

The Future of Consumer Vulnerability

January 2022

TRAJECTORY



Contents

Summary	3
Implications	4
Understanding Consumer Vulnerability	5
Changing Drivers of Vulnerability	7
Future Changes to Vulnerability	14
Conclusions	18

Summary

Drivers and impact of vulnerability

Personal conditions and capacity, household economics and market affordability are all factors that can cause consumer vulnerability – circumstances over half of the UK find themselves in at least one of, impacting their access to products and services across all categories.

Static historical trends

Over the last decade consumer vulnerability has been fairly static. Increases in vulnerability from poor health have been offset but by a fall in financial pressures being – largely relieved affordability rather than rising income.

Future pressures on vulnerability

However, a near and protracted increase in consumer vulnerability now looks inevitable:

- Poor health, particularly during ageing will continue to be rise through the remainder of the pandemic and the recovery
- A financially challenged NHS will struggle to provide the same level of support as historically
- Inflation (particularly energy), interest rate rises and tax increase will reverse the financial relief enjoyed by households with the financial resilience afforded by home ownership and cohabitation less common
- Socially, there may be less sympathy as attitudes harden

So while today's vulnerable consumer is older, digitally excluded, single, divorced or widowed, and struggling with ill health, tomorrow they are likely to be joined by younger consumers, increasingly concentrated in the north and midlands, and struggling with the cost of living with less financial resilience



Implications

With vulnerability affecting more than half of consumers, it is not just regulated industries that need to think about how they engage and protect vulnerable consumers.

Brands across all categories need to think about inclusivity and accessibility in their marketing and communications, their product design, and their customer service. The expected economic shocks to households during 2022 means organisations need to be immediately prioritising these plans.

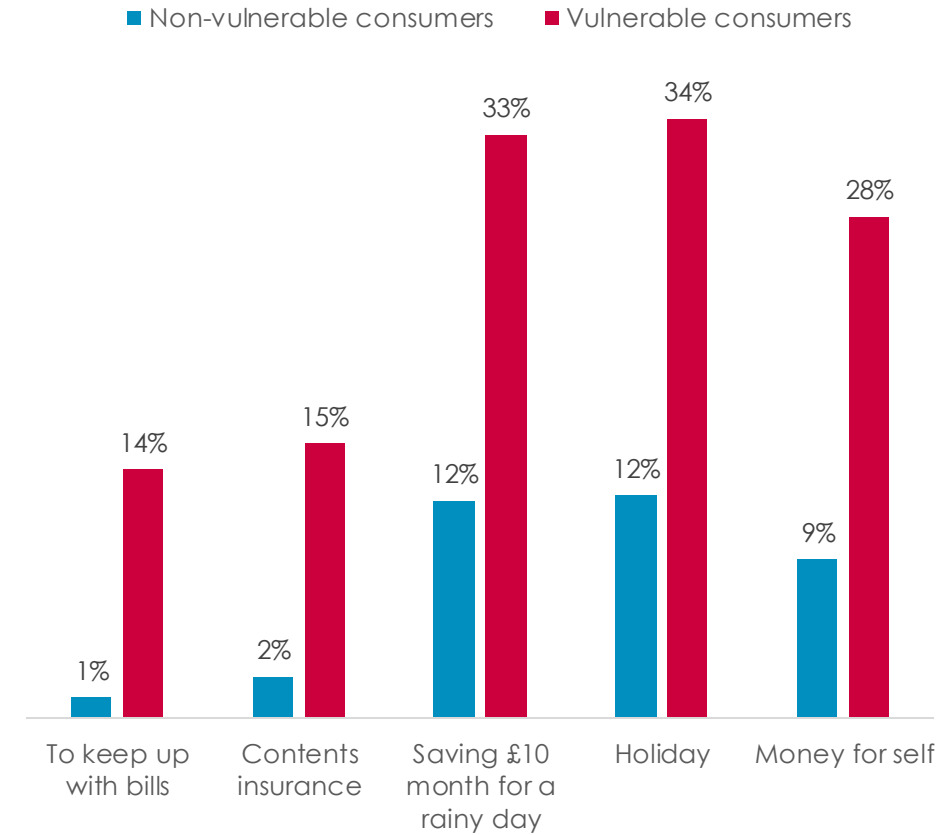
However, organisations need to remember **that vulnerability is more than just a financial issue.** While an unfortunate third of vulnerable consumers can't afford an annual holiday, by implication two thirds can, and it is not just their financial circumstances causing their vulnerability. Serving those with physical and mental health issues also needs to be thought through.

As longer term demographic changes disrupt the factors that used to bring protection from vulnerability such as marriage and home ownership, understanding how this changes the profile of vulnerable consumers and the specific challenges of particular subsectors of consumers will key to designing robust solutions.

In particular specific strategies will required for:

- Older consumers with less retirement savings, care costs, the stresses of later life divorce and bereavement as well as ailing health.
- Younger consumers more likely to be living alone in rented accommodation
- Rural consumers with physical and digital connectivity issues

Can't afford:



Source: Understanding Society 2020. Sample: 10,000 households UK

Understanding consumer vulnerability

[Understanding Society](#) is a longitudinal panel study comprising over 10,000 households. It is the largest longitudinal household panel study of its kind and provides vital evidence on life changes and stability and Trajectory have privileged access to the data.

There is no universally agreed definition of vulnerable consumers. The [EU](#) has one of the broadest:

“A consumer, who, as a result of socio-demographic characteristics, behavioural characteristics, personal situation, or market environment:

- Is at higher risk of experiencing negative outcomes in the market;*
- Has limited ability to maximise his/her well-being;*
- Has difficulty in obtaining or assimilating information;*
- Is less able to buy, choose or access suitable products; or*
- Is more susceptible to certain marketing practices.”*

The UK Citizen advice draws attention to the communications, energy, water and financial services sectors. And regulators of such industries acknowledge the role businesses have in causing vulnerability:

“A vulnerable consumer is someone who, due to their personal circumstances, is especially susceptible to detriment, particularly when a firm is not acting with appropriate levels of care.” ([FCA definition](#))



