may change the behaviour of concerned consumers. ISO 20022 creates a common language and model for payment data across the globe. While interest in this topic is still low, we observe significant growth from 2021 and we expect the momentum to continue (Figure 08).

Sustainability plays an increasingly important role in the financial purchase decision of German consumers, green funds (those that guarantee no child labour used in production or low power usage, for example), green pension funds, and green ETFs are driving consumers attention.. The potential demand for socially responsible investing has shown convincing growth from 2019 to 2022 (Figure 09).

Figure 07

INTEREST IN ALTERNATIVE CURRENCIES

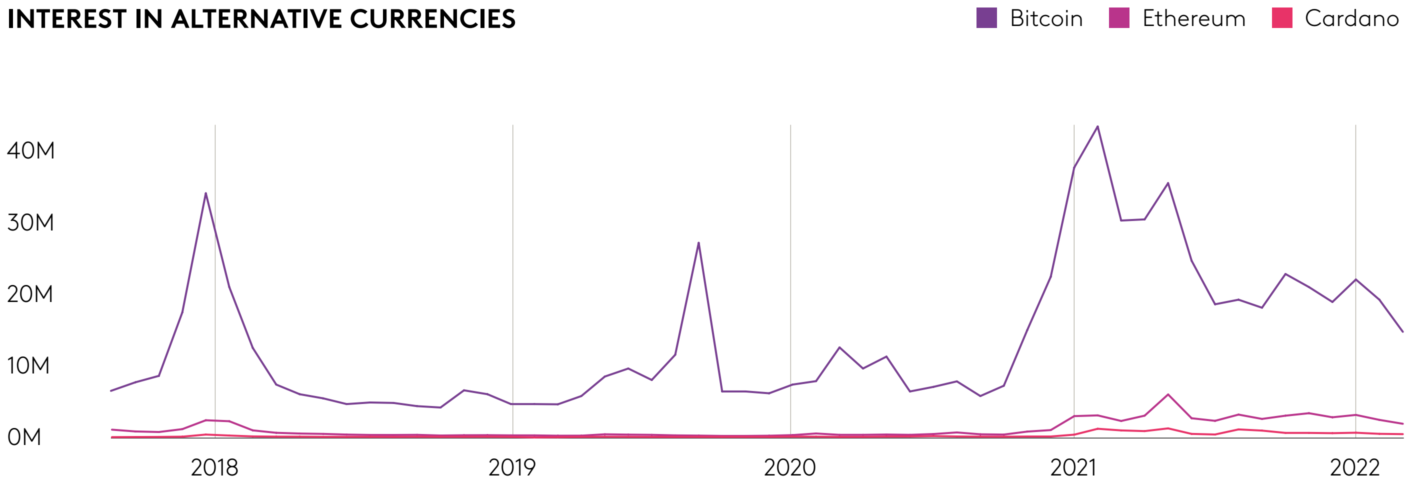


Figure 08

INTEREST IN ISO 20022

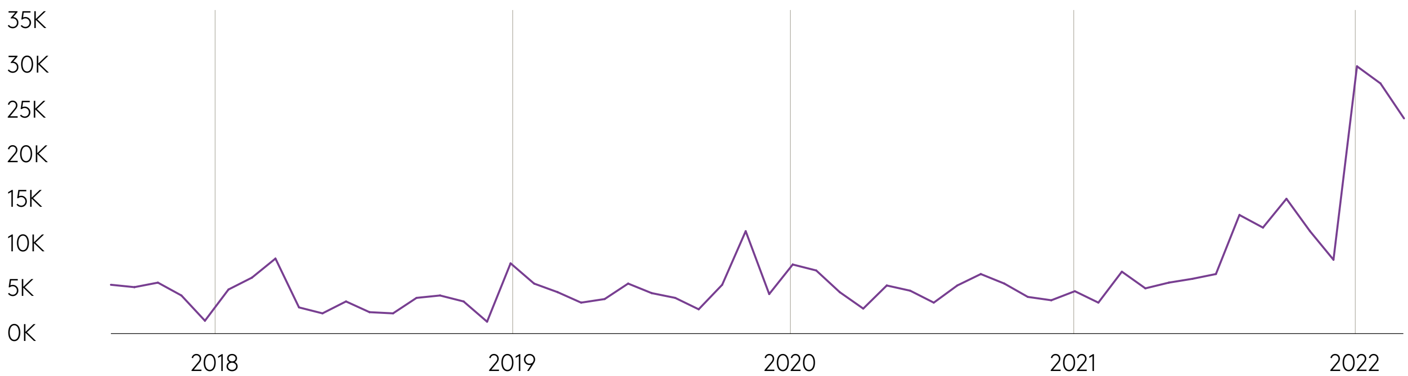
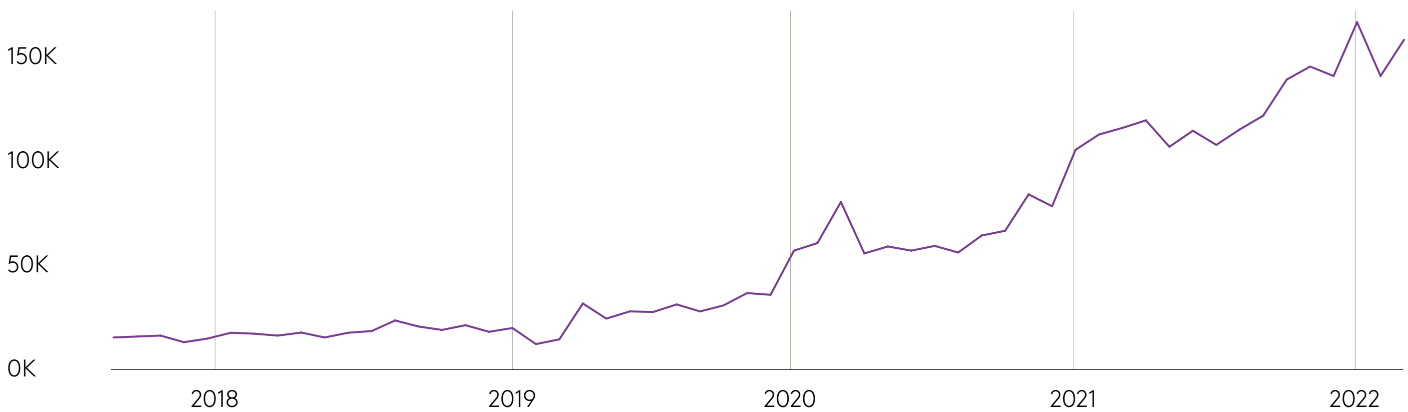


Figure 09

INTEREST IN SOCIALLY RESPONSIBLE INVESTING



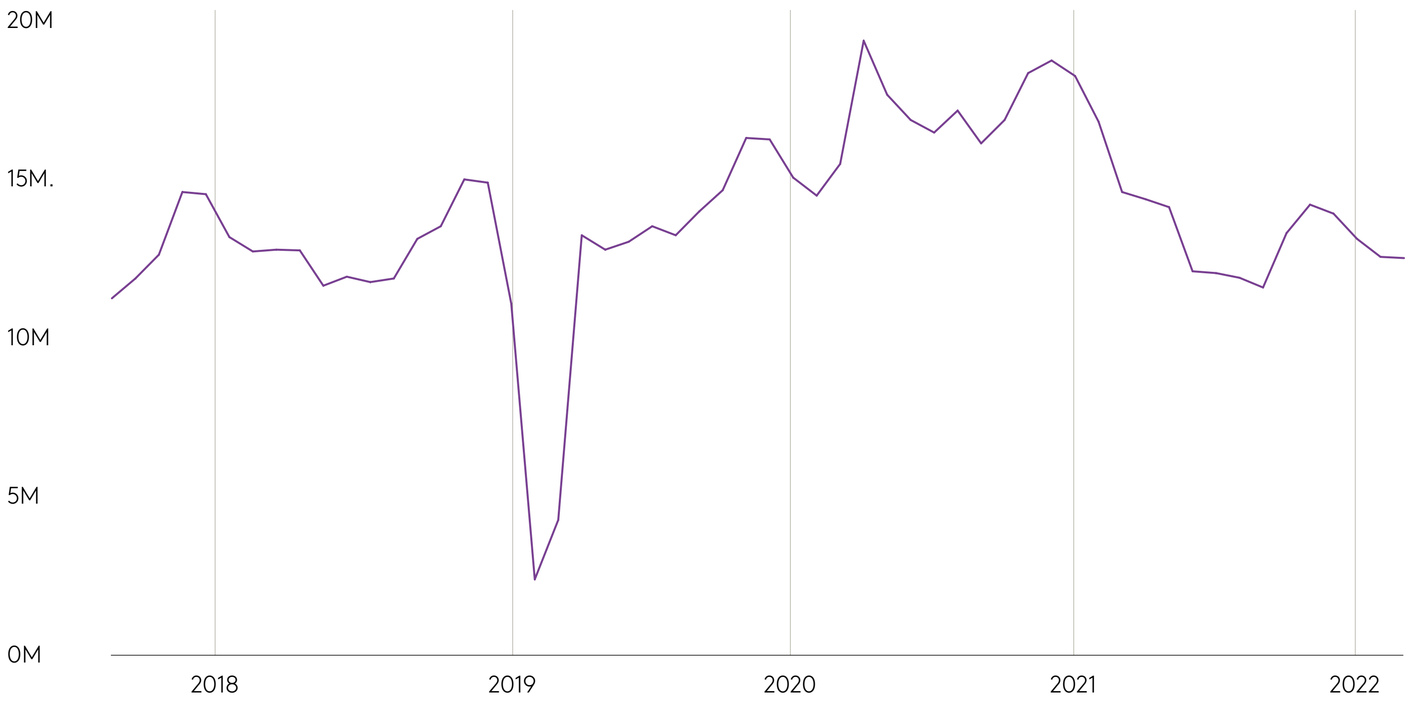
Known as a country that prefers cash, Germany is slowly moving beyond bills, with contactless payments growing ever more popular. Apple and Google Pay have fuelled the trend. Yet, the relatively low interest for "cashless payments" indicates they still have a way to go.

