HUMANGRAPHEXPERIENCE

by **Starcom MediaVest Group**
presents

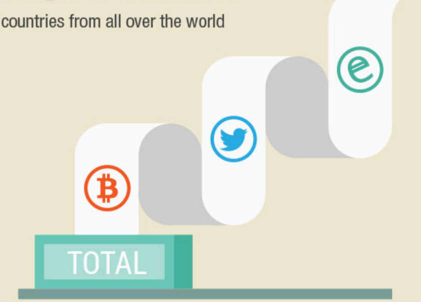
# The Future of Money

## GLOBAL PERSPECTIVE

Millennials and Experts, 18 countries from all over the world

### Smaller Transactions Pack A Big Social Punch

New ways to pay continue to emerge -- from peer-to-peer payment like Venmo or Popmoney, to biometric systems like pay-by-fingerprint, to



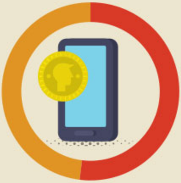
### Smaller Innovations Game Changing Perceptions of Value

New concepts of “money” are taking form as virtual currencies become more prevalent. From "gamified currency" like Emrals to cryptocurrencies like mobile wallets like Apple Pay or digital wallets like Token, to wearables – payment enabled watches or rings.

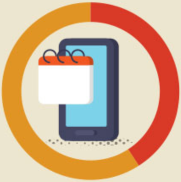
bitcoin, to local currencies like Capivari in Brazil or Bristol Pound in the UK, to social media in exchange for currency at Tweet Shops or as Carlsberg beer did in Denmark. These are all ways that are not only changing perceptions of money but play with people's idea of value.

## MILLENNIALS ARE LEADING THE WAY

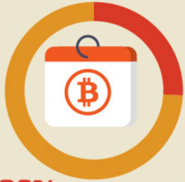
Studies show they are most open to new and emerging payment solutions and less trusting of traditional ones.



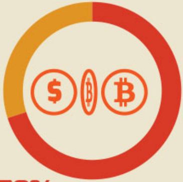
**52%**
of Millennials have used mobile payment and drive adoption of emerging payments



**41%**
have used their phone to make a payment at least monthly



**26%**
expect to use digital currencies daily or weekly by 2020



**70%**
of Millennials say they believe the way we pay for things will be different in 5 years

Adding to the Millennial impact on banking behavior, are the millions in developing markets without access to established banking or credit (the "unbanked") who thanks to mobile payments now have purchasing power that surpasses the norm.

Nine countries across Sub-Saharan Africa now have more mobile money accounts than bank accounts, according to the GSMA.

M-Pesa (alternative payment system offered by Vodafone) alone has more than 61 million mobile wallet accounts worldwide.

## MILLENNIALS: THE (ALMOST) LOST GENERATION FOR FINANCIAL SERVICES

**53%**

of the investigated Millennials* trust banks and credit card companies more to handle payments and transactions than alternative payment providers.

**Sample: 30 global respondents*

> “Uber does a terrific job of managing payments. You don't even have to process the transaction after you have taken a ride. You just get in the car, go to your destination, get off and boom it is done.”

Millennials growing awareness and experience with new ways to transact is fast eroding this default loyalty, not to mention that traditional financial services have not been able to move quickly enough to address their new needs.

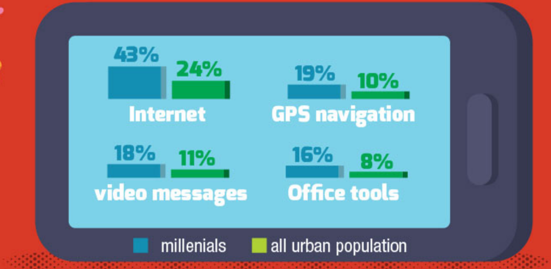
Millennials are looking to merge their personal financial lives in the same way they manage and merge their digital and social lives.