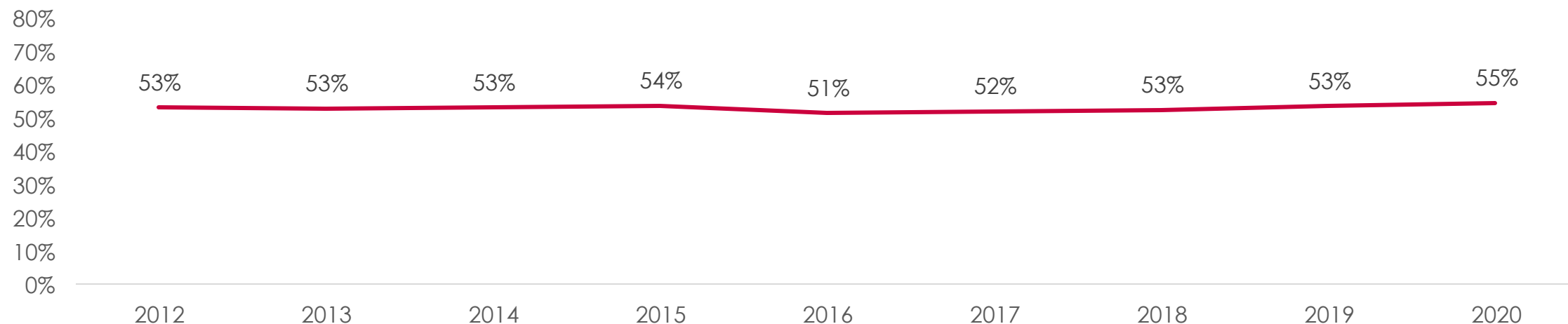
While there is no single definition of vulnerability most academics, consumer groups and regulators agree that the causes of vulnerability can fall into the categories of personal conditions (mental or physical), capacity (cognitive or digital difficulties), household economics and market affordability.

As such we identified and analysed key indicators of vulnerability across sections of society over the last ten years. We then constructed a single measure of vulnerability comprising the following headline findings:

- 8% are in poor health or claim disability benefits
- 26% have mental health issues
- 9% care for a sick, disabled or elderly person in their household
- 26% of households are in relative poverty
- 10% of households have had problems paying their rent, mortgage, heating or council tax

Over the last ten years, consistently more than half of UK consumers have found themselves in at least one of the above circumstances affecting their exposure, sensitivity or capacity to deal with problems.

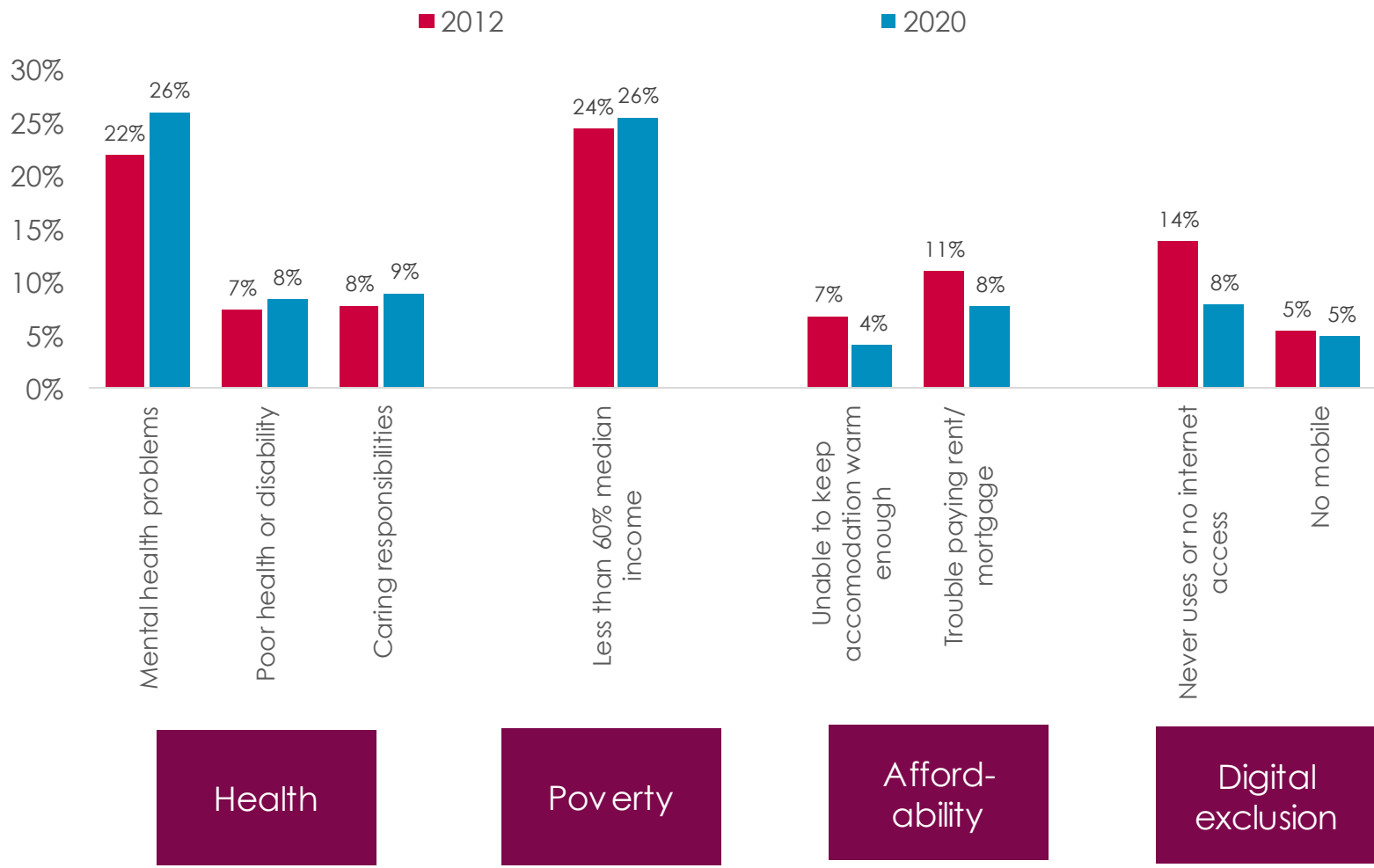
UK Consumer Vulnerability Index (% of population defined as vulnerable)



Source: Understanding Society 2020. Sample: 10,000 households UK



The changing drivers of vulnerability



While the overall levels of vulnerability have remained consistent over the last ten years, the prevalence of underlying issues have been changing.

Vulnerability through poor physical and mental health increased pointedly between the start and end of the decade. Measures that may have increased in part through better awareness and reporting of mental health issues.

However, over the same period this was offset by a fall in economic pressures.

There have been very little change in the number of households living below the relative poverty measure of less than 60% median income.

But despite no increase in financial means, capped energy prices and low interest rates have seen the number of households struggle to afford basic housing costs fall over the last ten years. Increased access to the internet in turn gave consumers better access to deals.

Source: Understanding Society 2020. Sample: 10,000 households UK



Poor health is likely to continue driving consumer vulnerability in 2022 and future

Those living with long term illnesses and disabilities pay out twice as much of their income on basic bills than average ([Understanding Society, 2020](#)).