Within the ecommerce environment, PayPal remains the preferred internet payment method in Germany. PayPal's great level of flexibility (purchase now, pay 30 days later) may be a key factor in its success in the market. Customers expect app-based finance offers and PayPal provides this (Figure 10).

Other digital payment alternatives have become players in the German market. German consumers have become more open to using financial services from tech players and online banks such as Klarna: which appeals to consumers with an easy-to-use app and low interest rates (1.5%) that match Paypal's 30-day payment period. Klarna is the European tech unicorn that has experienced both widespread usage and volatility in the European markets.

Figure 10

INTEREST IN PAYPAL



Poland rundown

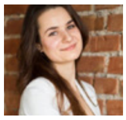
A country on the front lines

Poland, with its unique geography, has been on the frontlines of war throughout history. The war in Ukraine permeates how Poles think about finance. The biggest trend in terms of consumers' interest in Poland is that typically safe investment “real estate”. Interest in Real Estate itself is stable, with an increase in inquiries in the last two years of 4%. Consumers are mainly interested in websites collecting real estate sales announcements and properties in specific cities.

There is, however, an increased interest in foreign real estate, not only in highly-touristed countries such as Portugal or Spain but also in Germany. This interest rose dramatically at the beginning of 2022. For example, “Portugal property” rose 23% over the past two years and 266% from the beginning of 2022. “Spain property” rose 9% over the past two years and 232% from the beginning of 2022. Even interest in “real estate Germany” rose 0.3% over the past 2 years and 86% from January 2022. This may indicate the willingness of Poles to transfer some of their capital abroad and fears that Russia’s territorial ambitions lay further west than Ukraine.

The second largest trend is Bitcoin. This was a surprise because the Zoom Finance 2022 study conducted by Kantar showed that only 3% of all Poles invest in cryptocurrencies. But the percentage doubles in the 18-30-year-old age group. The number of actual cryptocurrency users in Poland is small, but interest in consumer demand for “Bitcoin” has grown 159% in the last two years, and related interests ("bitcoin rate", "bitcoin prices," “BTC USD") suggest that Poles who are already familiar with cryptocurrency are planning an investment or checking an existing one.

If you look at the increase in interest for trends in Poland, categories related to crypto-assets and technology are first. “UNISWAP” showed an exceptionally high growth rate (17,934% in two years). It is one of the most famous of the “decentralised exchanges”, or places where people can trade cryptocurrency without an intermediary. It appears in the context of centralised exchanges such as Binance or CoinMarketCup, cryptocurrency wallets and sites with cryptocurrency rates.



Magdalena Grzesik
Client Executive
Kantar, Poland

The third largest trend in Poland in terms of interest is "insurance" with a slight decline in the last two years (-4%). The inquiries include specific, widely known insurance products, such as "home" or "car insurance", as well as relatively new products, such as "photovoltaic insurance" or "home insurance in case of war". Due to the large number of consumers who engage in the category and the relatively conservative nature of the sector, it has great potential for innovation.

The next two fastest growing trends are the "NFT" or non-fungible token, with an increase of 7,567% in two years, and the "Metaverse", with an increase of 3,823% in two years. The terms are related: the Metaverse is an environment while NFT is an investment tool, such as art, that functions in this environment. Poles are just getting to know these phenomena, which is confirmed by interest for "Metaverse what it is"," Facebook Metaverse", "what is NFT" etc.

The Metaverse has been much hyped and there is no telling yet how many of the related concepts will thrive and survive, but it may be the next stage in technology development that enables the creation and exchange of value by informed people rather than institutions. This is typically referred to as "Web3."

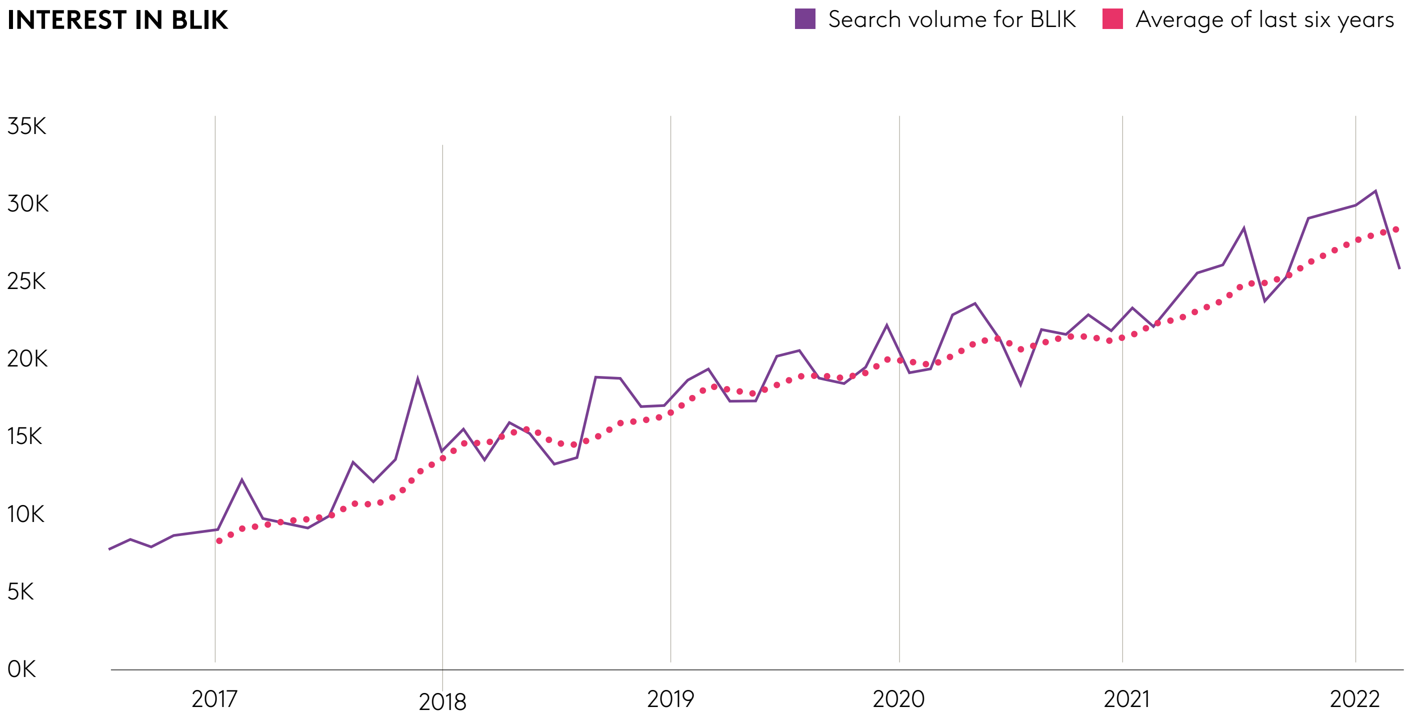
According to Kamil Gancarz, financial influencer, "The metaverse is like we colonised Mars or we discovered America, Australia and Asia together. The virtual world is another layer of reality where consumption will take place." Some brands like ING have already invested in VR on the Roblox platform. ING has created a virtual city where the user could earn and save virtual money thanks to many games and challenges. In their "city", the user can also buy their first property.

These trends may seem futuristic, but a turn towards the user-created and owned economy is seen in other areas. The fragmentation of financial services is related. Instead of using the services of one bank, the client starts to manage his own finances and selects the service provider in a flexible way. Pay attention to innovative financial entities, such as BLIK (a Polish fintech that offers mobile payments), which has been growing steadily for years and is now part of the mainstream (Figure 11).