# LOCAL PERSPECTIVE

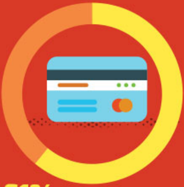
## ROMANIAN MILLENNIALS AND THEIR SMARTPHONES

Millennials and their mobile phone have a special relationship. Their mobiles are an intrinsic part of their life.

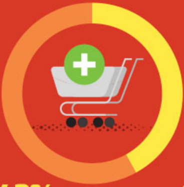
They are the first ones that will test the limits of their phones and use with higher affinity vs all urban population the following features:



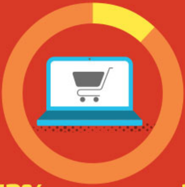
## ROMANIAN MILLENNIALS ARE SLOWLY ADOPTING EMERGING PAYMENT TRENDS



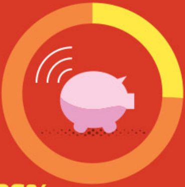
**61%**
own at least one banking card



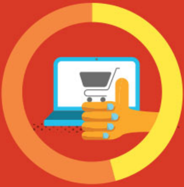
**42%**
show very much & a lot interest for e-commerce websites



**12%**
buy online



**26%**
use internet banking at least monthly.



**only 46%**
agree that online shopping is making their life easier

There is a certain lack of trust in online payments generated by the distrust in the provider, rather than in the actual payment system. Many Romanians paying online are afraid that if they pay when ordering online, the provider will take their money and not deliver the goods they paid for. In consequence many buy online but prefer to pay face-to-face, after receiving the goods

**53%**
of those that order products online collected their products in store

**30%**
received the product at home

## SOME ROMANIAN BRANDS THAT ARE EMBRACING THE FUTURE OF MONEY

### F64

Accepts Bitcoins payment, along other 13 online stores, one restaurant, beauty salons and tourism companies.

### Vodafone

Introduced M-pesa. Partnered with Cinamagia and MoBuy Solutions.

### Orange

Introduced Orange Movies

### Metrorex

allowed for a while paying for the tickets via SMS and will now introduce contactless payment via card

### CNDR

Allows drivers to pay road taxes using their mobile phone, via an SMS. This method is active since May this year and it's a success.

### Netopia

Developed an app called mobilPay Wallet, which allows its users to make payments without using each and every time their cards.

### Cora

The first retailer that since June this year accepts mobile payments via Netopia MobilPay wallet.

# Transactions for Millennials

how we spend, save, invest and earn in exchange for something considered valuable (goods, services, money etc.)

SPEND
SAVE
INVEST
EARN

## SPEND

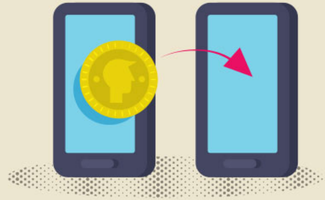
### Financial OS

They want choice and the freedom to personalize and capitalize on life all in one stop or button so to speak. This is witnessed in the fast gaining popularity of one stop service apps like Alipay and WeChat in China. Both apps have already long surpassed their basic function of payment, expanding their services to increase their integration within Millennial lives in China.

### Virtual Goods

The next big market to emerge will be one where we transact with each other in virtual goods. Japan and China are far ahead of the US in terms of virtual goods models where you use virtual goods to pay people for things.

Facebook have recently enabled their developer community to sell virtual goods directly from ads in users News Feeds, and the right-hand column of



## P2P Payments

Person to person has always been how cash is exchanged so the fact that we can now do this digitally is amazing. Convenience, ease, and security are the big upsides in this shift.

The frontrunners in this space appear to be aligned with situations where:

Convenience transacting is a huge benefit (splitting a fare with Uber Ride Share)

relationships and social encounters thrive (Venmo, WeChat, FB Messenger)

money is already managed and entrusted (P2P services from local banks such as Me2u money texting in Ireland)

digital is safer than physical cash (M-Pesa mobile money transfer by Vodafone).

users' pages. So far the Ads have been extremely successful yielding a 5500% return on investment (Source: AdWeek).

