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Gen Z Finance

The Pandemic was a generation-defining event for Gen-Z, hitting them right in the middle of their most formative years. Unlike Millennials, who came of age during the Great Recession, Gen Z were expected to inherit a strong economy with record- low employment. This changed overnight in early 2020. COVID hit Gen Z financially, and they are still financially insecure, with more than half of 16–24-year-olds globally still living in fear of financial hardship within the next five years.¹ Gen-Z was hit hard by the crisis in terms of unemployment, with 1/6 of 18–29-year-olds losing their jobs during the pandemic.²

Every generation has their own unique approach to money and personal finance, and Gen Z are no exception. This generation-defining event will continue to shape their outlook on life – from how they shop, how they view cryptocurrency, how they expect everything at the touch of the button, to how they view the future.

CHASING “THE BAG”

The “bag” is money and Gen Z are motivated to make “money moves” that guarantee them a safe financial future. Since they have been faced with uncertain financial futures and the widening economic gap, “Gen Z [are] not willing to place all of their faith in traditional [banking] institutions or paths to success.”³

“As opposed to previous generations who viewed their jobs as the main source of income, Gen Z-ers believe that they have to build multiple sources of income to get ahead.”

Instead, they are creating their own financial goal posts to redefine what financial wellbeing means to them: healthy bank balances, good credit scores, and a “f*** off fund”⁴ (a fund for getting yourself out of bad situations). And they are not waiting until later to figure it out: they are saving now.

INVESTING: THE NEW SOCIAL CAPITAL

The typical pay check – broken down into rent, discretionary spending and savings – may not cut it anymore. Gen Z wants to combat their financial insecurity with investing. Investing is not

¹ Foresight Factory, 2022, [Link](#)

² Gen Z in the New Normal, 2020, [Link](#)

³ sparks & honey, 2022, [Link](#)

⁴ Yahoo Finance, 2022, [Link](#)

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just Gen Z's back up plan, it is their premier plan, as they hedge their bets on Crypto and NFT's. Digital assets now provide Gen Z with choice, flexibility, and most importantly, alignment with their values.

Apps like Webull and Robinhood have rocketed in popularity with Millennials and Gen Z, giving them the freedom to exchange funds, stocks, and crypto at lightning speeds.⁵ On Reddit, Discord, and even on Twitter, threads dedicated to investing have all been set up to democratize investment, and the discussion of cryptocurrencies amongst digital users.

TRUST IS A WINNING GAME

Gen Z is a generation that is wary of big business and sceptical of brands. This distrust is elevated in the financial services sector. Globally, YouGov found that over 1/3 of Gen Zers do not completely trust banks⁶. Gen Z doesn't resonate with banks because they believe that they "represent money-hungry institutions that aren't aligned with the socially responsible ideals of this particular generation."⁷ Gen Z are seeking out authenticity and transparency in their banking experiences – not hundred-year legacies.

Gen Z are putting their trust into people that look and sound like them, looking to Tiktok "finfluencers", the new generation of financial gurus, that will educate them on money, retirement planning, and general financial planning. "Fintok and StockTok" are empowering Gen-Z to self-educate themselves about their personal finances. Content creators on Tik Tok have responded to the need to spread their knowledge and understanding to their like-minded peers.

FINANCIAL ADVICE IS KEY

However, the popularity of these platforms does not mitigate "the danger of bad advice or myths being spread and 'get rich quick' content."⁸ Many Gen Zers are still being caught out by BNPL, or "Buy Now Pay Later" lenders. Approximately 43% of Gen Zers missed at least one payment in 2021.⁹

Banks must amplify their roles as trusted, financial advisors in order to fulfil the demand for reliable content, and gain the confidence and trust of young people.

⁵ Money, 2022, [Link](#)

⁶ YouGov, 2022, [Link](#)

⁷ The National News, Business, 2022, [Link](#)

⁸ 11FS, 2021, [Link](#)

⁹ MUST FIND

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Many Gen Zers may think they are infallible, but desperately need guidance in learning how to invest, and invest smartly. 76% of Gen Z do not know the difference between Blockchain and crypto,¹⁰ and 20% of Gen Z want their bank to provide support and advice on investing in digital currencies.¹¹

Sub-groups within Gen-Z lack investing confidence; most specifically, women. Only about 9% of women think that they make better investors than men, despite research showing that they earn consistently better returns than them.¹² This gives banks the unique opportunity to revitalize their roles with this generation and give guidance to the unsure. The most vocal members of Gen Z are those with confidence – the unsure must be sought out and given extra support and guidance with their finances and investing.