BLIK	**264K**
LAST TWO YEARS	**+42%**

Figure 11

INTEREST IN BLIK



United Kingdom rundown

A call to innovation for legacy brands

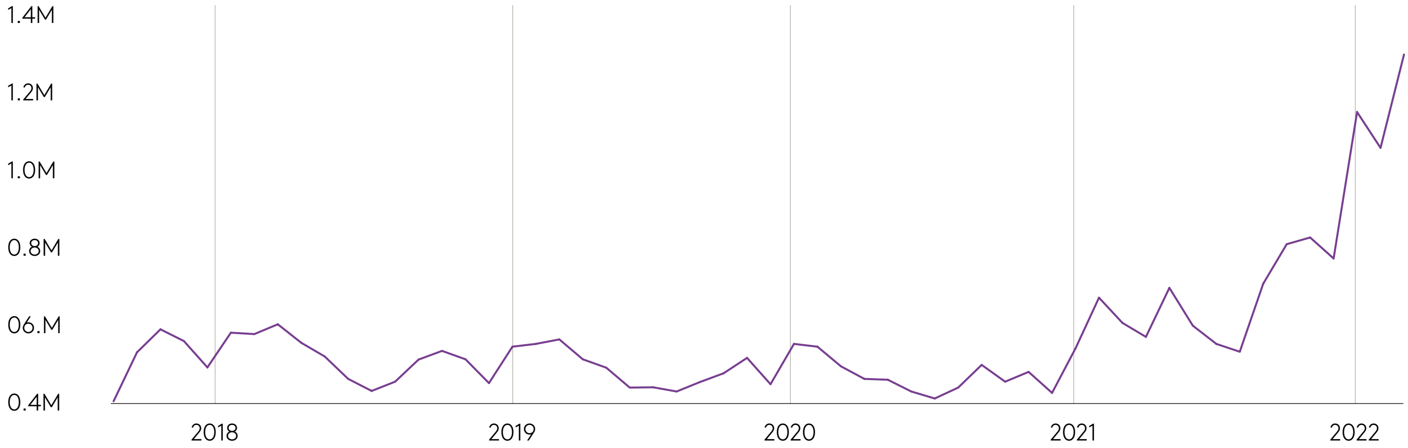
The UK is a traditional financial services hub that has been at the forefront of historic innovation in the category—from the world's first pre-printed cheque in 1717 to the automatic cash dispenser and more recently, the world's first fully functioning mobile banking app. Today, concepts related to decentralised banking and crypto are breaking into the mainstream consciousness.

Like the rest of the world, the level of uncertainty and disruption, in particular the 40-year high for inflation, is impacting money matters. The curiosity of UK consumers has increased for the topic. Interest rose by nearly 50% in the past three months, for areas such as "when will inflation go down", "how to beat inflation", and "why is inflation so high" (Figure 12).

Winnie Cheng
Senior Commercial Strategy Director
Kantar, UK

Figure 12

INTEREST IN THE TOPIC RELATED TO INFLATION



Another key driving force of change has been Coivd-19, accelerating digitisation in payment. The payment landscape saw significant shifts in the past few years, with even the Bank of England posing the question "Will Cash Die Out" back in 2019. Since then, interest has moved away from contactless payments (-24% long-term decline) to mobile payments (Apple Pay long-term growth 18%; Google Pay long-term growth 15%). Clearly ease and seamlessness with everyday life is gaining further traction.

After the spike seen during Coivd-19 lockdown, consumers' interest in Paypal declined to below the three million mark (with long-term decline of 10% in this search query). This could reflect better integration through merchant's websites and apps, but also a loss of share to other payment providers such as the European unicorn Klarna (Figure 13).

Long-term interest in "Klarna" has grown by 139%. Klarna is distinct in how they communicate brand partnerships and leverage that to create ongoing interest. Interest in Klarna is often coupled with specific brands, such as "Klarna Flannels" (1296% long-term growth for the payment platform paired with the fashion brand). Household purchases currently make up a large portion of the interest in Klarna, which likely reflects a shift in lifestyle with people spending more time at home or moving as a result of Coivd-19. Household goods like furniture and home electronics also are much bigger ticket items that might require consumers to pay overtime (Figure 14).

Figure 13

INTEREST IN PAYPAL

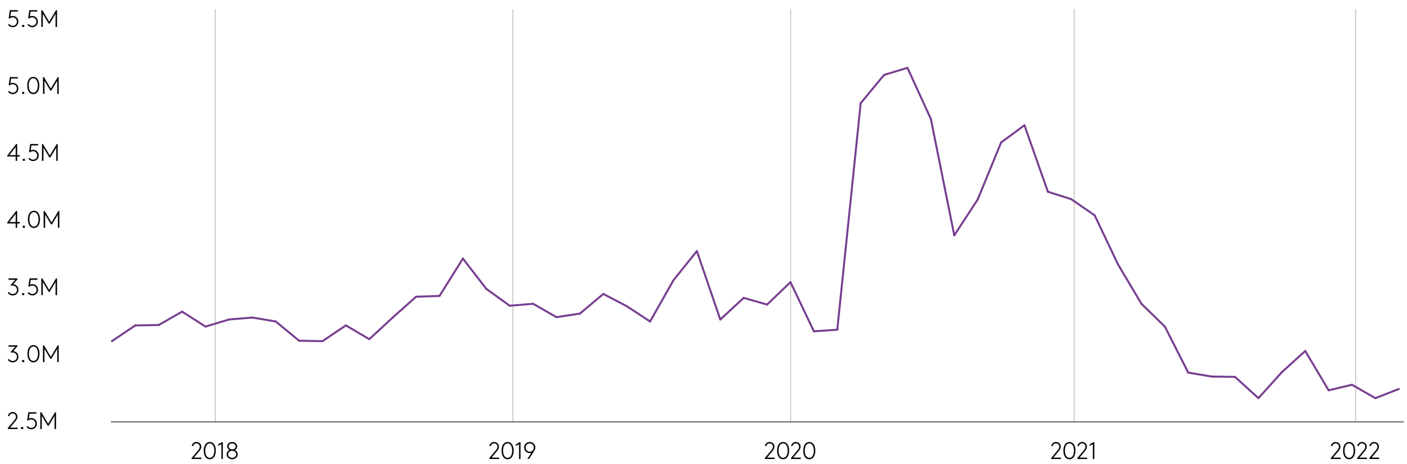


Figure 14

KLARNA'S AND HOUSEHOLD GOODS

Consumer's interest (search)	Long-term growth (2 years)
Garden furniture Klarna	9,182%
Beds on Klarna	1,587%
Klarna furniture	646%
Klarna TV	418%

Against the backdrop of stagflation, Klarna's recent announcement that it would report users' payments habits to credit agencies may impact the payment landscape further (Figure 15).

