escalent

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Financial Services COVID-19 Market Research Perspectives

Ongoing coverage of COVID-19's impacts

Escalent's many industry groups are monitoring impacts on Advisors, Affluent Investors, Plan Sponsors, Consultants, Consumers, Policy-holders, Auto Buyers and many others.

In this volume, we bring you insights by industry to help you stay on top of the changing landscape.

However, an overarching theme here is that consumer spending needs to remain strong (and savings rates stable/not increased) in order for each industry, and thus the economy, to be able to rebound once the COVID-19 pandemic finally ends.

IN CASE YOU MISSED IT

Cogent Syndicated
Webinar: Advisors In The Eye Of The Storm

Javelin Strategy & Research
Webinar: Surging Digital Demand: Turning Interest into Adoption
Impact notes: Payment Strategy Implications in a Pandemic

Escalent
Many COVID-19 blogs (e.g. Visualizing Data in a Time of Crisis)

We've got you covered.

What to do:

1. **Monitor Leading Indicators (Savings Rate, Trust)**
2. **Hear About Fiscal Impacts By Industry**
3. **Stay Tuned For Upcoming Webinars**

Overall Industry Impacts

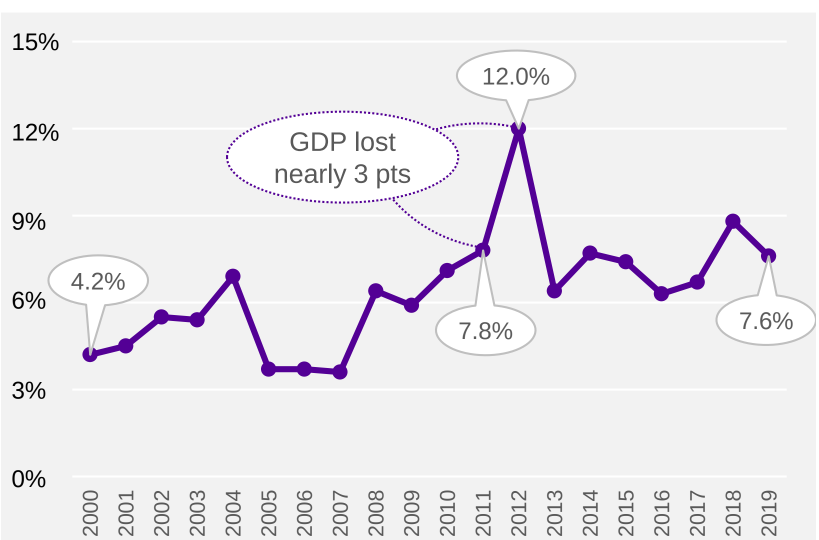
"The United States is officially in a recession. We need people to jump in as soon as they can and start spending – as opposed to saving – in order for the economy to recover quickly. 73% of US GDP is driven by consumer spending. In terms of industries, retail is the hardest hit, hospitality 2nd, and non-freight transportation next. The two biggest indicators of where the economy will go moving forward are personal savings rate (inverse relationship) and trust."

– Chris Barnes, CPO/Managing Director, Financial Services

US Personal Savings Rate

Historically, savings rates spike in the aftermath of crises. In a financial downturn consumers initially reduce discretionary spending but many then have to spend a higher portion of reduced incomes on discretionary creating a temporary fall. Consumers then hunker down and save. This is a metric to watch closely.

In the 2000's, the savings rate was around 4% until the market bubble burst at which point savings increased in the wake of that crisis. In the 2005-2007 recovery, there was significant concern the U.S. had a savings problem because the savings went too low. That was solved—in the worst way—with the crash of 2008, when savings rates spiked to 12% by 2012. It cut nearly 3 points off the nation's GDP when savings rates rose from 8% to 12%. The relatively stable 6-8% savings rate since then has given us a great economy up until now. We want to see that remain stable, not increase, to speed recovery.



Source: Federal Reserve Bank

1. Retail

With the exception of grocery, retail is ground zero of which companies / brands survive and which do not. The Federal government is working to support small businesses and bail out major players, but it will not be enough for many companies. An explosion of product delivery approaches and virtual services are borne out of this fight to survive, and will forever change retail offerings.

2. Hospitality

Not unlike retail, we will see entire hotel chains go under or restructure. Hotels have received aid, but they were not specified the extra relief that they needed in the CARES Act. There is also devaluation of real estate, and lots of mortgage backed securities still out there to contend with. From a consumer perspective, hospitality will step back into their lives a little at a time.

3. Non-Freight Transportation

Airlines always get out of a recession through bailouts. But, transportation has not yet received enough bailout either. An airline easily spends $1M per day, and runs out of money very quickly. They will retire planes, cut routes, and places will get fewer travelers and hotel stays for a significant period of time.