CLASSES ARE COOL

Gen Z are better prepared than past generations, and they have a better, more practical approach to managing their personal finances. However, “it is still important to educate Gen Z to help ensure broader financial inclusion and stability – whether by introducing them to new financial products that may benefit them...or through building targeted services that address Zoomers priorities.”¹³

Financial institutions must reinvigorate their standing amongst Gen-Z in their approach to financial education. Fidelity investments is trying to teach Gen Z about investments in a unique way: through the Metaverse. Fidelity has opened an eight-story building in Decentraland, a metaverse platform that imitates a metropolitan area. In this virtual building, users can learn more about financial education as the brokerage tries to attract more investors to their platform.

Robinhood has recently partnered with Snap Inc. to bring ‘Snacks’, a form of “highly digestible and engaging financial content” to Snapchatters on the Discover page. Episodes are available on Snapchat about twice a week, with episodes that average about three minutes in length.

¹⁰ Investopedia, 2022, [Link](#)

¹¹ Maddyne, 2022, [Link](#)

¹² The Motley Fool, 2022, [Link](#)

¹³ Sparks & honey, 2022, [Link](#)

“REFLECT MY LIFESTYLE”

Gen Z has a very digital centric lifestyle: in their media consumption, shopping experiences, and communication, they are used to instant gratification, and they expect no different from their banking experiences. 58% of Gen Z in Central and Eastern Europe pay cashless and 38% pay cashless using their mobile devices. 75% of Gen Z use other digital payment apps or peer-to-peer apps like CashApp and Venmo.¹⁴

Young banking consumers are increasingly moving away from traditional banking experiences, with an increased interest in banking with big tech companies like Paypal, Apple, Google and Amazon. In order to stand a chance, the financial sector must become more like the tech industry in the coming years. More than 20% of Gen Zers say that an easier way to pay through their social media platforms would be a key feature in selecting a financial services provider in the future.¹⁵ Ultimately, this generation is interested in frictionless outcomes that come from more intuitive tech experiences.

Banks must evolve their technological experiences in order to generate omni-channel experiences for customers that are not fragmented and complex but are personalised to their individual experiences. Traditional banks should “consider positioning mobile apps as the central platform for their consumers’ various banking needs instead of their branches.” Banking apps can help integrate banks “otherwise siloed channels” to help lesser-used services become a go-to-tool for consumers.¹⁶

“REFLECT MY VALUES”

At the same time, Gen Z has several non-negotiables – their values being one of them. Not only do they care about their personal experiences, but they care about the treatment of the world around them. Schroders found that globally, Gen Z and Millennials (18-37 years old) are the most concerned generation when it comes to climate related issues.¹⁷ Gen-Z is more conscious than other generations about driving towards a more inclusive world and prefer banks that share these values.

To Gen-Z, it's more than just about simply satisfying ESG benchmarks. It is about leaning into the underserved. HSBC has done exactly this. Traditionally, banks have required proof of residence or photo identification to open a bank account. This makes it rather difficult for people

¹⁴ Billpay [Link](#)

¹⁵ FStech, 2021, [Link](#)

¹⁶ Deloitte Insights, 2022 [link](#)

¹⁷ Schroders, 2022, [Link](#)

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experiencing homelessness to claim benefits, receive their wages, or pay their rent. HSBC, in partnership with national homelessness charities, is now offering advice to people without fixed addresses in an attempt to address the issues the homeless face in the UK.¹⁸

WHAT THIS MEANS FOR BRANDS

Appealing to Gen Z consumers will take more than just streamlining digital experiences and partnering with the latest 'Finfluencers'. It involves thinking about the pain points of customers and presenting them with bespoke, human, and empathetic (online) interactions at digital touch-points. Gen-Z want their banks to provide them with tailored, seamless interconnected and intelligent experience across channels. And they are not afraid to shop around in innovative ways.

ABOUT BBDO KNOWS

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BBDO KNOWS offers thinking, strategy, insights and inspiration on key categories, key themes and consumer segments.

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¹⁸ HSBC, 2021, [Link](#)