Figure 15

INTEREST IN KLARNA VS CREDIT CARD

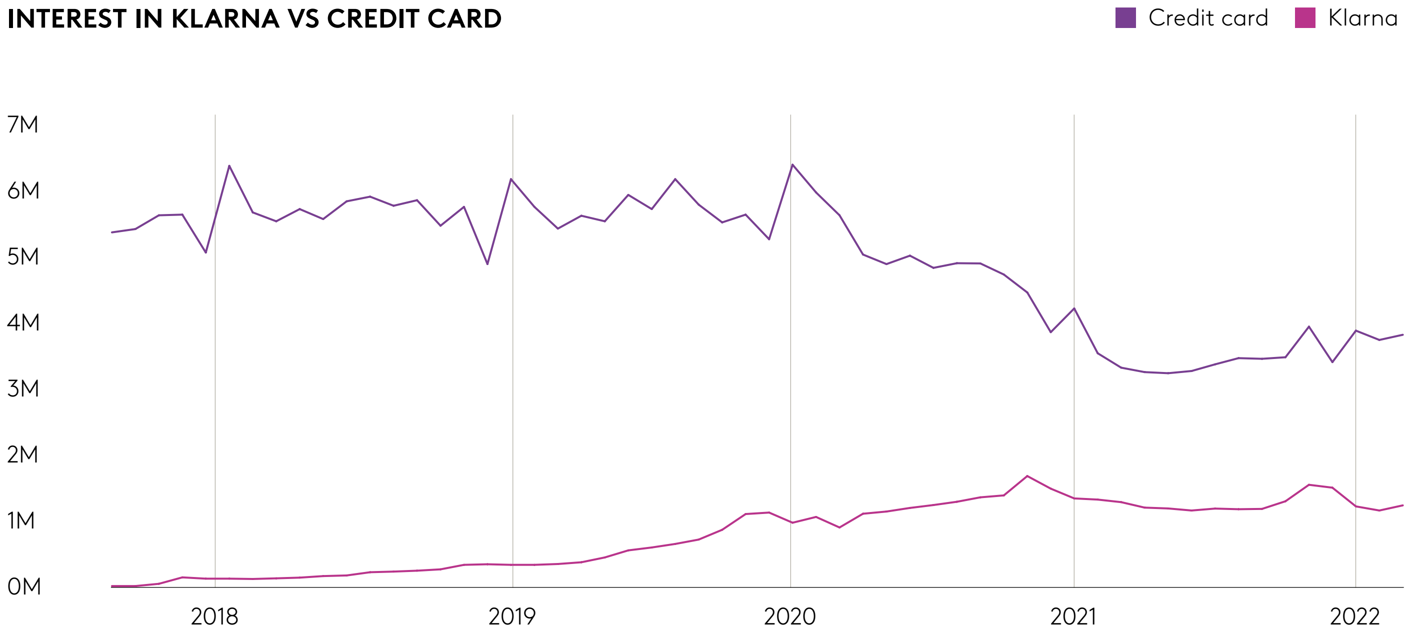
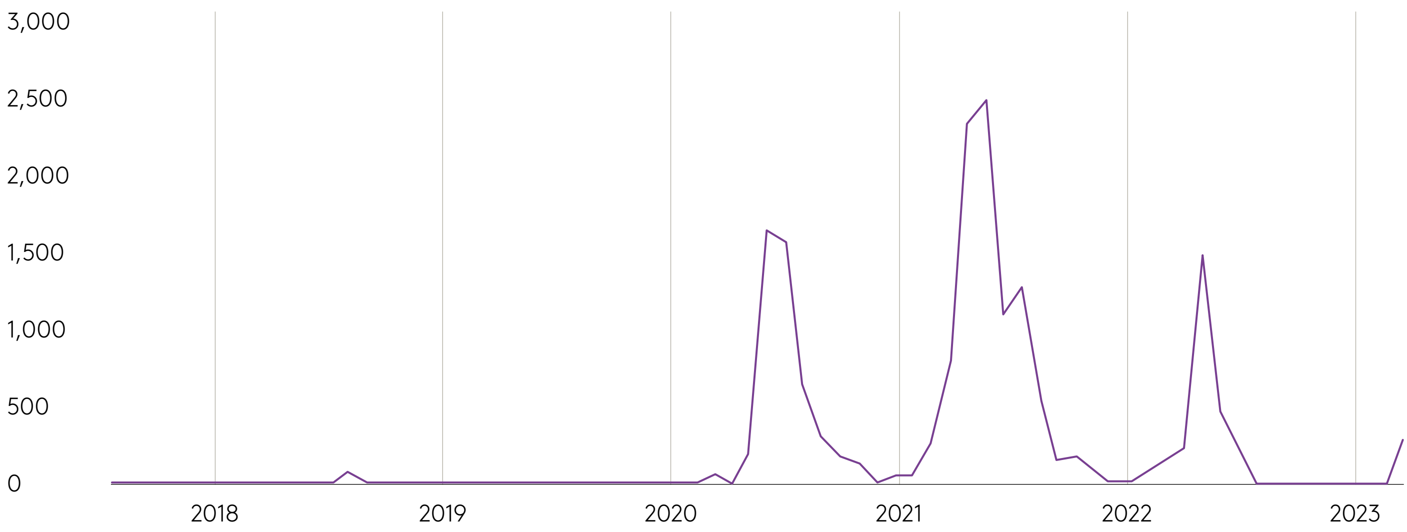


Figure 16

INTEREST IN GARDEN FURNITURE, KLARNA



Crypto and NFT-related topics are breaking into mainstream consciousness. Most people are trying to understand the topic (i.e., "what", "why", "meaning" queries) and there are now seven times more monthly searches compared to those looking to act (i.e., "how" and "where" queries). Demystifying it and making it more meaningful will help traditional providers enter the crypto space early. For example, JP Morgan was the first major bank to throw their hat in the ring and created a whitepaper outlining its ambitious initiative (Figure 17).

The "Metaverse" is taking over from crypto-related term interest, but it could after all be a conduit to better understand the world of crypto. Tradition brands with huge global followings are dabbling into virtual worlds (Manchester City football club announced it was building the world's first football stadium in the metaverse—307% short-term growth), providing an interesting opportunity for banking brands to rethink sponsorship and partnership opportunities (Figure 18).

Figure 17

INTEREST IN JP MORGAN METAVERSE

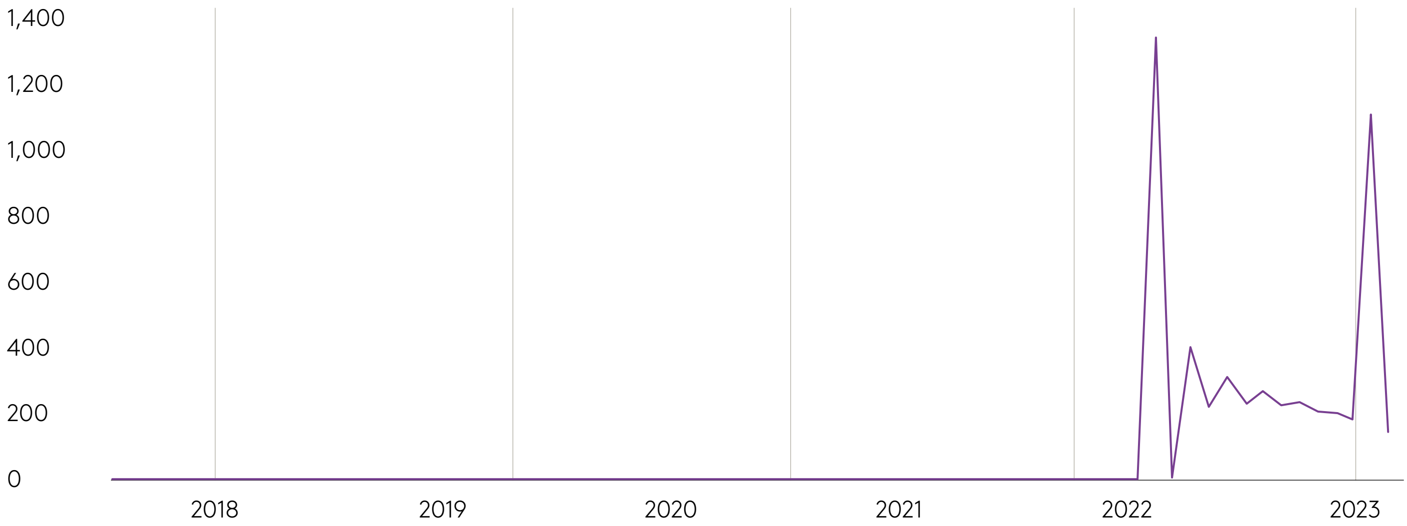
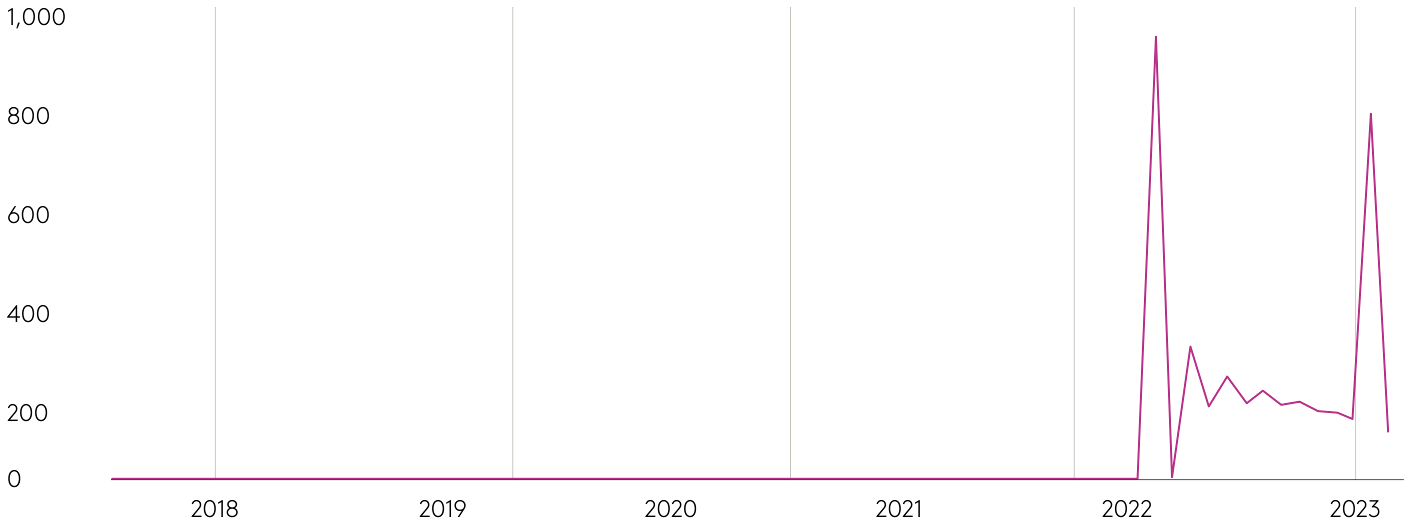


