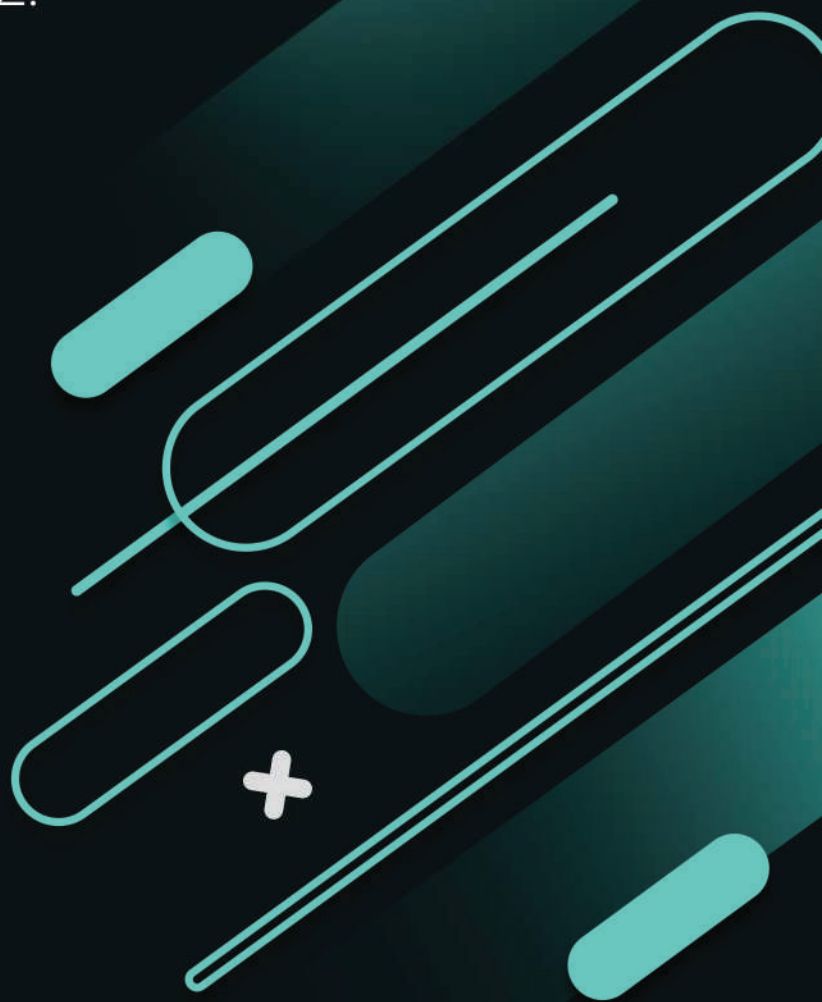


Building PFM's for the next generation

How can fintechs ensure that their product is a best fit for Gen Z.



ARTICLE SUMMARY

Gen Zs bring new meaning to the term “digital natives”.

Strategies for Product Teams need to consider the dynamic nature of consumer trends.

Hyper-engagement is no longer a feature, it should take centre stage.

Changes in the digital ecosystem (both global and GCC specific) will change user expectations and lifestyles.

Spire can enhance value and improve financial well-being in a changing digital ecosystem.

The value of forward thinking cannot be underestimated, financial institutions are looking at one upcoming demographic and priming themselves for coming changes.

There has been a lot of talk about the characteristics of Gen Zs in how they relate to money and financial management today. Here are a couple of points about this generation that must be considered before diving deeper:



- ***An incredibly tech savvy generation***

This is no understatement by any means. While the millennials were still transitioning into an early digital age, Gen Zs “inherited” advanced seamless tech and are simply not used to analogue systems or breaks in connectivity particularly in first world countries.

- ***Access to a vast breadth of information***

Thanks to the Internet, knowledge has been democratized and Gen Zs’ are making more informed decisions than many of their counterparts from earlier generations.

- ***They love novelty and new experiences***

It is no surprise that they were often the first to push for cryptocurrency, NFTs and content creation.

- ***Innovative when it comes to generating earnings***

Rather than going through a standard college program, many are often learning skills online and being entrepreneurial.

What does that entail in the context of PFM? While the future can be uncertain (especially accounting for events like COVID-19), we can still try to hypothesize the way forward in this space.

\$143

Billion

the amount Gen Z holds in spending power.

(Business insider, 2020)



Product and Design

From a technical perspective, a PFM app needs to provide its customers with a truly frictionless experience and minimum lapses in functionality. With the ample knowledge that today's customers have at their disposal and with technologies such as Open APIs, switching over to different PFM providers has never been easier. Here is some advice for product teams:

Keep an eye on the overall tech ecosystem

This entails not only looking at competitors but also players outside of the PFM domain. Here are some recent examples of PFMs tapping into wider areas of the tech ecosystem:

- *Emma*, a major PFM player from the UK announced the transition to the "superapp" model which has gained a lot of traction and success in certain markets like South Asia.
- *Twine*, like many players, also added investment tracking and crypto-currency features.
- *Apple Watch*, *Samsung Gear*, also known as "wearable tech" is already in full flow. With trials underway for technologies such as advanced biometric payments, product teams should actively monitor and be prepared for changes at any given point in time.



