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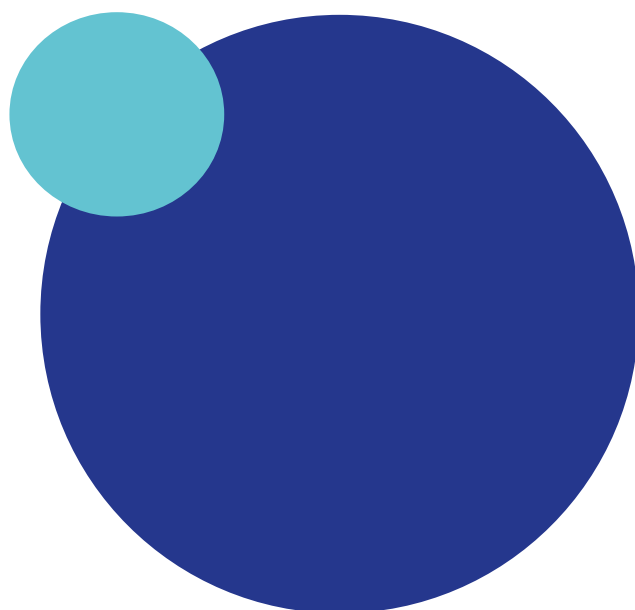
WHITE PAPER

Family wallets

Building loyalty and financial literacy
in tomorrow's bank customers

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1. Improving financial literacy among schoolchildren

Financial literacy is one of the greatest challenges facing families across Europe today. A 2020 study by the European Banking Authority (EBA)¹ described educating children and young people in the sound management of personal finances as a “cornerstone of economic and societal stability.”

This report also noted the importance of good personal financial management will only increase. From a bank point of view, developing financial literacy in younger age groups is socially responsible, and can help build customer use of your products plus loyalty to your brand and services.

As the digital revolution continues, it's clear tomorrow's economy will not run on notes and coins, with markets like the UK and Netherlands joining leaders such as the Nordics in minimizing their use of cash. Even in traditionally cash-heavy markets like Germany², electronic payments are now used in around six out of ten transactions, making the education of children in online financial management an increasingly important priority throughout Europe.

Developing financial literacy in the young is socially responsible and develops young customers' use of a bank's products, plus loyalty to their brand and services



1. See the EBA, Financial Education Report, 2019-2020 - https://www.eba.europa.eu/sites/default/documents/files/document_library/Consumer%20Corner/Financial%20education/EBA%20Financial%20Education%20Report%202019-2020%20-%20FINAL%20-%20Combined.pdf

2. See Germany in The Digital and Card Payments Yearbooks 2021-2022, available at: www.paymentyearbooks.com

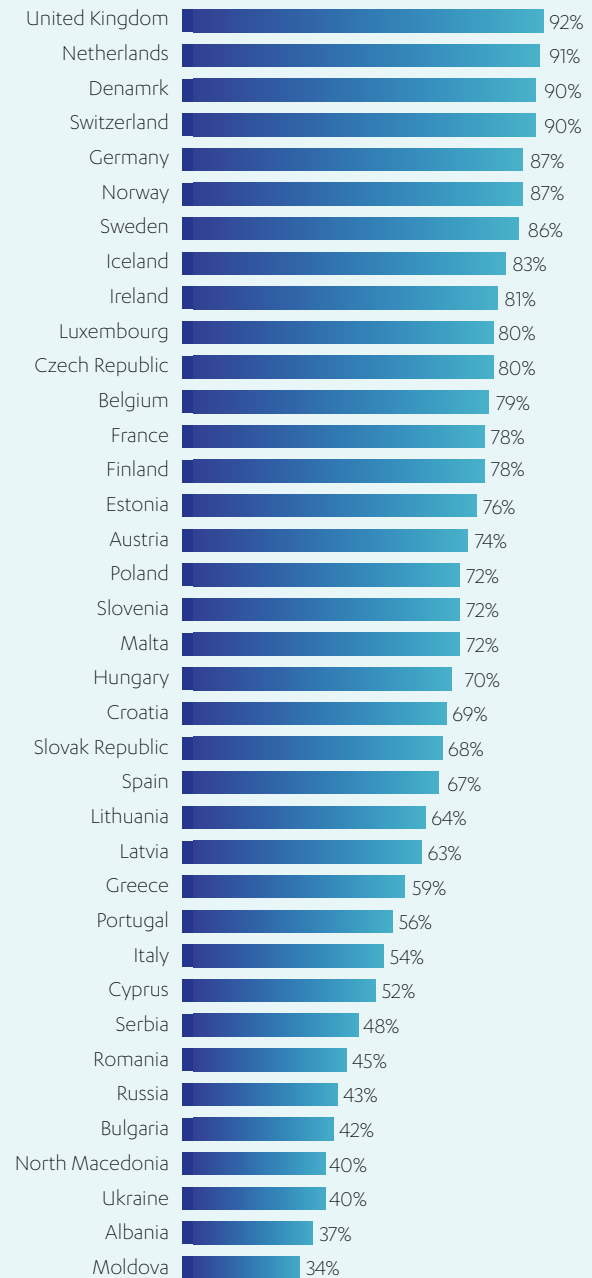
2. Providing families with child-friendly financial tools