In the short term the unintended consequences of lockdowns will negatively impact our health – at the most extreme end an excess in deaths in England from common breast, colorectal, oesophageal and lung cancers is expected to run into the thousands within five years ([European Journal of Cancer, 2021](#)), due to late presentation of symptoms.

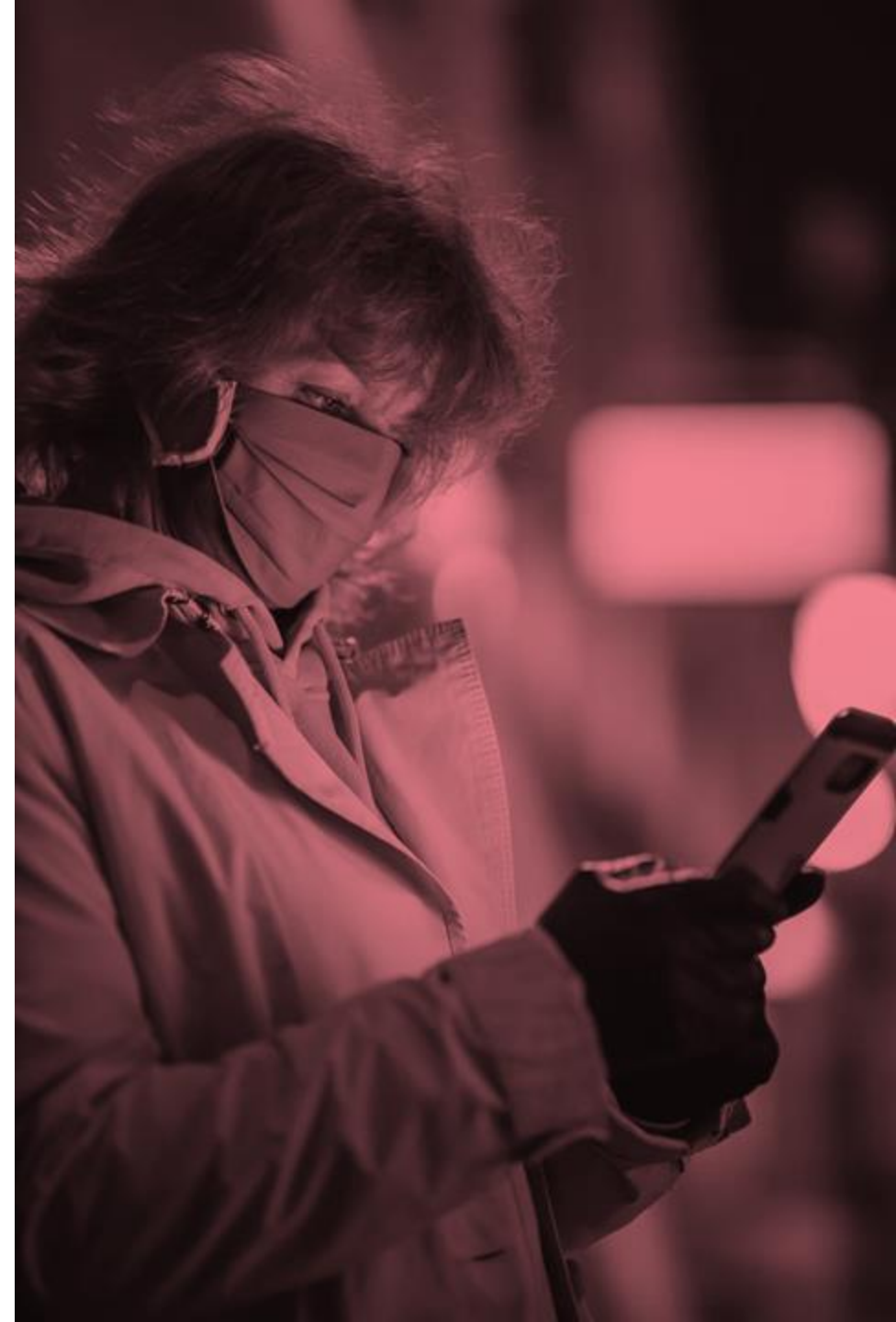
And lockdowns saw big increases of feelings of helplessness, particularly among those unemployed ([Mental Health Foundation, 2020](#)).

In the medium term the NHS's care backlog is now considerable and likely to take years to recover from. Even as the acute health threats of the pandemic recede, the legacy of Covid will be felt for several years. This is particularly relevant to discussions of vulnerability, because physical and mental health conditions are among the leading causes of vulnerability.

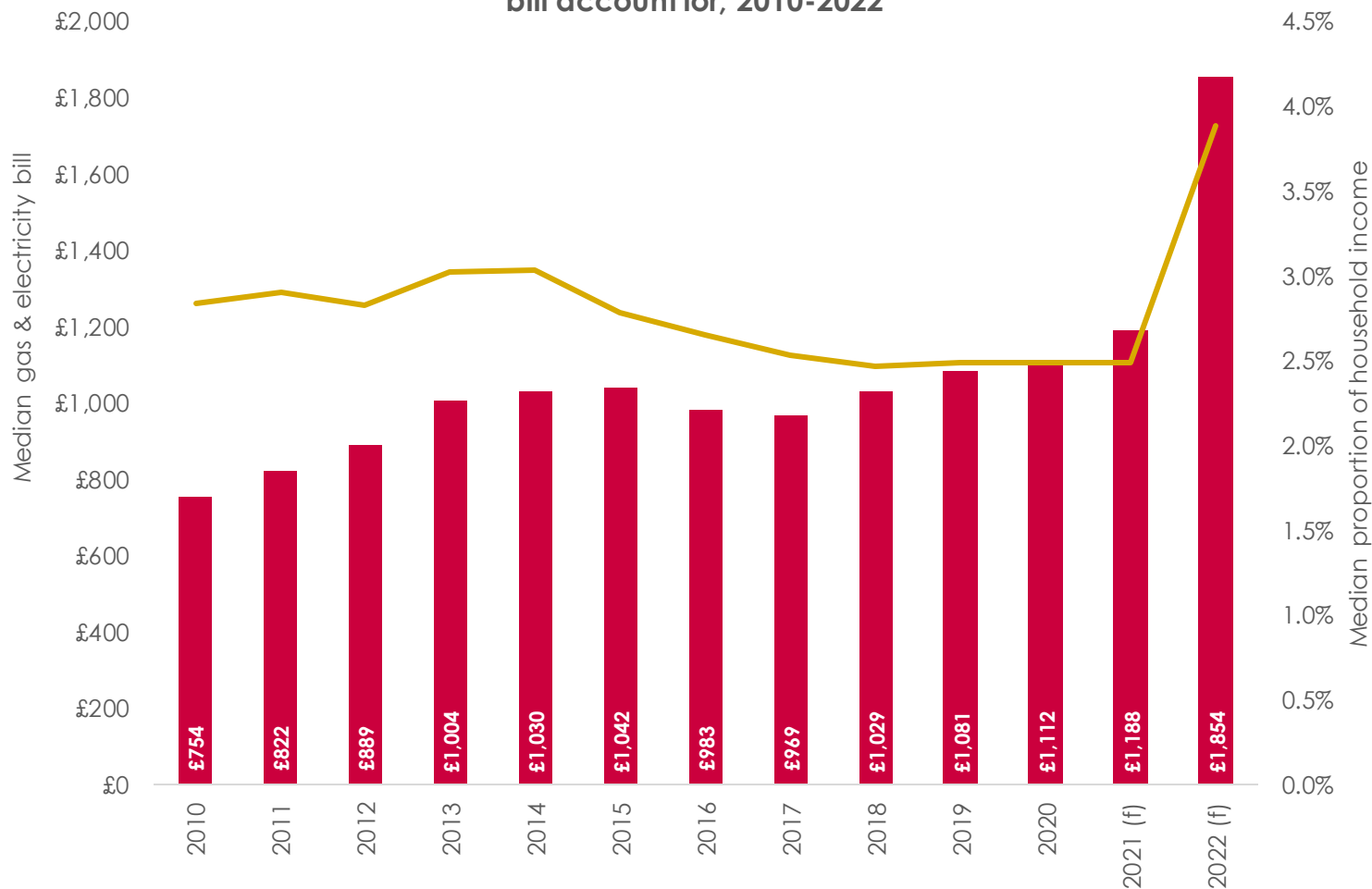
The NHS is set for a difficult decade. Already facing the impacts of an ageing workforce, rising comorbidities and chronic conditions in the population and the impact of reduced funding in the decade before the pandemic, public health will also be affected by the impacts of the pandemic. Delayed elective surgeries are seeing waiting lists spiral while NHS bodies are also reporting more advanced disease presentation as people stayed away from healthcare settings during the pandemic. There is also the mental health impact of lockdowns and social distancing.