Figure 18

INTEREST IN MANCHESTER CITY FOOTBALL CLUB METAVERSE

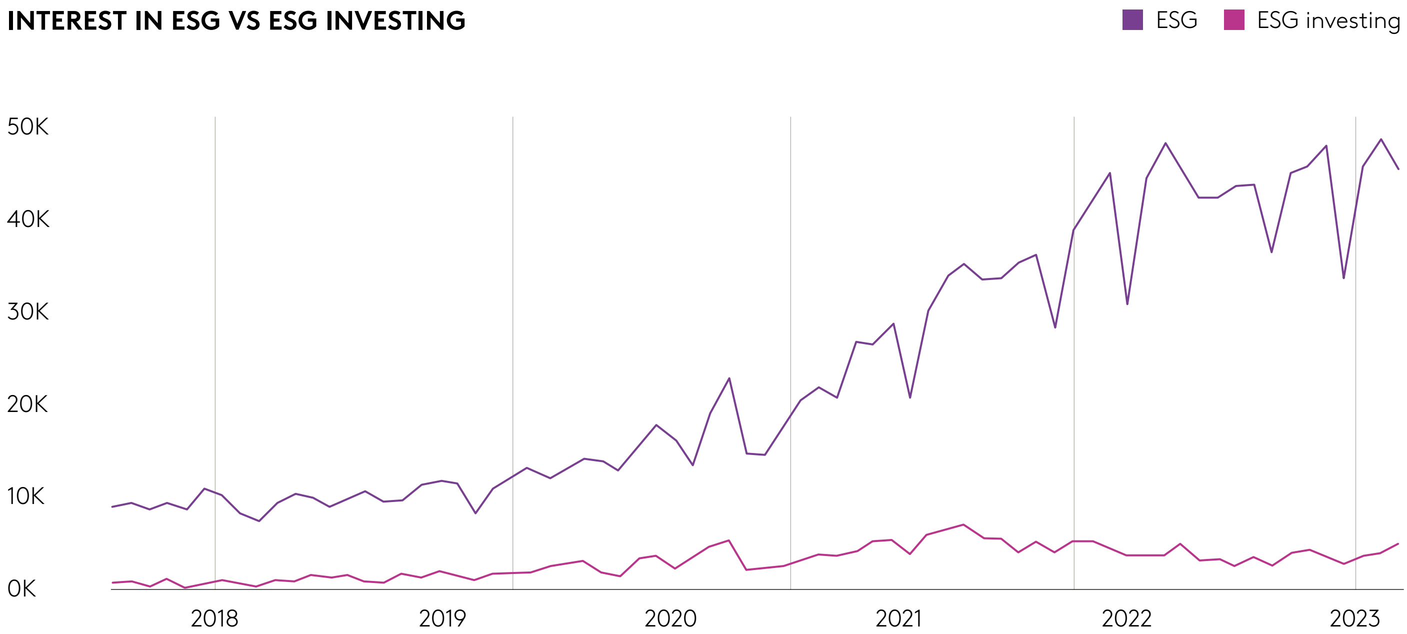


The UK is experiencing historic low savings interest rates which spur consumers to identify other ways to make their money go further. The types of investment products that traditional full-service institutions offer remain in the niche area for search (with low volume and negative growth). With that in mind, a new area of investment that is gaining traction is ESG investing. Traditional banks have decided to go greener, partly as a result of consumer pressure, and many banks have signed up to the COP 26 agreement regarding net zero carbon emissions. "Social" and "responsible" are keywords that make up 90% of the search volume on the topic (Figure 19).

With so much volatility in the UK economy and factors like stagflation driving consumer alarm, traditional banks need to find a way to bridge the gap between what they are offering vs what increasingly captures interest like long-term payment strategies and alternative currencies and be truly innovative to remain relevant.

Figure 19

INTEREST IN ESG VS ESG INVESTING



Türkiye rundown

Safe investments trend in a turbulent economy

The Turkish economy has been going through its most turbulent times in the last 20 years. Starting in October 2021, Türkiye's currency, the Lira, was hit with high depreciation. The Lira started to lose value sharply against foreign exchange rates. As of July 2022, the USD increased in value against the Turkish lira by 100%.

Inflation started to rise sharply last December increasing by 15% points to 36%, with a steady increase to 78.6% in July 2022. This is by far the highest inflation among OECD countries.

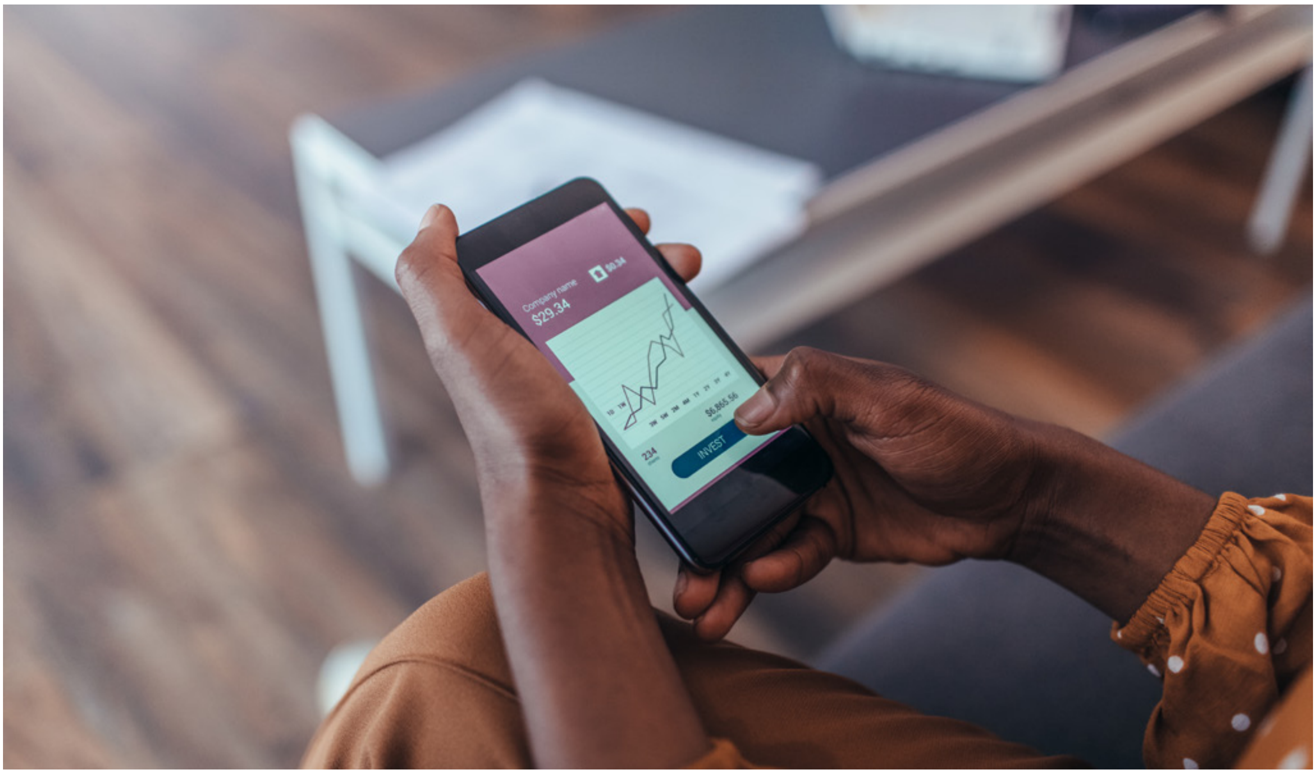
Türkiye's interest rate cuts fuelled the economic instability, and in conjunction with the Russian invasion of Ukraine, amplified the challenges facing the Turkish economy. There has been a steep rise in energy and food prices. Correspondingly, the consumer confidence index has steadily decreased by 18 points over the past 12 months, reaching its lowest point in the last 10 years.

Turkish consumers are clearly seeking ways to protect their money's value. As with Poland, similarly, suffering from the Ukraine war, Turks are going through a Bitcoin frenzy, seeing it as a viable cash alternative. "Bitcoin" dominates online interest regarding financial topics. As the Lira plunged in value, the potential demand for Bitcoin reached tremendous highs indicated by the increase in the number of searches.