Responding to this need, innovative fintechs and some forward-looking banks have begun offering customers family wallets that enable children to spend their money from allowances, cash gifts and other sources online in a safe, secure environment and with the full supervision of their parents. Family wallets are the responsible choice at a time when 72% of Europeans are shopping online and e-commerce is growing at almost 17% per year across Europe³ - while parental supervision helps children make the right choices, an important feature given the ever-present menace of online fraud and criminal scams that target children.

Meanwhile, growth in digital-first neobanks and the advent of Open Banking legislation across Europe have facilitated digital onboarding for banks, as well as a proliferation in new ways to pay – and young people are the biggest adopters of these services. According to a survey of 4,000 European consumers by Signicat⁴, 66% of respondents said they wanted to be able to sign up for a bank account online – although to date, only 40% of consumers said this facility had been made available to them.

Young people are the biggest adopters of payments methods that operate outside traditional rails, presenting a threat to banks' revenues

The majority of Europeans now shop online



CREDIT: Eurocommerce

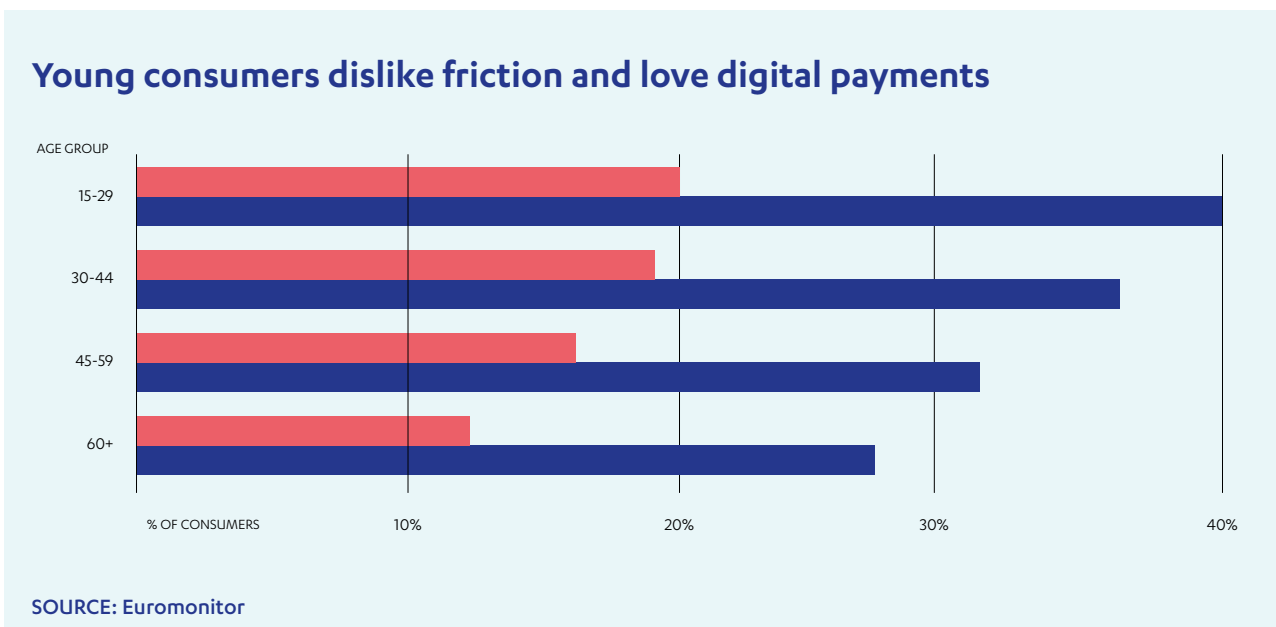
3. See European e-commerce report 2021 from Eurocommerce: <https://ecommerce-europe.eu/wp-content/uploads/2021/09/2021-European-E-commerce-Report-LIGHT-VERSION.pdf>

4. See Nelito.com "COVID-19 accelerates the shift to digital banking": <https://www.nelito.com/blog/european-banking-2020-an-accelerated-shift-towards-digital-banking-due-to-covid19.html>

In parallel with the move towards digital onboarding, the EU's second payment services directive (PSD2) has enabled a wider range of payment options such as Request to Pay (RTP), Buy Now Pay Later (BNPL) and Account to Account (A2A) solutions. Because these solutions can operate outside traditional card rails, they present a challenge to banks' current sources of revenues – and study after study shows that young people are the most enthusiastic adopters of “digital first” banking and new payments methods. A 2020 UK study by Momentive⁵, for instance, found that 47% of the 18-34 demographic held both a digital bank account and an account with a major retail bank, while just 19% of retired people had any involvement in digital banking. Responding to this demand, leading neobanks such as Revolut (“Revolut Junior”) and N26 (“Papaya”) have launched products targeted specifically at children and youth.