For vulnerable people with health conditions this will mean a slower and potentially less receptive health service, with delays in their treatment and potentially reduced access to support.

In the even longer term macro trends in ageing pose a massive challenge for the future of health – three quarters of those over 85 have a long standing health condition ([Health Survey for England, 2018](#)), a demographic is set to double by 2040 ([ONS, 2020](#)).



Average energy bills (columns) and average % of household income energy bill account for, 2010-2022



Source: Understanding Society 2020. Sample: 10,000 households UK

Pressure on household finances will start to drive consumer vulnerability again

In the short term the energy price cap is about to come to abrupt end, NI is about to shot up for working people, and increasing interest rates have already made many mortgages more expensive.

Consumer approaches to achieving lower bills – such as shopping around or changing supplier – are likely to become increasingly ineffective for since many suppliers have gone bust and available fixed term deal are unlikely to be cheaper than capped tariffs.

So it will only be Government intervention that could mitigate the expected increases to consumers’ energy bills (which some analysts believe could be up to 50% - [FT, 2022](#)).

Beyond 2022, if global supply chain pressures on inflation don’t resolve then consumer purchase power is likely to fall further.

Failure to lift more households over the 60% of median income mark means there is little resilience in poorer households to deal with increases in their cost of living. Already 9% are behind on their bills, compared to 5% on average.



Economic challenges of 2022 are expected to be considerable

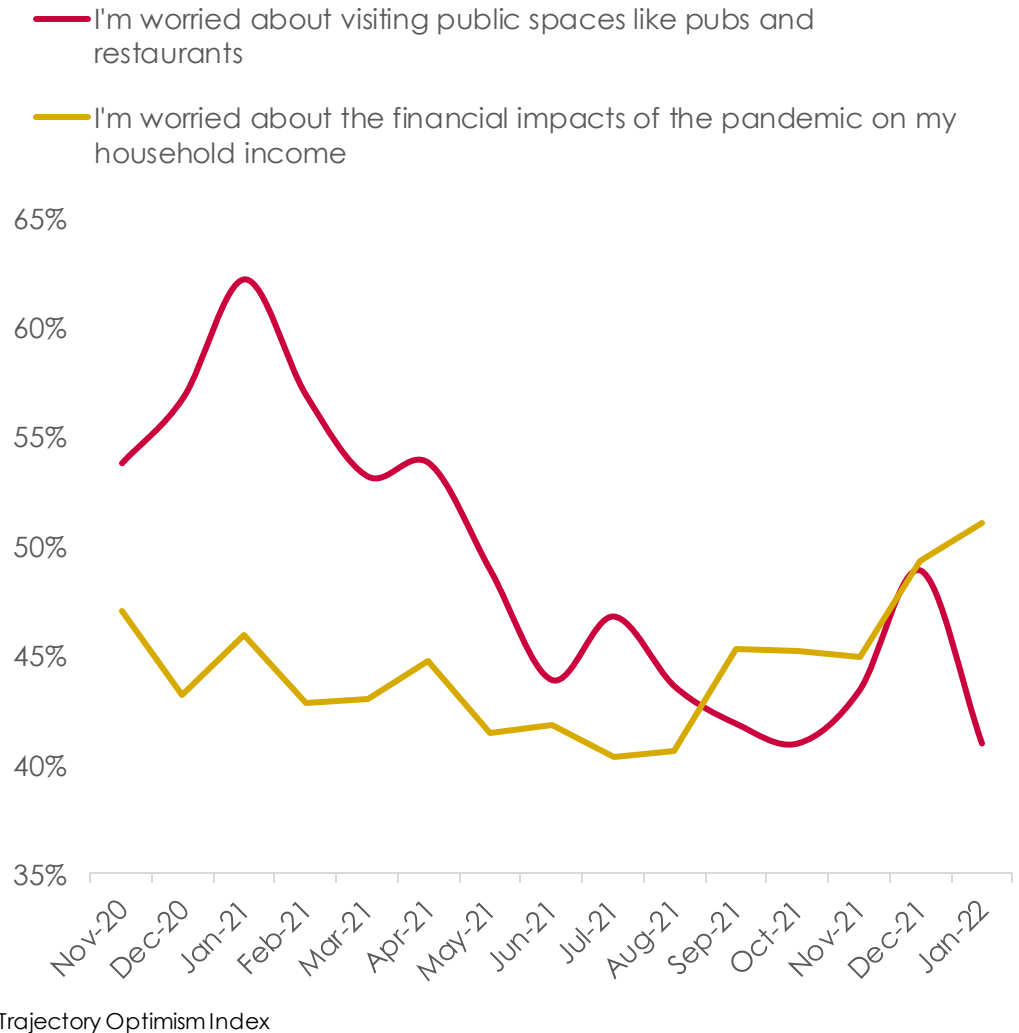
In late 2021 there was an important crossover in the outlook of the UK population: the proportion of people concerned about the financial impacts of the pandemic overtook the proportion concerned about the health impacts. This is not in itself surprising: the success of the vaccine rollout and gradual reopening of society throughout 2021 meant that even the arrival of a new variant, Omicron, did not destabilise this trend. But it also underlines the centrality of the economic conditions at present.