Cryptocurrency's supposed protection against inflation has been one of the key drivers behind its popularity with the Turkish public. Weak Lira and inflationary pressures, along with the hopes of quick gains, have driven demand. The use of crypto has gone mainstream, used by everyone from taxi drivers to university students who save up small amounts to start investing through apps. It has also given rise to the "bitcoin rich", which real estate brokers call their new target clientele.

The Bitcoin move reveals that there is a growing appetite for new ways and places to invest. There is strong interest in Dogecoin, Thether, Binance, Cardano, and Coinbase, all with sharp increases in search volume.

Hande Beceren
Managing Director
Kantar, Türkiye



Following Bitcoin, "retirement" is the second area of highest attentiveness, and the main areas of interest on this topic are "monthly retirement wages", "pension calculations", "bonus given during Bayram festivities", and "earlier retirement possibilities".

The sixth highest-searched topic was real estate. Wary investors chose this tangible asset to protect against depreciation. As a result, real estate prices showed an **increase of 146%** on a yearly basis as of May 2022. Of the top 10 cities around the world where real estate prices showed the highest increases, three of them were from Türkiye.

Credit cards were the seventh most searched financial product. With the deterioration of the economy, credit cards became a means to afford highly inflated prices. First-time credit card ownership continues to grow as credit card debts hit a record high.

NFTs and Metaverse were also areas where interest spiked as of 2021. Who would guess in January 2022, Turkey would become the nationality buying the most OVRLand? The most popular areas of Istanbul like Beyoglu, Nisantasi, Bebek were very shortly sold out.

With the economic uncertainty continuing for the foreseeable future, Turks will continue to try find new ways to invest safely and protect their assets. Turkish consumers are clearly highly adaptable to new investment options, especially in areas when they saw quick gains were possible or when word of mouth was so strong that they didn't want to miss the opportunity.

The user at the gates

The possible future of finance

There is a lot going on in the financial services category with alternative currencies, online-only banks and so many payment systems driving consumers' interest.

Can you give us the background on this fragmentation?

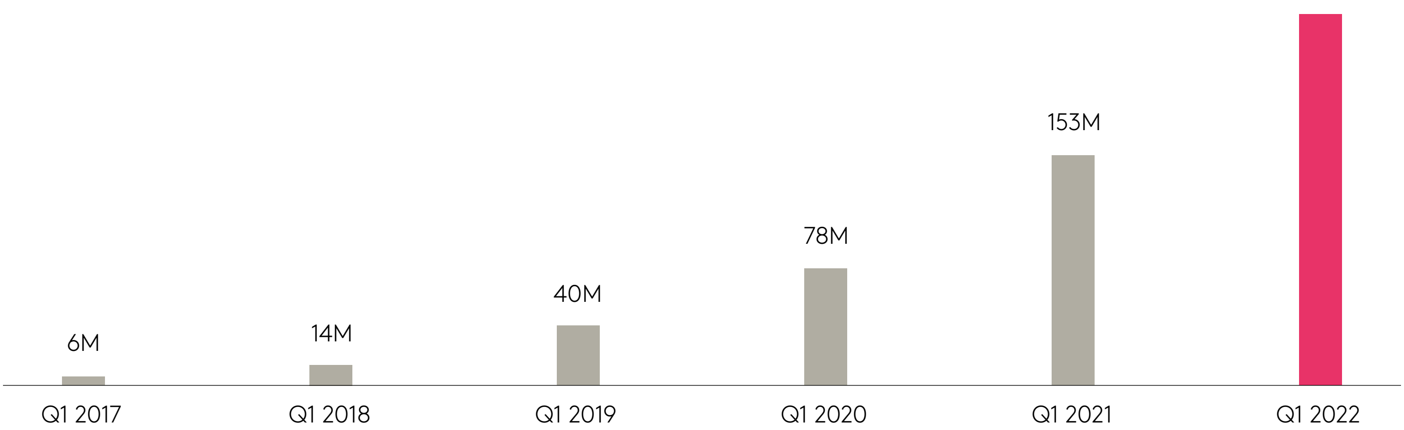
The financial category has been going through the process of digitisation decades before the pandemic, but with so many in-person activities on hold, the pace of consumer behavioural change leaped forward. In an environment with looser regulation and innovative technologies, more businesses began offering forms of financial services that used to be the purview of big financial institutions like banks.

One example is the Polish fintech BLIK, a flexible payment system that has five smart functionalities: immediate peer-to-peer payments via the consumer's mobile number, ATM withdrawals, e-commerce payments, POS payments via temporary code and contactless payments. **BLIK grew 62% in year-over-year transactions in Q1 2022 vs Q1 2021** (Figure 20). **BLIK is now the strongest brand** in the payment category in Poland with brand equity stronger than Visa and Mastercard (measured with Kantar Brand Power Index—MDF).

Robert Bajek
Business Development Director
Kantar, Poland

Figure 20

BLIK TRANSACTIONS DURING SIX YEARS



BLIK is a pure example of how technological innovation can dominate payment systems in the financial category (Figure 21).

What exactly is DeFi?

With all this fragmentation in the category, DeFi refers to the whole concept of decentralised finance which is in one sentence: a democratisation of financial services. It is a movement from a monopolistic, few-big banks-economy to a user-owned one. There is a blogger named Eshita who writes about the blockchain economy. She asserts that Web3 is the third stage in the progression of digital. Web1 was limited to publishing online with the user being able to read the content. This stage was characterized by little interaction between the recipients of the content and their creators, and the information flow was one dimensional creator --> receiver.

Web2 democratized this relation to some extent by giving an opportunity to regular users to become creators of the content on Facebook, YouTube, etc. However, in most of the cases, the content was owned by these big companies/third parties, and most of the power and profit were still in the hands of distributors, not creators.

Web3 refers to the next version of the architecture of the internet which is decentralized. For financial services, it means that it enables us to own, create and exchange the value and transfer it to others without the need of a third party using blockchain-based Apps (decentralised applications) equipped with smart contracts. An Important feature of this technology is that verification of transactions can be done by individuals, not companies. So, at the heart of the DeFi lies the idea of democratizing financial services by the transfer of power from institutions to citizens.

Figure 21

BLIK BRAND STRENGTH

"Decentralised finance" is a concept raising a lot of interest from 2020 (+588% within the last two years when you look at the number of searches associated with this topic (Figure 22 & 23).

Figure 22

COMPARISON OF COUNTRY LEVEL INTEREST FOR DECENTRALISED FINANCE

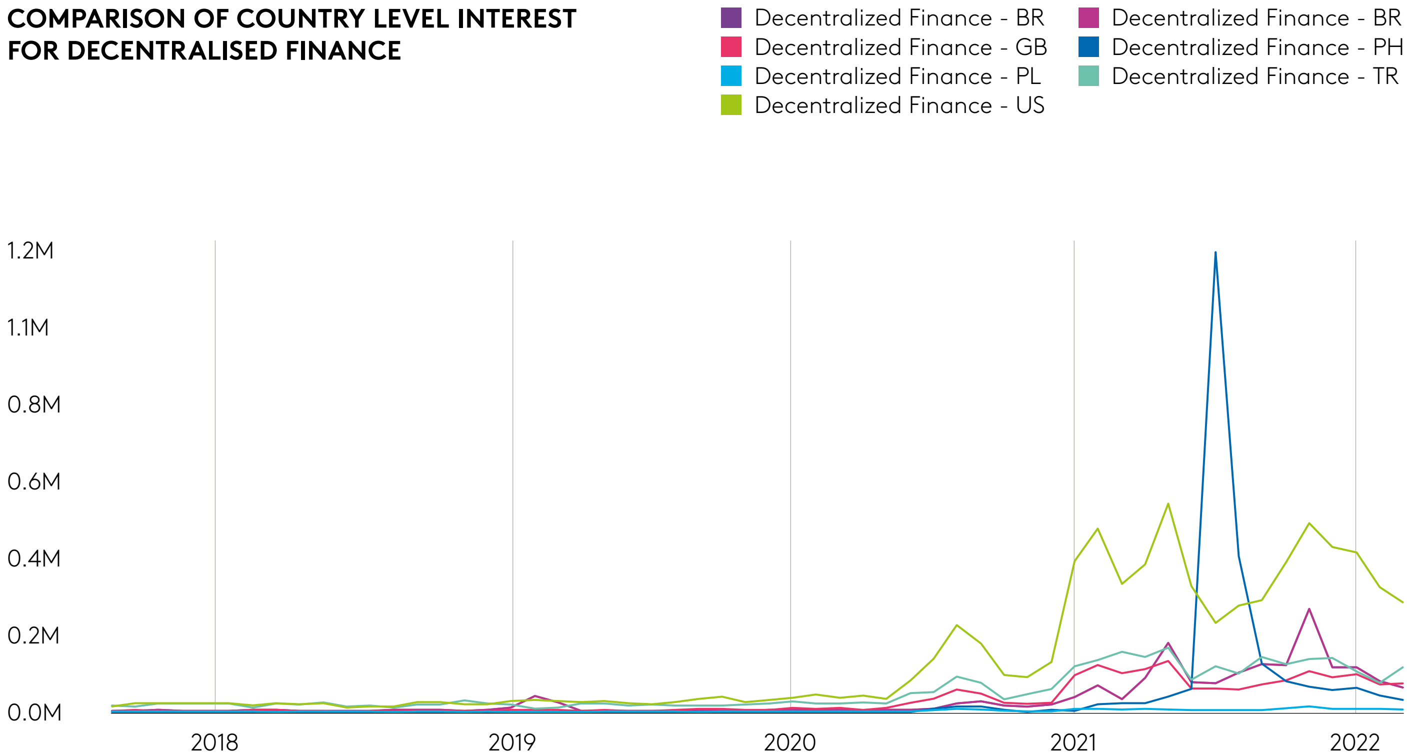


Figure 23

INTEREST IN DEFI

Topic	Long-term growth (24 months)	Consumer's interest (search)
Kraken	173%	968,638
Cryptocurrency exchange	132%	945,440
Decentralized finance	**588%**	**903,088**
Financial technology	4%	677,970

What are the challenges and benefits of DeFi?