## Bitcoins

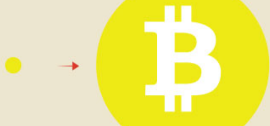
Experts agree, Bitcoin or rather the blockchain technology behind it, will have the disruptive power to not only revolutionize global payment systems but also trigger massive simplification of the banking process and cost structures associated with moving money.

And the Wall Street Journal agrees… "for all of Bitcoin's growing pains (volatility, insecurity and criminality), it represents the future of money and global finance...It is a radically new, decentralized system for managing the way societies exchange value. It is, quite simply, one of the most powerful innovations in finance in 500 years."

## DEEP DIVE BITCOINS

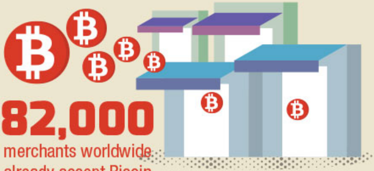
Bitcoin can no longer be ignored as the benefits of the growing alternative currency is forcing a re-evaluation of cultural, political, personal and economic principles.

### Startup funding



**$2 MIL.** 2012

**$347 MIL.** 2014



**82,000**

merchants worldwide already accept Bicoin

They are offering a simplified experience in a cheaper way at scale. Additionally this new network protocol allows value to be exchanged without the need of a trusted intermediary.
Venture Capital Firms also think Bitcoin will rapidly become a legitimate online currency alternative.

The benefits of Bitcoins (payment freedom, low fees, fewer risks for merchants, security and control, transparency and neutrality without government) is forcing a re-evaluation of cultural, political, personal and economic principles.

## LOCAL FOCUS

36
companies

already accept Bitcoins in Romania, while currently there are 874 self-service payment terminals across Romania, where Romanians can trade Bitcoins.

**1405**
locations

Romania is the first European country in which Vodafone brings M-pesa and the 10th on global level. The service was launched in March 2014 and it is already available in 42 counties – 350 cities - 1405 locations. This service is also addressing persons that don't own any back accounts.

Uber was launched in February 2015 in Bucharest. It processes the payment automatic through the app and fares are usually cheaper than a taxi.

## THE RISE OF REAL-TIME MONEY MANAGEMENT

Millennials are continuing to outgrow the stereotype of youth not being responsible in matters of money. And if awareness is half the battle, then they are setting themselves up to win in the future with a growing preference for features that allow them real-time control of their funds.

This real-time control has multiple advantages -- from making purchases without remorse to not having to go to the ATM to not worrying about whether there are funds to cover a purchase to the ability to be more social with friends.

While real-time control doesn't always guarantee financial wisdom, it does inform and back up the instincts Millennials say they already have about their money which in turn sets them up to be more discerning with where their money goes overall.

## Swift Save mobile savings APP

Throughout the day a button pops up and prompts you to save small amounts. By following behavior, the app learns what time of the day or week you are most receptive to the savings method. Brands can help or incentivize you with a discount.

## Piggybot APP

Moves the allowance behavior into the virtual space, giving children some direction about what they have to spend and where their money can go. At the same time, this gives parents some real-time control in teaching money lessons.

# INVEST

## A NEW WORLD ORDER FOR INVESTING

Investment as a financial strategy and transaction is no longer reserved for those with significant money to grow and Millennials are keen to take advantage of this change.

Crowdfunding is taking this open market to another level, appealing to Millennials in particular who are keen to invest in companies and initiatives they believe in for a more rewarding payoff in the products they love that is beyond "donating".

A number of apps and services (such as Acorn App) that allow for easy contribution and management of investments are growing by the day as well.

This hands-on "seeing is believing" appears to be important for Millennials around the world. Where previous generations formed and trusted the

relationships with their banks to lead the way, Millennials are building their investment relationships based on the experiences they are testing out.

This transaction trend is democratizing finance because it allows Millennials to express their entrepreneurial skills whilst being at the forefront of change and improving their social standing.