Manufacturing & Automotive Industry Impacts

"Right now, as the situation is extremely fluid, buyers are more likely to wait for the chaos of COVID-19 to pass before they acquire a new vehicle. This postponement is good news for the OEMs and for dealers. We are hopeful the passage of the CARES Act will give consumers a heightened sense of confidence for investing in a big ticket item like a new vehicle. Manufacturers are stepping up and offering some very attractive financing programs to encourage buyers to purchase now."

– Dania Rich-Spencer, Vice President, Automotive & Mobility

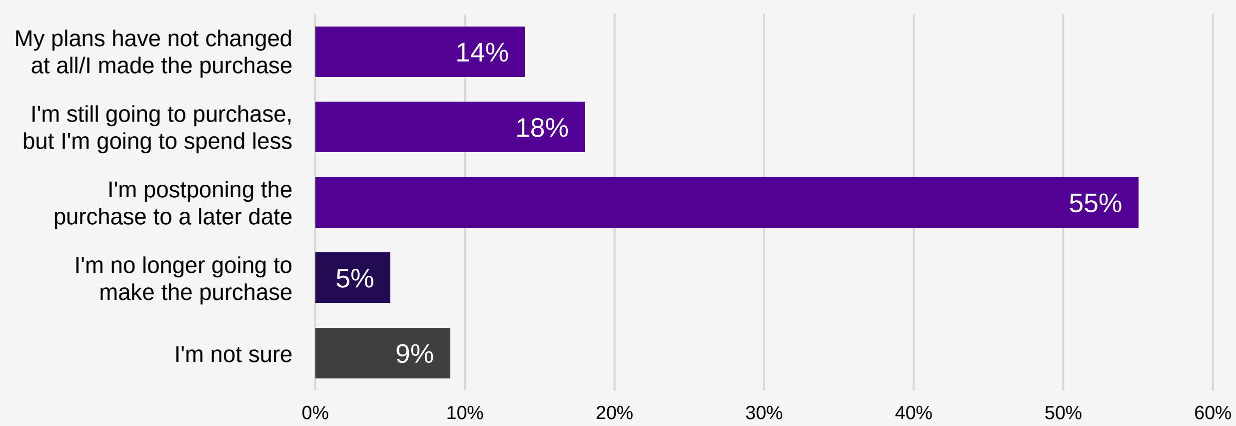
Manufacturing is a leading indicator of consumer confidence. And the manufacturing sector is very weak right now. Confidence can't come back until manufacturing comes back as measured by consumers spending on durable goods, particularly on bigger ticket items like cars / auto loans.

For the automotive industry, understanding this dynamic is further critical given the role of automotive companies in the global economy, their investment in advanced technology to support highly automated vehicles, and how many people auto companies employ or support employment through their supplier base.

Our most recent data shows how consumers are modifying their purchase behavior and spending habits as a result of COVID-19. It suggest there is a ray of hope for the automotive industry as 12-month vehicle intenders will not abandon their plans to acquire a vehicle. Over half intend to postpone the purchase to a later date, while some still plan to buy now but will spend less.

Click here to read the full report.

12-MONTH VEHICLE INTENDERS PUT VEHICLE PURCHASE ON HOLD RATHER THAN ABANDON THEIR PLANS TO ACQUIRE



Total Sample n=152
Source: Impact of Coronavirus (Escalent, April 2020)

Health Insurance Industry Impacts

"The importance of telehealth can't be understated. Health insurance payers and systems that bolster, familiarize, and improve their telehealth platforms will not only reap the cost benefits and patient kudos—they will literally save lives. Social distancing is crucial right now, and hospitals, doctors' offices, and clinics are overloaded. Virtual visits and other telehealth services provide efficient and cost-effective care while keeping patients and providers safe in their homes. And this is a trend that will stick around long after COVID-19 resolves."

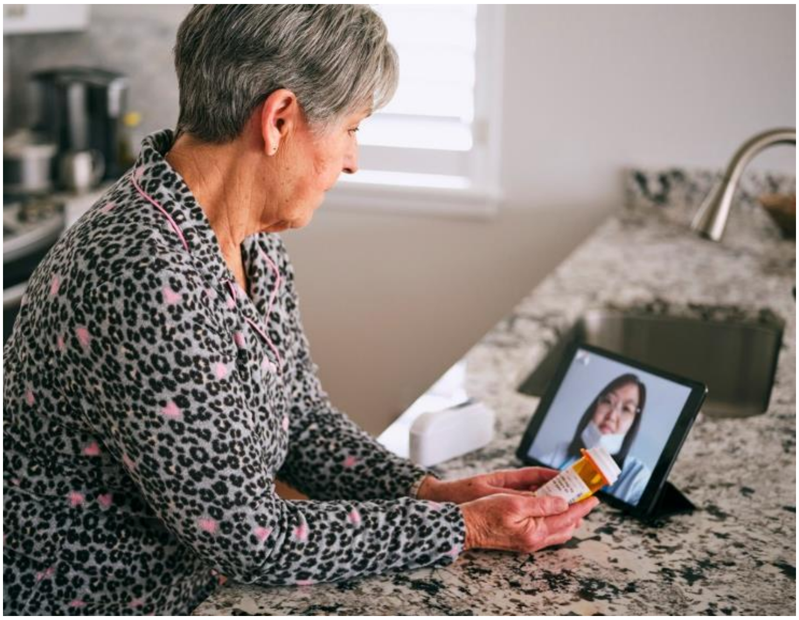
– Elizabeth "Liz" Wagner, Director, Health Insurance & Systems