DeFi may sound like a hot new technology, but persuading people to use it is not that simple. There is a learning curve just to understand the terms involved. The UX is still not as smooth as mobile banking and fintech apps. There is also a lack of trust among the general public as it is a new economic model.

In terms of the benefits, if you cut out the middleman or the bank, there is the promise of greater profits. It ostensibly gives the user freedom of choice over who they are working with and on what terms. Considering the current fiscal, military and inflationary crises, there is an unprecedented lack of trust in financial systems that may feed into the appeal of DeFi in the long run.

What are the factors underpinning this sea change?

There are four main factors that have led to the rise of DeFi:

1. Technology—Users/clients have technology that enables them to take more control over finances. These technological solutions are related to all the fintech solutions (PayPal, Revolut, Klarna, BLIK and other—from the centralised financial arena).

2. Technological competence—Users/clients have become competent enough to make use of technology to handle their individual finances.

3. Financial competence—Two generations of consumers have now grown up being able to trade stocks and invest purely with online financial platforms rather than #IRL brokers.

4. Individualism and freedom of choice—There are key emotional benefits driving this behavioural change. DeFi is an extraordinary tool for those who want freedom from typical banking procedures and have the personal belief that they are better stewards of their finances than any institution.

Won't the big banks fight DeFi tooth and nail?

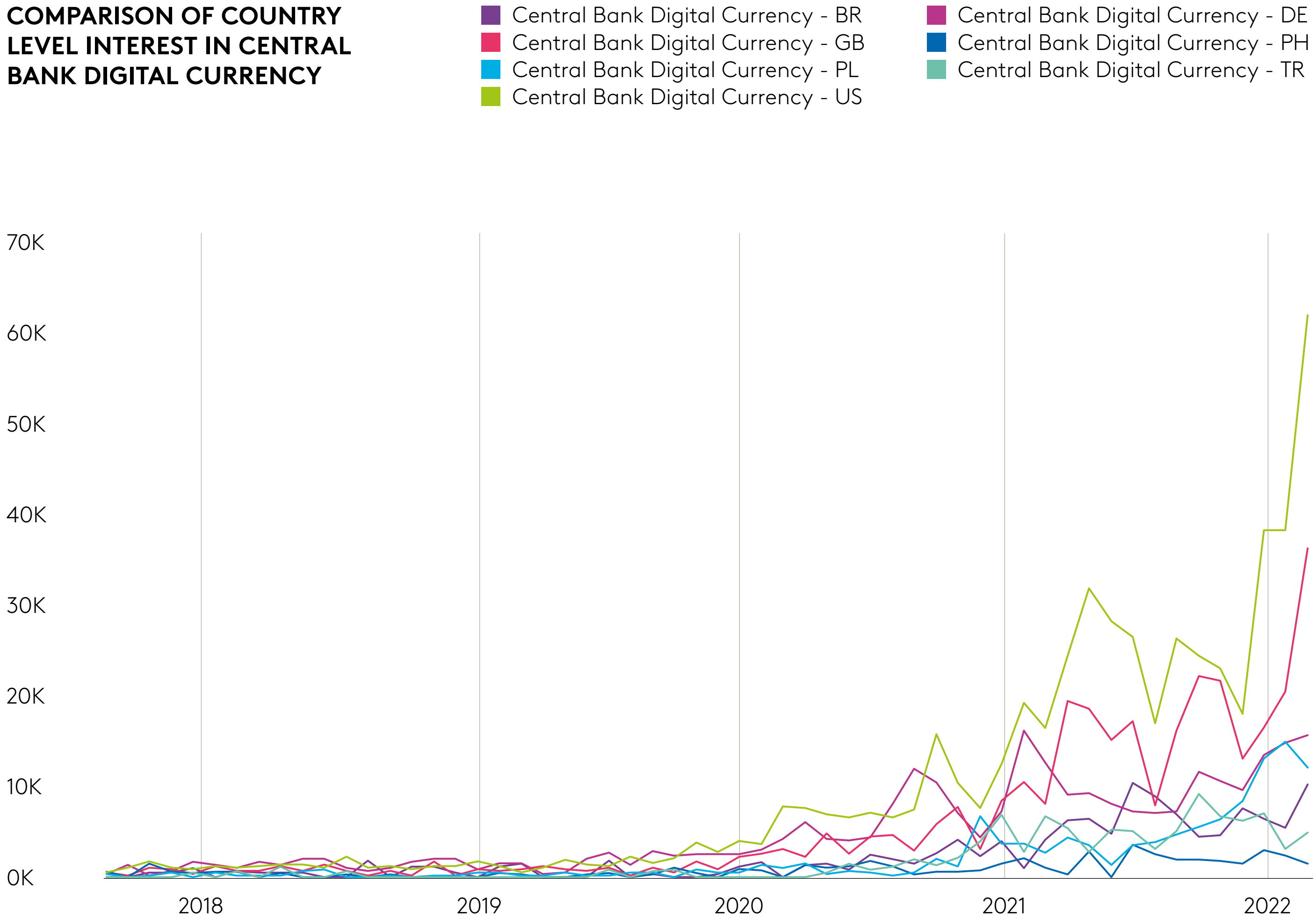
Central banks are developing their own plans to keep customers engaged and aggressively marketing to them. In parallel to the interest in DeFi, there is a rising appeal of "Central Banks Digital Currencies" regardless of the country. Users/clients/people are really interested in information about what CBDC is, how it relates to cryptocurrencies in general and to other cryptocurrencies.

China is one of the most advanced countries when it comes to working on its digital currency, the e-yuan. China has ambitions to make the yuan replace the USD in the global economy and become the most popular currency in the world.

But the story is not about the US vs China only. In fact, countries involved in the development of money account for over 90% of the world's GDP according to cbdctracker.org (Figure 24).

Figure 24

COMPARISON OF COUNTRY LEVEL INTEREST IN CENTRAL BANK DIGITAL CURRENCY



What are the key takeaways for real-world banks in this scenario?

Digital currencies (centralised or decentralised) are beyond an emerging trend and have taken their place alongside traditional currency. They will get an added bump when the ISO 20022 payment protocol replaces SWIFT in 2025. The category will then evolve very quickly. The big issues are around trust and whether money sources will be connected to institutions or individuals equipped with smart contracts. This environment is rife with opportunity and innovation. Banks need to be developing new products and services with a user/owner mindset. Their size and assets help them mitigate some of the risks while making their brands appear more innovative in the process.

The financial category currently resembles the heady days at the beginnings of the internet and the revolution of the economic systems it engendered. Just as we can hardly remember a time before ecommerce, we may soon not remember bank notes and in-person brokers. The metaverse and NFT should be seen as examples of this new economy of the user. He/she/they have at their disposal practically unlimited technological possibilities. Who wins? The people who are increasingly competent in using technology to meet financial needs and financially competent enough to take full responsibility for their decisions.

This type of user/client needs to be financially supported with tools and offers that adapt to their needs and lifestyle in a seamless way, so they can focus on enjoying what matters to them. Whether they choose centralised finance or DeFi, it does not matter, they just need freedom of choice. And when it comes to the technology behind finance, everything points to coexistence between the financial systems as we know them and those that are blockchain-based.

Conclusion

In finance, instability is breeding innovation

I hope you enjoyed our second edition in the *Finding the Future* report series, where we have looked at how global economic, political and social trends impact financial services companies. Consumers are facing up to inflation, war and declining spending power with a paradoxical approach. Some are becoming more risk averse and looking to real estate, while others, despite the huge instability, are looking to virtual worlds and decentralised finance.