## LOCAL FOCUS

Crowdfunding as a alternative investment method entered the Romanian market in 2012. At that point existed only one crowdfunding platform with 7 projects that didn't attracted the attention of the public so much.

In 2013 two more platforms entered the market. One of it PotSiEu.ro managed to raise 20.000 RON for a campaign called Ba se Poate!, representing 66% of the proposed sum.

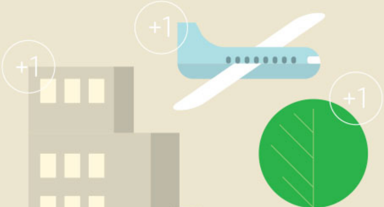
**5095 EUR**

Romanians prefer to keep it small! The most successful project on the We-are-Here.ro platform was a Jazz Funk album. It gathered 5095 EUR out of 4500 Eur necessary. Most Romanians donated 5 EUR.

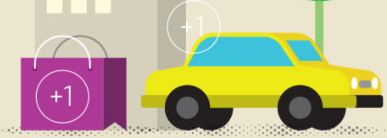
# EARN

## "EARNING" IS AT THE HEART OF ALTERNATIVE CURRENCY

Millennials are seeing value in a new light from other generations. Playing to their often limited funds and focus on experiential living, Millennials are intrigued by new ways to earn from and do more with their daily deeds and activities.  Outside of a paying job, their actions speak louder than words and in many cases in the form of alternative currency.



Millennials are excited by the opportunity for their choices and personal lifestyle to count for something and to be a source of "income" along the way. Even for those whose economic situation isn't an issue, finding ways for daily living and actions to earn something of value is motivating and quite frankly just fun.



Line Coin is a new transaction currency from Line, the most popular instant messenger in Taiwan with highest user penetration. By participating in different activities using the platform, Millennials can earn Line Coins to purchase Line stickers or other merchandise.

Friendship Points turns mobile messaging into something rewarding. Friendship Points is initiated by LINE. Users who send a LINE message to their friends get Friendship Points. BCARD points can then be redeemed at popular outlets like ZALORA, Starbucks, etc.

Miles for Meals app converts calories bruned while jogging into EUR, which are donated to a charity organization.

## FINANCIAL INCLUSION: THE NEXT BIG SOCIAL CAUSE

A big trend emerging is Financial Inclusion and how technology will be used to "help people who need money get money".

Today FinTech companies largely have focused on helping people who already have money to get more money or do a better job of using their money. But start-ups are turning their attention to social impact and the triple bottom line (people, planet, profits) with products like microfinance, mobile payments and alternative loan services to serve the needs of underbanked and unbanked consumers.

Startups like Zestcash, Wonga, Progreso Financiero, Lendingstream (payday loans), Xoom (International money transfer) and pre-paid debit cards like Netspend, Greendot and Account Now are all targeting this audience group to overcome the barrier that the less money you have the more it costs you to manage it and move it.

In addition to start-ups, non-finance companies like

Walmart, T-Mobile, Vodafone, and USPS, have also recognized this opportunity and have moved quickly to serve this audience which represents 2 Billion people worldwide (WorldBank, 2014), many of which are Millennials.

## LOCAL FOCUS

### Breslo.ro

Attracted 37k followers on Facebook and is the greatest handmade community in Romania.
It has more than 100.000 members and around 16.000 registered shops.

### Mobuy

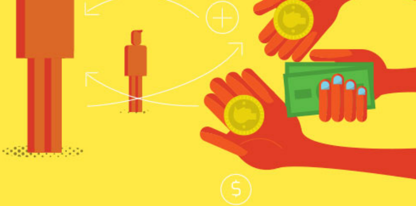
A Romanian startup that in partnership with Vodafone launched a mobile app that offers discounts to its users, when users are in the proximity of the partners' stores and not only.
It was the first app to reward customers for their buys.
They repay their users also for comments, reviews or check-ins in stores. Moreover, the app allows users to pay directly with their mobile, with payments to appear on their Vodafone services invoice.