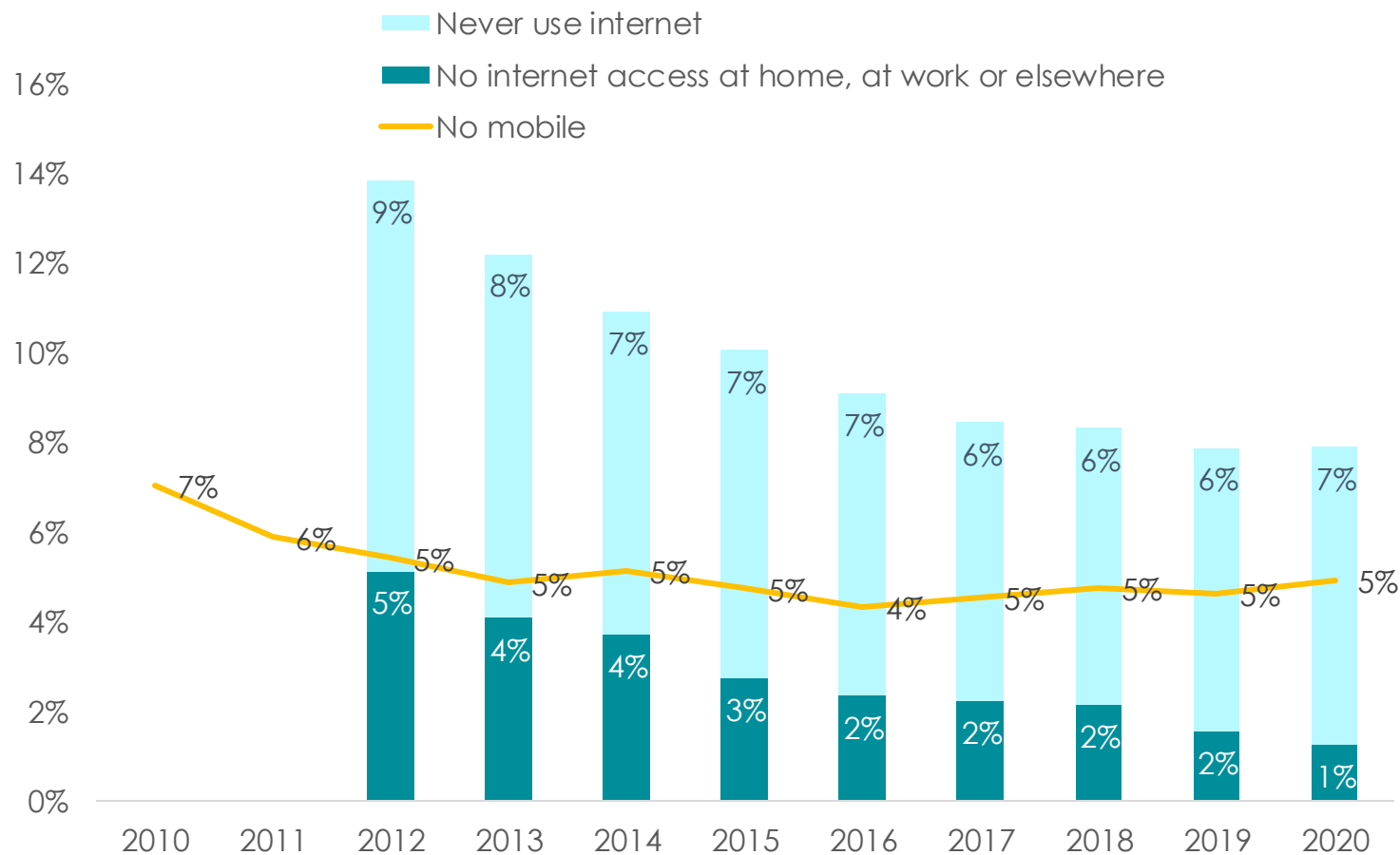
This focus is right. Although the economy is set to grow by 4.7% this year, and reach its 2019 size the most substantial impact is on the cost of living. Inflation is currently above 5% - its highest level for almost 30 years – and the Bank of England currently expects it to rise to 6% by the spring, before declining afterwards. Even that optimistic timeline presents challenges – the elevated costs that many will struggle will not reverse unless inflation turns to deflation. Meanwhile, rises in National Insurance contributions – the subject of debate but still planned for April – will raise tax bills for workers.

The extent of these economic challenges shouldn't be understated. Amid a growing focus on the rising cost of living there has been concern that the proportion of the population struggling to afford basic, essential items is growing. Food writer and poverty campaigner [Jack Monroe has won plaudits and driven change in how the ONS will measure inflation](#) in the future by pointing out that even a 5.2% rise in inflation doesn't adequately reflect the experiences of many with low incomes as supermarket's cheapest items are increasing in price by a much greater amount. It remains, as ever, expensive to be poor. This was underlined by Richard Walker, the Managing Director of Iceland, who when responding to the inflation figures and announcing that the chain's £1 value items would be frozen this year, said: '[we are starting to lose customers to food banks and, not to be dramatic, to hunger.](#)'

New variants permitting, 2022 will be the year that the UK transitions to the economic phase of the pandemic. Covid will not be the same threat to public health as in 2020 and 2021 but the economy will loom large. For people who are vulnerable due to financial reasons, this will be a year of immense challenge.

Total Agreement with each statement





Digital exclusion will persist

Being able to communicate via a telephone and increasingly through online methods has become essential for everyday life, and for wider social and economic participation.

Those over 65 without the internet are three times more likely to report finding bills and paperwork harder to administer than regular users.

One in twenty consumers still never use the internet – a number that has been persistent over the last five years despite actual access having continued to increase to near universal over the same period, as confidence and capacity of the final offline consumers takes longer to catch up. Affordability of equipment may be an issue for some of the most vulnerable. Equally some older consumers may just never want to go online and feel they live quite happily without the internet.

It is worth also bearing in mind that not all internet access is equal with speeds and network coverage often lagging in rural areas.

