

UNDERSTANDING CHANGING CUSTOMER BEHAVIOURS:

the opportunity for business growth



Since 2020, we have faced unprecedented challenges on a national and global scale – Brexit, the pandemic, the Ukraine invasion and the resulting spikes in inflation, energy prices and interest rates.

Being thrust into crisis, alongside the emergence of hybrid working and the reintroduction of stamp duty, has radically affected buyer and renter behaviours as they look to secure their future. So, how can brokers and lenders harness these changes to capitalise on business growth?

We delved into this topic in our latest market-focused webinar, where I was joined by Tim Bannister, Director of Property Science Innovation at Rightmove, Charlotte May, Group Head of Customer Research at Legal & General and resident psychologist on ITV's This Morning, Emma Kenny.



Market update

To kick things off, Tim talked us through the sales and rental market and price growth and home mover behaviours in 2023.

As a result of the past three years' turbulence, we saw record price growth in both the sales and rental markets in 2022. Top of the ladder properties saw the most sales price growth due to good stock availability, whereas a lack of stock to meet demand in other sales segments contributed to a sharp rise in rentals and subsequent market price growth.

Tim highlighted that we are starting to see sales prices and the pace of price growth reduce. Following the rapid increase in interest rates following the mini budget, we are starting to see rates drop. The average rate for an 85% LTV mortgage has dropped from 6% in October to around 4.8% – and to 3% for a 60% LTV.

He predicts sales market prices will continue to ease this year by 2% on current new seller asking prices, which are down 2% from October. Tim believes sales are trending in the right direction and the spring season will be critical, with sales up from 15% below 2019 levels in early 2023 to 11% below 2019 currently.

In terms of rental price growth, affordability constraints and hybrid office workers moving back into cities have driven demand for rental properties. The lack of stock to keep pace has caused prices to rise significantly. Tim predicts the rental market will remain very competitive in 2023 due to continued pricing pressure, which may become a push-factor for more renters to try get onto the property ladder; to take more control of their rising outgoings.

Based on Rightmove search data, Tim has seen changes in home hunter behaviours in 2023, with four of these being:

1. Both sets of movers redefining 'local', adopting a 50-60 km search pattern.
2. Increasing numbers of rental enquirers wishing to leave cities across the UK.
3. Most wanted home buyer features becoming garages and annexes.
4. Home hunters increasingly searching for solar panels and heat pumps.



How can brokers respond to customers through continued turbulence in 2023?

Customer satisfaction is at an all-time high across all sectors. This has amplified consumer expectations due to their inability to differentiate between sector complexities when judging a service. Quality remains a top three priority above convenience and low cost and 75% of consumers saw it as being critical in 2022.

Every penny counts as customers seek value from quality services, with cost-of-living worries making financial decisions harder. Charlotte advised that the level of reassurance that brokers can bring to their customers around affordability, market uncertainty and the mortgage journey is arguably more important now than ever.

With nearly one in four people describing themselves as impatient, and a third of these being Gen Z and Millennials, Charlotte believes that streamlining is important. For example, using digital research and administration tools will speed up processes and free up more time to spend with clients.

With her data highlighting that customers prefer human experiences to chatbots, Charlotte asked: how do we balance the value of real personal service with digital-first tools to meet their expectations?

She left us with an open question: where technology is not the appropriate or preferred means for a customer, what can we do to help them? This is particularly important when it comes to supporting vulnerable customers.



Using the psychology of customer behaviours to your advantage

Emma explained that people often seek the security of buying a home when they are feeling insecure. She outlined common buyer behaviours and explained how to attract and interact with three buyer types to grow your business.

Millennials are buying fewer first homes than the previous generation, with their careers taking priority over family and settling down. Gen Z often sees home ownership as completely out of reach, feeling a lack of credit history, ability to save and student debt all stand in their way.

Where affordability is a blocker for first-time buyers, Emma highlighted the importance of helping shift their spending mindset by comparing the sales and rental markets to show the same budgeting is essential for both and that reducing luxuries now is an investment in their future.

The self-employed can feel that despite their success they are not taken seriously by lenders to buy a house they can afford. Brokers can reassure them by sharing options from guarantor mortgages to specialist lenders, and using examples and testimonials to their advantage.

Emma highlighted the preferred social platforms for different customer demographics, giving insight into how different generations engage online and how brokers can use this information to maximise their online presence and business opportunities.

The remortgaging market should boom in these times of insecurity because presenting options will offer security. Brokers can attract those looking for better deals, with fixed rates bringing comfort to older cohorts, even if they are high at the moment.



Kensington business update

Frances reflected on how, in the past year, we have had three Prime Ministers, four Chancellors, a new monarch, a questionable mini-budget and a cost-of-living crisis - to name just a few changes. Meanwhile, as of 1st March 2023, Kensington was acquired by Barclays to become part of the Barclays Bank UK PLC group of companies.

Frances explained that Kensington will continue to operate as a separate regulated business with day-to-day operations carrying on as usual but with new funding opportunities enabled by the financial reach of Barclays. Describing the news as an exciting milestone in Kensington's history, Frances talked about being able to provide brokers and their clients with even more options with the innovative new products and services Kensington will be able to develop as part of the Barclay's Group.

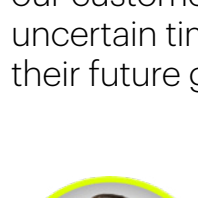
- **Our independence** – we will continue to operate as a separate regulated business, with day-to-day operations carrying on as usual.
- **Our commitment to fantastic service** – our Kensington brand will remain, along with our passion for supporting our customers and record-breaking service levels.
- **Our innovation** – we'll be offering greater choice to you and your customers as a result of new funding opportunities being enabled by Barclays's financial reach.
- **Our business with you** – we will continue to work with you in the same way, with full access to our products and services and our **supercharged service**.

I am excited about the prospect of helping you give your customers even more options with the innovative new products and services we'll be able to share with you as part of Barclays plc.

My takeaways

The key theme running throughout this session was that despite the vast challenges we have all experienced over the past three years, people are resilient and willing to adapt to meet their changing needs.

This positive thinking in the face of adversity is an inspiration and something brokers and lenders can learn from and mirror by taking the time to truly understand our customers' behaviours and needs. We can be a reassuring voice in these uncertain times, showing them different pathways to investment and to realising their future goals.



Eloise Hall – Interim Head of National Accounts

Eloise joined Kensington Mortgages as National Account Manager in 2019, bringing a wealth of experience from both Leeds Building Society and Principality Building Society, and has worked with many accounts throughout the UK. Eloise has continued to grow Kensington's brand as an innovative and forward-thinking specialist lender and has won an array of awards since adopting the Interim Head of National Accounts role, including British Specialist Lender award for Lender: Business Development in 2021, Woman in Specialist Lending award for Financial Reporter Women's Recognition Awards 2022 and Head of National Accounts at the 2022 British Specialist Lender awards.

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