## SO, WHAT NEXT?

### THE FUTURE BELONGS TO ADAPTIVE PAYMENTS

As value transactions become more complex and more invisible they will require new systems to keep a sense of control on what they have spent (in terms of physical energy, social energy, time and also money) and what they have learned, saved and gained.

The challenge of the modern age is to manage the overload of information and to relieve the pressure to memorize each transaction. As the desire and means to socially source tasks grows, so does the need for reliable, simple, and no fee (aka “adaptive) payment services to help in the exchange of payment for services rendered.



## Global trends to follow:

Crowdsourcing as a mega trend is taking on many forms with peer-to-peer sourced service. Solutions which provide automatic saving for your debit card spending and wallets that automatically integrate loyalty and payments.

Timebanking is one of the most interesting segments to gain presence from the re-evaluation of value and extend beyond social improvement. Companies like Echo or Spice are facilitating the exchange of an individual’s contribution of time and personal skills for another service or item of real value. Finally, today, time really is money!

Transactions will be either invisible, will exist in a no-click world, where we place items in our basket and walk out of the door without having to speak or enter any information at all, either they will be highly personal and experiential, loaded with information.

At the same time as our appetite for an experience-led culture which values access, discovery, connecting and sharing over physical ownership continues to grow, so to will the expectation for material items to be wrapped in of some kind of social currency. Brands will need to make a choice – either to simply deliver the goods as fast and hassle-free as possible or create spaces where people want to belong, visit, learn and meet.

## MONEY MINDSETS – MORE LOCAL THAN GLOBAL

Given the critical and personal nature of ‘money’, it is important to understand how the cultural dynamics that define one’s outlook on life are having an impact on the success of innovation in this space, particularly for international brands.

## Three factors appear to be at the heart of how the Money Mindset is formed:

**An eminent need for social improvement**
A marked need for financial access, emerging/mobile payment legislation, and protection of personal wealth/identity are motivators in the adoption of change.

**Prevalence of emerging fintech and startups**
Not surprisingly, the markets with the most emerging payment options have the most developed consumer acceptance of innovation. The constant stream of trial creates a vibrant circle of innovation, feedback, and iteration.

**Financial heritage**
It appears that some markets have a pronounced financial heritage to consider when exploring and developing innovation.

For markets like Romania, consumers will require benefits that build their trust and assurance that the risk to entry is low and safe to experiment as the doors open for emerging technology and services.

Where access and emerging technology are available, but there is not an eminent social need for change or heritage is strong… consumers will need a clear view of the added benefit new products and services will bring to the tried and true way they are used to working.

## ROMANIAN MILLENNIALS IN SERIOUS NEED OF MONEY MANAGEMENT EDUCATION

For those that do make online purchases, the computer is by far the most used device for buying online. Companies that offer alternative or emergent payment methods need to communicate their products so that everybody can understand what they are offering. Even though there are some emergent payment methods on the market not many millennials are using them.

## Reasons that slow down the acceptance of new payment methods are:

**Lack of proper education on behalf of the companies that offer these methods.**

**Difficulty to see the benefits these emergent payment methods might bring**

Romanians distrust complicated procedures, especially when it comes to money or their financial information. That's why easy and straight-forward payment, like paying via SMS for the subway, parking or road usage is working well compared to other alternative methods.

Romanians prefer to use the traditional payment methods, via bank transfers, because they trust the banks more than everything else. Online payments already made their life easier and they don't actually feel a real need nor see any reasons to upgrade to other payment methods.

# CONCLUSIONS

Money is rapidly changing—not its value, but how we go about spending it—and it's going to keep changing. No brand or category can afford to ignore the dynamics already at play today.

Romanian millennials are not reluctant to new, emergent payment methods. Once they got used to paying using cards; they accepted it and now walk around without carrying any cash or almost any with them.

**But in order for them to start using these emergent methods they must:**

- ! first understand how they work, what are their benefits compared to the traditional card payment,
- ! understand that the payments are more secure than or as secure as what the banks are currently offering

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