Here are some of the pivotal trends that will impact the industry, from the incumbent giants to the smallest, most agile start-ups, over the coming months. Some of the forthcoming trends will likely surprise even seasoned participants within the industry.

Kantar data indicates that in 2022:

- The bar will be even higher on digital—and require banks to achieve a precise balance of modern and traditional banking experiences to stay competitive with consumer expectations.

- There is a pivotal, no-turning-back opportunity to shape the future of finance. Kantar's research reveals near-term fears and long-term opportunities. Now is the time to be bold.

- Financial services entities need to pay even closer attention to shifting consumer voices and their needs in order to stay true to their brands while increasing relevance with new and novel ways to delight customers. It is no longer enough to talk about ESG or crypto, they must participate and engage with consumers more meaningfully in this area.

- Companies must look outside traditional bottom-line metrics and develop strategies that serve both business and societal needs by putting purpose and trust at the top of their value chains.

These trends are always a continuum, and each brings new challenges and significant opportunities to shape banking in 2022. They will be felt differently by each country, marketplace, and consumer which demands nimble approaches. Kantar's insights help financial services institutions through comprehensive market intelligence and data grounded with in-depth analysis. Use us to discover emerging trends that will shape financial services companies, marketers, and strategies in 2022 and beyond.

We look forward to continuing the conversation.

Amy Cashman
Executive Managing Director
Kantar, UK & Ireland

Appendix

The magic formula: Big data, AI and analytics

Search and social data are great for exploring leading edge manifestations of change that inform our understanding of consumer trends and expressions. Why? Because when we apply meaningful analytics and AI to them, these big data sources offer real time, unfiltered, global, close to population level details on consumers' needs and desires.

In upcoming reports, we will talk about AI and analytics in more detail, but for now, let's talk about some of the basics.

The power of search as a demand signal

Because there is no one **looking over the user's shoulder**, search data is mostly unbiased. Anyone who has ever looked at clickstream data can attest to how unfiltered search queries are. With Google at 90+ percent penetration in most countries, it is almost population level data and as such representative. All those who use the web use search. Search is also linked to demand and a good bellwether for the services, products, and needs that people display. We have even seen a clear link between search and demand and now understand how it can predict disease spread, future investing trends, and voter preferences.

Limitations? It is harder to read consumers' emotional needs and link this to profiling (beyond age and gender) and it is less contextual than social (we do not always know why consumers have a specific need).

The power of social to contextualize jobs to be done

Social provides in-the-moment context about our attitudes, lifestyle, and needs. It helps us understand why, when, where and how consumers are solving specific problems or jobs to be done within a category. It provides the richness of answering questions like: Do they use a certain ingredient to detox or relax? Is it for them or someone else? Is it for morning or evening use?

Limitations? We can't get close to population-level data (which can make it harder to identify niche or disruptive trends) and the data has social desirability bias (consumers are unlikely to share socially unacceptable behaviours or thoughts).

David Hughes
Global Product Development
Dx Analytics
Kantar

Stella Wilson-Haffenden
Director of Product Development
Kantar

New developments in this space. Differentiating trends from fads.

This year, we are launching Emerging Trends, the first cross-category search prediction tool. Consumer brands can now apply AI and advanced analytics to search data to forecast potential demand across both categories and markets.

Kantar's Emerging Trends toolkit uses AI and advanced analytics to parse up to eighteen years of search data, thousands of categories from all major markets and billions of data points. This approach is machine led but human guided and based on Kantar's understanding of trend cycles.

We know that consumer preferences travel rapidly across the world from one market and category to the other. Beauty trends travel from Korea to the West, ingredients travel from food to beverages. Emerging Trends helps brands identify potential demand by assessing three stickiness factors: global market presence, multiple category presence and brand independence. The tool answers questions such as: what are the next potential growth markets? Which new ingredients will be relevant in my category? Which new flavour or format should I launch?

This is a completely new way to understand shifting consumer demand globally and across categories, with speed and at scale. Kantar's proprietary toolkit identifies, classifies and quantifies visually how candidate trends across thousands of categories, all languages and all markets perform. We also explore if candidate trends are likely to stick or fade so that we can ensure relevancy.

Emerging Trends will help consumer brands ensure their innovations and communications are relevant to tomorrow's consumer needs by identifying demand signals before they happen in their category or market. It offers a better understanding of when and where to invest. The toolkit is also able to highlight opportunity areas based on global market trends. For example, through our toolkit, we understand how market conditions, such as slowing beer consumption, can predict the success of seltzers.

Contact us

Discover what others cannot.
At speed, with scale.

We use big data (search and social), AI and analytics to allow you to predict and inspire growth by gaining insights from all markets, all languages, your own category and adjacent categories in less than a week.

For more more information or questions on this report, please visit kantar.com or contact:

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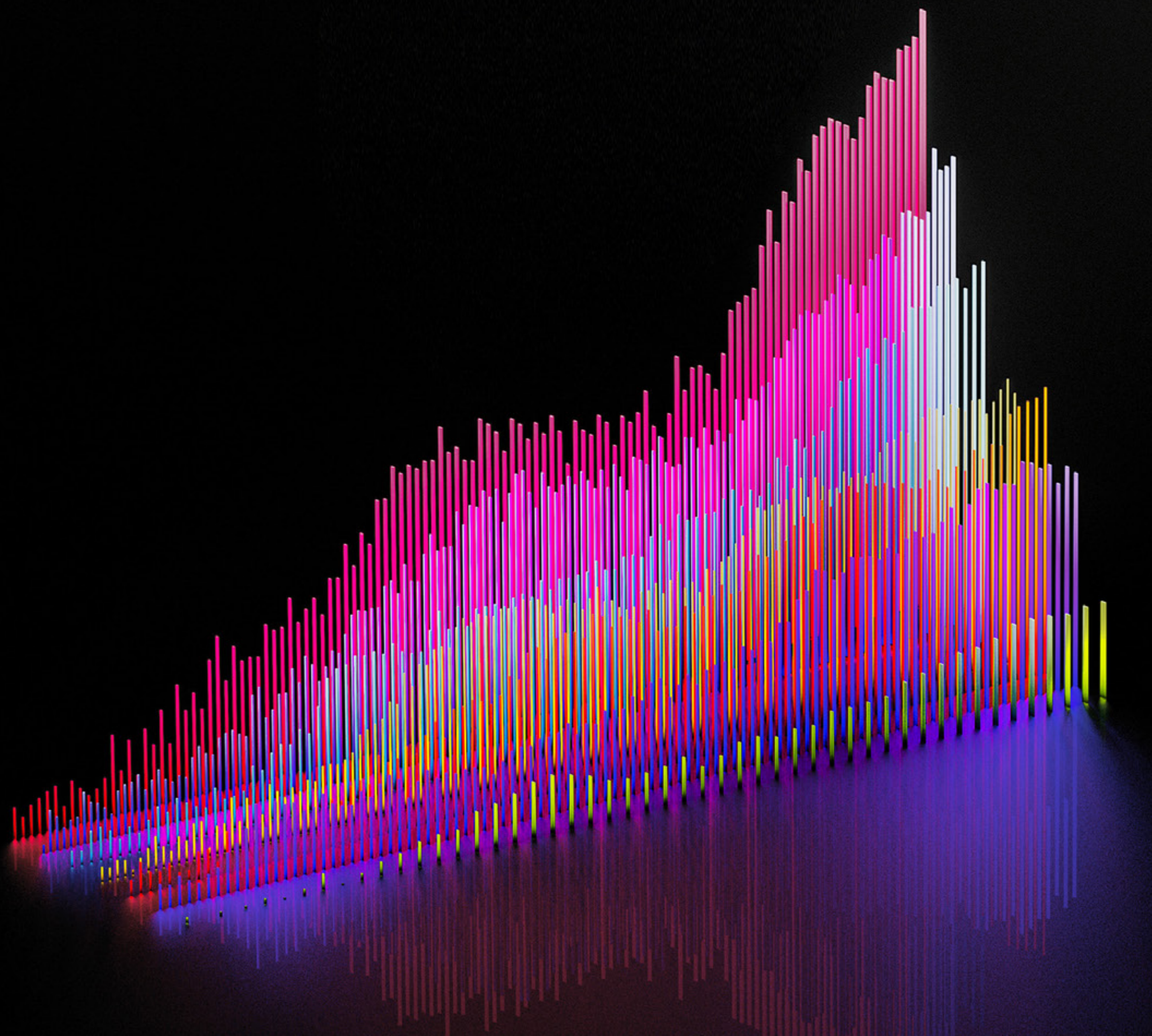

KANTAR

About Kantar
Kantar is the world's leading marketing data and analytics company. We have a complete, unique and rounded understanding of how people think, feel and act; globally and locally in over 90 markets. By combining the deep expertise of our people, our data resources and benchmarks and our innovative analytics and technology, we help our clients understand people and inspire growth.