Synergize between ecosystem players

Banks, Fintechs, and neo-banks should also be considered by PFM providers for mutual collaboration and capability development (e.g., in the areas of BNPL, travel, digital lending - to name a few).

Consider diverse customer niches and new income streams

In recent times independent online content creation has seen a boom. Thanks to platforms like YouTube which allow monetization (based on views/other metrics) many people especially Gen Zs are turning to content creation as a full-time gig.

Online content creation is a relatively new income stream (fueled by social media) often with exceptionally high cash inflows and while it is now a means of livelihood for many people, some banks and FIs are on the fence on its legitimacy. Amanda Silberling (TechCrunch) notes:

"Take Alexandra Botez for example. The Stanford graduate earns six figures playing chess on Twitch, where she has 877,000 followers. But when she tried to apply for a business credit card, she was rejected twice. Meanwhile, when the creator behind TierZoo, a YouTube channel with 2.7 million subscribers, tried to rent an apartment, he was rejected because his landlord didn't see his business as legitimate."



Eric Wei, a former product manager at *Instagram*, noted this problem and alongside Will Kim founded *Karat Financial* which aims to be a “better banking system for digital creators”. Their first product - *the Karat Black Card* was launched in June 2020 and quickly gained traction with prominent content creators (*including Botez*).

Likewise, PFM's need to keep an ear to the ground and account for changes in the way people earn or how their net wealth could potentially be impacted.

Social Ecosystem

The recent Reddit-fueled GameStop saga is just one example that highlights the power of social media communities. Today's Gen Z is present across multiple social platforms and already has amassed connections and followers from around the world. They are constantly “in the know” and frequently rely on online opinion crowdsourcing and peer comparison for their choices.

Stay close to the customer

It is necessary then not only to have an “ear to the ground” to predict and assess this segment but also to provide them social connectivity in some form or another.



- *Meniga* launched a peer comparison solution to enable users to track and compare their progress on financial goals with others.
- *Spirr.io* gives an open invitation to users to send in their requests for what “rewards” they want, and the most popular ones are then incorporated.
- *YouTuber* reviews are also increasingly becoming the preferred go to source. YouTube channel Logical Finance amassed a cumulative **85,000 views on PFM apps** alone while one of the most popular tech reviewers, Marques Brownlee or MKBHD, has a cumulative following of 14.6 million subscribers garnering an average of 2.5 million views per video.

Gen Zs are also active participants in popular socio-cultural movements and are deeply attached to causes. Many financial institutions are increasingly turning to “CO2 tracking” and “green banking” given the importance of the matter at hand.



Context, Context, Context

The impact of the 2007 financial crisis and COVID-19 cannot be understated. Gen Zs grew up with the after-effects of the former and witnessed in real-time the effects of the latter. An article by Credit Suisse stated that many are cautious and **want to save and avoid debt and are already starting to invest and think about retirement.** A study by Raddon found that **"2/3 of a group of 2,500 teens had already opened a bank account and were as much as 3x more likely to have taken a financial education class than millennials."**

AdColony further states

"According to the Global Trends Among Gen Z report by Global Web Index, we know that smartphones are a must for Gen Z. This generation spends an average of 4 hours and 15 minutes every day on mobile, and this is a very high figure compared to other generations."

Millennials and Gen Zs have greater spending power in the GCC region on average compared to their peers in other regions. Cultural differences notwithstanding, in an increasingly connected world and with access to higher education/jobs overseas as well as the latest technologies many Gen Zs in the region are converging with their counterparts globally.

UAE, Saudi Arabia, Qatar, Oman, Kuwait and Bahrain have an average population age of just

27 YEARS

20% of the total population is under the age of

15 YEARS

(The Middle East Journal of Age and Aging Population)



Additionally, technological, and socio-cultural changes spurred on by ambitious country development goals (Vision Policies). Fintechs and other digital startups (often homegrown) are increasingly getting greater traction and point to an attractive and ambitious future of work.

So, there is a sizeable demographic that's financially aware, primed to embrace new ideas and has spending power at the ready. The onus is then on tech players to rise to the opportunity.

Conclusion

The speed and scale at which technology changes user habits today should be "top of mind" for all product teams and marketers operating in the fintech space. Gen Z is in some ways one of the most challenging consumer groups to cater to particularly with regards to high expectations being set and as we have earlier stressed, they are true "digital natives" often driving forth trends in many different domains.

Open Banking can be a game changer on data collection and subsequently customizing products and services for users. Fair to say that with more data points and better ways to frame customer segmentation we can expect swift changes in the tech realm - sometimes in the matter of weeks or months.



Spire's state of the art PFM solution was created with Gen Zs in mind. While it is still a unique PFM solution with its core functionality of Intuitive Budgeting, Smart Savings with Round Up, Bills Management and Financial Well-Being, it has gone further to introduce automated processes for enhanced convenience and provide intelligence that further drives engagement.

Leveraging AI to intelligently analyze data to give customers more value out of their banking relationship and attract new customers into the fold.