The emergence of the COVID-19 virus is turbocharging the growth of telehealth. An adoption curve that long appeared challenging now hurtles toward more immediate, widespread implementation. And we believe it is here to stay post-pandemic.

If your telehealth game isn't currently on point, then you're already behind!

Escalent shares five steps to guide your organization toward a successful strategy for implementing and/or refining existing telehealth services.

Click here to check out the blog.

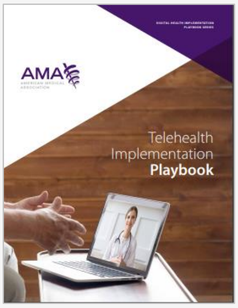


Everyone is pressing for the successful growth of telehealth right now:

"The American Medical Association (AMA) has designed resources to support physicians and practices in expediting the implementation of telemedicine, so care can continue to be provided to those who need it most."

– American Medical Association

Click here for the AMA Playbook.



Additional Industry Impact Notes

Banking

Branches are closed in many states accelerating the move to a broader array of digital services. Many areas of digital had plateaued but now banks that have not managed digital services well will suffer.

Lending is experiencing a wide array of impacts with mortgage servicers under tremendous pressure due to COVID related forbearance. The CARES Act has brought a deluge of small business lending that is stress testing systems.

Wealth Management

Traders are moving to distributed environments, such as running out of satellite offices instead of more concentrated in-person spaces. Investors and their financial advisors alike find themselves all suddenly working from home. At the same time, Global Shareholding Disclosure (GSD) rules that—among many other things—reduce the threshold at which holdings must be revealed (to increase transparency as markets drop) are causing asset managers a lot of extra work. Such extreme stress and remote work can tip the scale of vulnerability for errors and for fraud.

Click here to read the whitepaper on this topic.

Real Estate/Construction

Until personal protective equipment (PPE) is more readily available, current construction projects are limited on the belief that you can't keep the site workers consistently six feet apart. And, although existing essential projects may continue, the pipeline to bid on new construction projects is drying up as it feels irresponsible to award large sums for buildings while simultaneously furloughing large portions of your workforce. When things do restart, the days of monolithic floors will revert to compartmentalized and controllable spaces, and other facility changes will roll through for the next decade.

Additional Impacts Featured in Upcoming Webinars

ESCALENT
Beyond Healthcare Sales Effectiveness: A Holistic Measure of Stakeholder Experience

COGENT SYNDICATED
Advising Investors in Challenging Circumstances (email cogent@escalent.co)

JAVELIN STRATEGY & RESEARCH
Securing the FI Contact Center

Property & Casualty Insurance

In personal lines, one of the biggest impacts for an industry that has heavily relied on agents, has been the accelerated adoption of self-service sales and service channels. Also, carriers are proactively offering partial refunds/credits on auto premiums for those sheltering in place and thus driving far less.

Commercial writers are under pressure from the government to cover retroactive business interruption losses (which exceed $200BN per month just for small business). The industry is responding in many ways, including supporting a federal relief fund for business and workers affected by the crisis.

Technology

Tech companies are working to keep their supply chain whole and employees safe. But otherwise, a great number of tech companies are actually seeing an increase in usage, familiarity, and similar benefits as a result of the pandemic. They are not in the same dire straits as other industries.

We've got you covered!

Our financial service research experts are committed to bringing you the data and insights you need to more effectively run your business. Let's continue our strategic partnership to keep research moving forward in a time when the financial services sector needs it more than ever.

Meet just a few of our financial service research experts:

Talk to us.

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About Escalent

Escalent is a top human behavior and analytics firm specializing in industries facing disruption and business transformation. As catalysts of progress for more than 40 years, we tell stories that transform data and insight into a profound understanding of what drives human beings. And we help businesses turn those drivers into actions that build brands, enhance customer experiences and inspire product innovation.

Visit escalent.co to see how we are helping shape the brands that are reshaping the world.