Source: Understanding Society 2020. Sample: 10,000 households UK

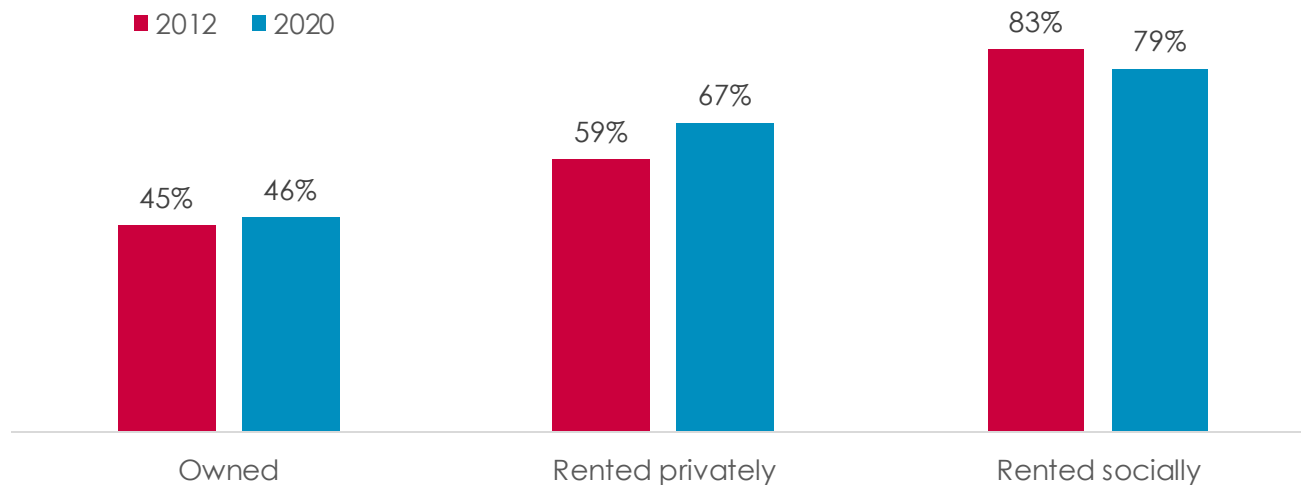
Changing household structures are likely to drive future increases in consumer vulnerability

Home ownership provides one of the biggest forms of consumer resilience, not least from the capacity to generate wealth and protect against vulnerability.

Correlations between home ownership and cash saving levels and other investments are strong. 75% of people renting in the social sector have no cash savings, compared to 29% of home owners. A great number of who have savings of more than £50k ([ONS, 2018](#))

Decreasing home ownership and later access to home ownership among younger generations, will compress the accumulation of wealth as put additional pressure on consumer vulnerability in years to come.

Consumer vulnerability, by housing tenure



Source: Understanding Society 2020. Sample: 10,000 households UK





Cohabitation is protective against consumer vulnerability

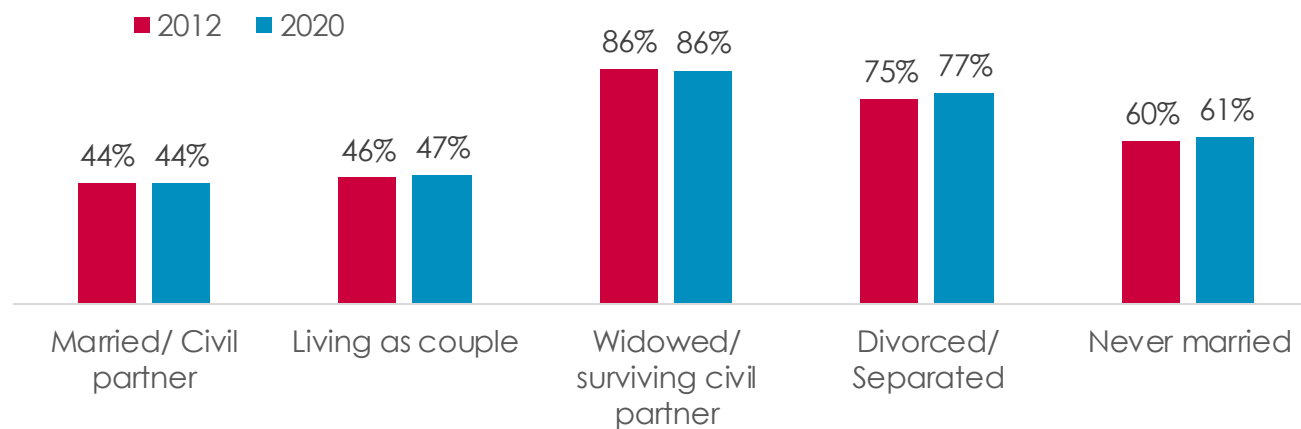
Single consumers are much more likely to be vulnerable compared to their married or cohabiting counterparts, as single person households are less resilient to financial shocks and have less access to informal care.

Compared to two adults with no children, an adult living alone will spend 20% more of their income on basic costs (rent or mortgage, utilities, food, furniture and clothes), making them much more sensitive to increasing in energy bills and interest rates.

The stresses of divorce and even more so the death of a spouse, increase vulnerability still further. The average cost associated with divorce legal fees and lifestyle changes is £15k ([Money Advice Service, 2020](#)).