Beyond their role as socially responsible enterprises, banks have an opportunity to cement and grow relationships with next-generation consumers through family wallet apps

When it comes to payment methods, a mid-2021 study by Euromonitor⁶ found consumers aged 15-29 were most likely to adopt new, lower-friction payments methods, as the graphic below shows. In part, this is because fintechs fintech solutions have successfully adopted some of the techniques from social media such as gamification to nurture positive learning and stimulate usage. Beyond their role as socially responsible enterprises engaged in financial education, banks also have a business opportunity to cement and grow their relationships with a new generation of customers through family wallet apps.



5. See Momentive/SurveyMonkey, “The Future of Banking Goes Digital”: <https://www.surveymonkey.com/curiosity/neobanks-the-future-of-banking-goes-digital/>

6. See Euromonitor, “The Disruptive Potential of BNPL in Western Europe”: <https://www.euromonitor.com/article/the-disruptive-potential-of-buy-now-pay-later-in-western-europe>

3. Family wallets: simple to set up and use

Family wallets provide parents with control and peace of mind when it comes to their children shopping online while enabling children and teens to make responsible choices about money in a secure environment. They are designed for safe online shopping while stimulating conversations about money and encouraging financial education – as well as being fun and easy for young people to use.

Two separate apps form part of a family wallet system:

1

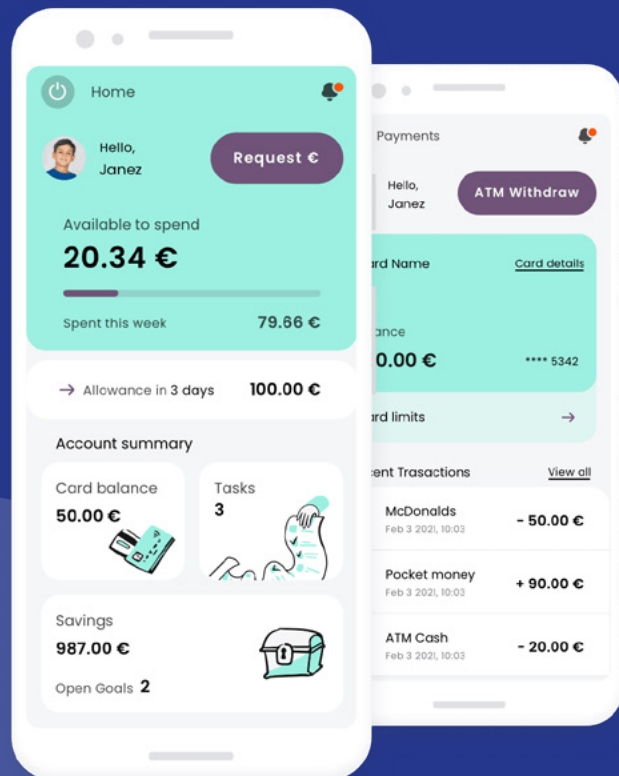
A parental app that provides an overview of children’s spending and enables parents to limit the amount children can spend and/or block spending at specific websites and merchants. This app can be easily integrated into a bank’s existing mobile banking app via a Software Development Kit (SDK).

2

A children’s app featuring three functions – Pay, Earn and Save. These three functions can be used by parents and children to stimulate discussions about the relationship between earning and spending money and the importance of saving. The “Pay” function can be set to limits pre-set by parents. Children and parents can send each other messages through their apps and enable transfers of funds. The children’s app also allows the user to be onboarded as a separate customer of the bank subject to parental approval.



Giving kids a taste of financial freedom, but with parental oversight & supervision



4. Build relationships with your next-gen bank customers

With the financial world moving to a fully online environment in the next five years and cash use continuing to recede, educating children in online financial management has never been so important. Family wallets provide children with a safe, fun environment for them to learn how to manage their money while spending responsibly. They also offer parents peace of mind, knowing that their children are at lower risk of fraud and scams as they can monitor their spending and set limits. From a bank's point of view, family wallets make sense both from the perspective of social responsibility and when it comes to bank profitability, widening the bank's product portfolio while building brand loyalty and revenues in a rising generation of digital-native young consumers.



To find out more about how and why your bank should be offering a family wallet product, contact:

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About Nets

Nets is part of Nexi Group – the European PayTech with scale, capabilities, and geographic reach to drive the transition to a cashless Europe. We are committed to supporting people and businesses of all sizes, transforming the way people pay and businesses accept payments. By simplifying payments and providing the most innovative and reliable solutions we enable businesses and financial institutions to better serve their customers, build closer relationships, and to grow together.

For more information please visit: www.nets.eu or www.nexigroup.com