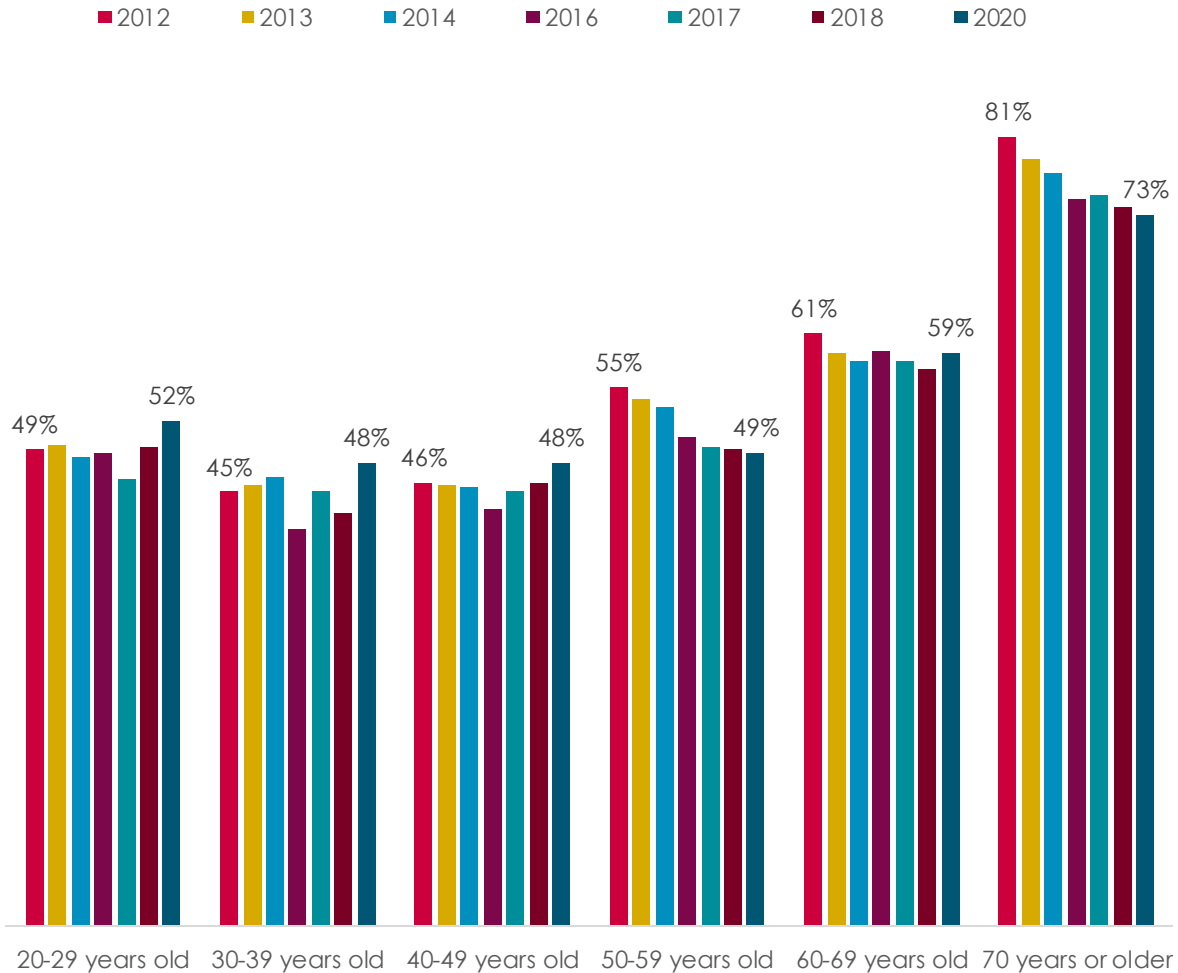
These issues are now more likely to effect more people in future. The divorce rate is lower, however it peaks twenty years life later in life than twenty years ago, including a second peak in the approach of retirement, giving less time for financial recovery before old age ([ONS, 2019](#)).

Consumer vulnerability, by marital status



Source: Understanding Society 2020. Sample: 10,000 households UK

The profile of vulnerable consumers will change in future



Vulnerable consumers are getting younger

Age is currently a significant predictor of vulnerability however the link has weakened in recent years.

Vulnerability among the over 50s has been markedly falling whilst vulnerability in the under 50s has been steadily increasing.

The steepest falls in vulnerability have been among the over 70s. The health of this group is still at risk - while life span has increased it is likely that half of their remaining years will be in ill health. However, this group has been the best protected from the last decade of austerity by Government policy.

Nonetheless, older people will struggle with vulnerability and if societies become more economically and socially fragmented post pandemic a sub-sector of older consumers, especially those who don't own a home or computer is likely to remain or even grow.

Compared to older consumers, vulnerability in younger people is even more likely to be driven by financial rather than health problems. If cost of living pressures persist tomorrow's vulnerable consumer is just as likely to be in their 20s as they are in their 60s.

As young people marry later in life, and are forced to rent for long periods before ever getting on the housing ladder, they miss out on the protective factors of a double income and home ownership.

Source: Understanding Society 2020. Sample: 10,000 households UK

The current gender gap in consumer vulnerability likely to increase

Females have consistently been significantly more vulnerable than males.

Females wage gaps are reportedly closing, but at the current pace some forecasters predict they will persist until 2067, and so unlikely to make little short term impact to improving consumer vulnerability among female consumers.

Over the same time females are still taking on a higher share of care responsibilities – a growing driver of vulnerability.

And females are also more likely to be widowed earlier than men and end up living in a single person household – a key predictor of vulnerability.

This mirrors the sizable gender gap in [Trajectory's Consumer Optimism Index](#) with female consumers much more pessimistic than males. The pandemic has seen this gap grow and likely to have had the same impact on vulnerability

Vulnerability is becoming increasingly divided by region

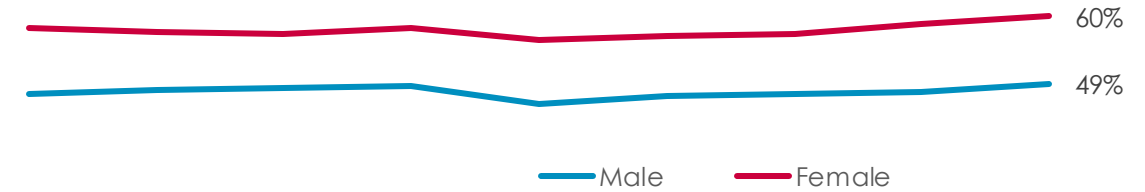
Scotland, Wales and Northern Ireland have higher proportions of vulnerability compared to the UK average although Wales and Northern Ireland are the only two geographies in which vulnerability is fallen.

Within England a north south divide persists. Levels of vulnerability in the Midlands used to look more like the south, but following big impacts of the last recession in the region they are more comparable to the north.

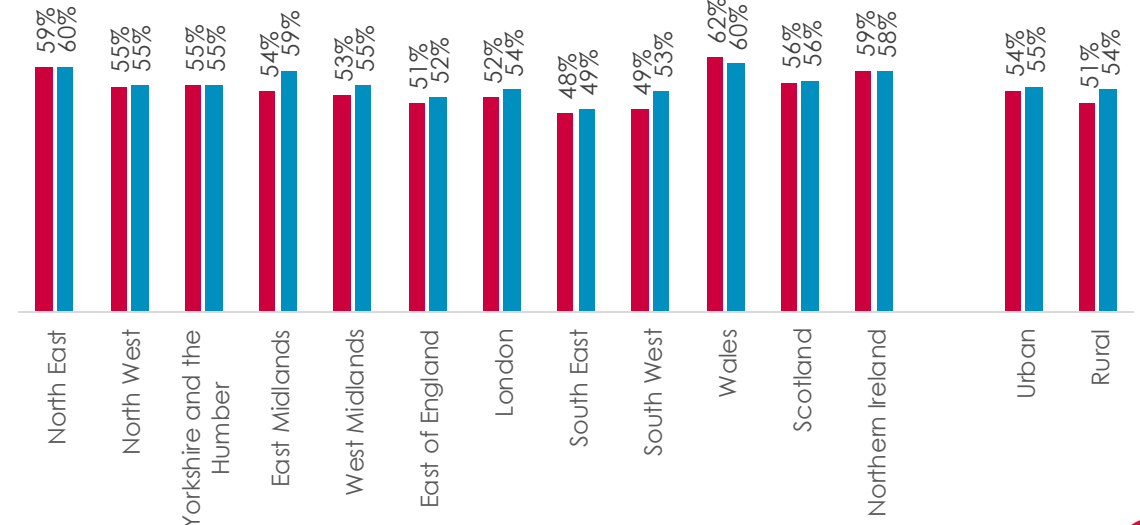
And increasingly rural

Across geographies the gap between urban and rural vulnerability is closing as the vulnerability of rural communities (about 25% of the UK) slightly increases as they face challenges of poorer digital network coverage and transport problems.

Consumer vulnerability, by gender



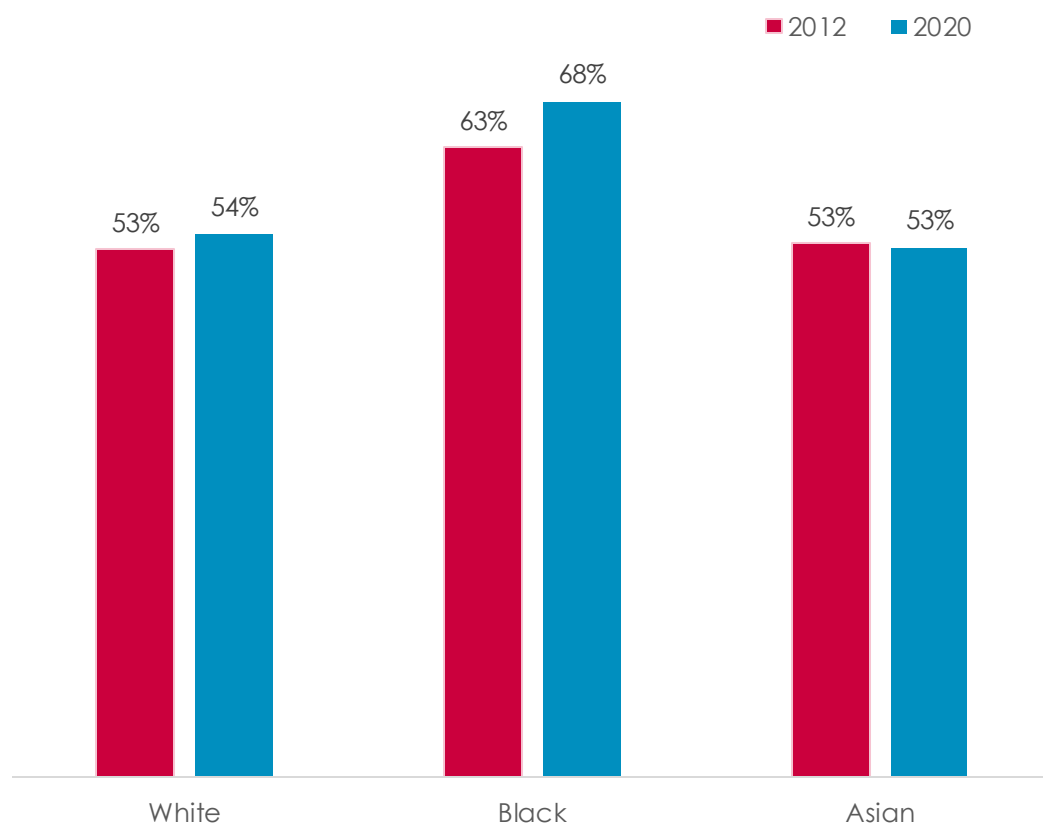
Consumer vulnerability, by region



Source: Understanding Society 2020. Sample: 10,000 households UK



Consumer vulnerability, by ethnicity



Source: Understanding Society 2020. Sample: 10,000 households UK

Minority consumers should be prioritised for protection

Consumers of black ethnicity (including Black African, Black Caribbean, Black mixed) are significantly more likely to be vulnerable consumers, and their vulnerability levels have increased while the UK average remained static, and may be frustrated further in future as high rates of youth unemployment in this demographic persist.

Asian consumers (including Indian, Pakistani, Bangladeshi, Chinese, other Asian and mixed Asian backgrounds) are no more likely to be vulnerable than average. This is reflective of high home ownership protecting this demographic – 69% compared to just 41% of black consumers (linked to historical differences in access to social housing). It is also reflective of fewer single person households and more multigenerational households in Asian communities – another important protective factor against vulnerability.

It is important to bear in mind there may well be as many differences within broad ethnic classifications as across them.

In all events consumers are aware of their potential vulnerabilities and therefore just as likely to be aware of brands they feel are on their side or not. One in five of non-white consumers feel they are in a group that is discriminated against on the basis of their race. Three quarters of LGBT consumers feel the same.

Social consequences in 2022

Although at a national level there is likely to be significant challenge from both lingering health impacts and acute economic adversity, there are some more nuanced changes at a social level that will affect the experiences of different groups of vulnerable people.

For example, one of the legacies of Covid is likely to be improved community cohesion and togetherness at a local level. Data collected by [YouGov](#) finds that several nations experienced a boost to local togetherness during the pandemic but that the UK is alone in experiencing that boost at a local level.

Nationally, we are increasingly fragmented, even adrift, but at a local level communities have never been stronger. This is likely to result in uneven provision of services, but does provide some hope that in strong local communities vulnerable people will still be able to access support.

However, the other dominant social trend that we expect to see in 2022 is the [New Morality](#) – a hardening of attitudes, less tolerance for others and more looking out for oneself. This is driven by that waning of national togetherness and exacerbated by economic adversity – when people are struggling, it is literally harder to afford to have wider concerns.

This may cause further challenge for people who are classified as vulnerable – if there is less sympathy for adversity or less support for charitable endeavours, or simply for supporting public services, then provision is likely to worsen and safety nets are likely to recede.





Conclusion

- Consumer vulnerability affects half of the UK – it's an issue that will affect not just organisations providing regulated essential services but any brands selling to mass markets.
- Macro social and economic trends are likely to drive considerable increases to vulnerability in 2022 and beyond, changing the face of vulnerable consumers in the process.
- Organisations will need to increase their resources to adapt their services and products in order to protect, engage and remain relevant.
- Inclusive design and representative communications will be important to engage with today's vulnerable consumer who is likely to be older and struggling with ill health, with particular consideration given to the remaining digitally excluded.
- As vulnerable consumers get younger and struggle more with the cost of living, brands will also need to adapt their products and services to remain accessible and relevant, with particular consideration given to minority characteristics.

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