Comparing the Perception of and Expectations for Mobile Financial Services among Millennials and Industry Experts

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Abstract

The rising housing prices and stagnant salaries combined make the start of the independent life difficult for the millennial generation. The higher cost of living diminishes the means the young adults have for saving and therefore it is challenging to find a way out of the struggle. Millennials, who are used to being surrounded by digital services, expect effortless interaction when dealing with everyday errands, including financial matters. However, the financial services industry is still lagging behind, even though in the increasingly saturated application market, it seems like there is an app for everything.

Extensive research has been done on the millennials’ money management habits and a few studies have examined the technological advancements’ effect on the financial services industry. The aim of this study is to investigate the Swedish millennials’ engagement in wealth management and their expectations for mobile financial services. Additionally, it aims to identify how well the financial services industry understands the millennials’ needs and expectations for mobile financial services.

The study was conducted through a survey with 101 Swedish millennials and interviews with three millennials and four representatives from the financial services industry. Findings indicated that the millennials are engaged in wealth management activities, but do not have a clear strategy for it. The results show that the financial services industry experts understand millennials relatively well, but there is still a gap between the millennials’ and industry experts’ perceptions of mobile financial services.
Sammanfattning


Omfattande forskning har gjorts gällande millenniegenerationens penninghantering och ett antal studier har undersökt teknikutvecklingens effekt på finansbranschen. Målet med denna studie är att undersöka den svenska millenniegenerationens engagemang i förmögenhetsförvaltning och deras förväntningar på mobila finansiella tjänster.

ABSTRACT

The rising housing prices and stagnant salaries combined make the start of the independent life difficult for the millennial generation. The higher cost of living diminishes the means the young adults have for saving and therefore it is challenging to find a way out of the struggle. Millennials, who are used to being surrounded by digital services, expect effortless interaction when dealing with everyday errands, including financial matters. However, the financial services industry is still lagging behind, even though in the increasingly saturated application market, it seems like there is an app for everything. Extensive research has been done on the millennials’ money management habits and a few studies have examined the technological advancements’ effect on the financial services industry. The aim of this study is to investigate the Swedish millennials’ engagement in wealth management and their expectations for mobile financial services. Additionally, it aims to identify how well the financial services industry understands the millennials’ needs and expectations for mobile financial services. The study was conducted through a survey with 101 Swedish millennials and interviews with three millennials and four representatives from the financial services industry. Findings indicated that the millennials are engaged in wealth management activities, but do not have a clear strategy for it. The results show that the financial services industry experts understand millennials relatively well, but there is still a gap between the millennials’ and industry experts’ perceptions of mobile financial services.

Keywords: Generation Y, Millennials, Wealth Management, Financial Services, Mobile Applications

INTRODUCTION

According to Pew Research Center, it is an intergenerational opinion that the young adults today face more economic challenges than the older generations when they were starting out, mainly due to the increased housing prices and low entry-level wages [1]. Nevertheless, as it turns out from the report by Scheresberg and Lusardi [2], the millennials have an optimistic view to life including to their financial capabilities [2]. 85% of millennials in the USA say that they either earn enough now to live the kind of life they want or believe they will in the future [1]. Inizio investigated young Swedes’ attitudes toward pension savings and found that young adults in Sweden have a low interest in planning for retirement [3]. This shows that the actions do not keep up with the expectations for the life quality in the future. Often young people refrain from thinking about saving for the future, as things like pension are too far ahead [4]. By 2020, the total net worth of global millennials is expected to grow to 19-24 trillion USD, according to Deloitte, meaning the millennial cohort will have a market force that captures the interest of many players in the economy, including financial service providers [5]. The technological advancements have brought about new innovations in the financial services industry, from cryptocurrencies to instant payment solutions. Adding the Revised Directive on Payment Services, adopted by the European Parliament on 8 October 2015, the path is clear for new FinTech companies to arise. The question is: how well can the financial service providers fulfill the millennials’ needs?

This study aims to investigate the millennial generation’s perspective on wealth management and compare their view with the opinion of the wealth management industry experts. The goal of this research is to help service providers offer services specially designed for millennials by better understanding the expectations and needs of the younger market segment.
BACKGROUND
In this section, an overview about financial services, millennials and financial literacy is given. Millennials’ technology usage and investing habits are further explained.

Financial Services
The Cambridge dictionary defines financial services as business services relating to money and investments [6]. Oxford dictionary specifies the definition by stating that financial services are professional services involving the investment, lending, and management of money and assets [7]. Globally, the financial services industry leads the world in terms of earnings and equity market capitalization [8]. Technology-enabled advancements in the financial services industry have allowed for improvements in customer engagement, education, and personalized product offerings [9]. Financial technology – FinTech – is creating new opportunities and challenges for the financial sector – from consumers to financial institutions, to regulators [10]. According to CB Insights, investments in financial technology has increased to a record high of 16.6 billion USD in 2017 [11]. Dorleitner et al. categorize FinTech companies into four major segments: financing, asset management, payments, and other FinTechs [12]. In this thesis, the innovations in asset management are taken a closer look at, as this segment “includes FinTechs that offer advice, disposal, and management of assets and aggregated indicators of personal wealth” [12].

Revised Directive on Payment Services
On 8 October 2015, the European Parliament adopted the revised Directive on Payment Services (PSD2) to make it easier, faster, and more secure for consumers to pay for goods and services by promoting innovation (especially by third-party providers), enhancing payment security, and standardizing payment systems across Europe [13]. PSD2 has been applied since 12 January 2016 [14]. EU countries had to incorporate it into national law by 13 January 2018 with the implementation time of the Regulatory Technical Standards (RTS) of 18 months after the implementation of PSD2, meaning the full effect of the directive will not be seen before the third quarter of 2019 [14]. PSD2 aims to ensure Payment Service Providers (PSPs) equal competition environment resulting in greater efficiency, multiple choice of services and lower prices, transparency and strengthening the vision of harmonized payments market [14]. As a result of the requirements of open application programming interfaces (APIs), PSD2 introduces two new types of third-party providers: account information services (AIS) and payment initiation services (PIS) [14]. AIS allows the users to have an overview of their financial situation to better manage their personal wealth and finances, while PIS allows the users to pay with a simple credit transfer for an online purchase providing merchant an assurance of the payment that it has been started and goods or services can be provided without delay [14].

The possibility for third parties to access account information will move the presence of a bank to side and raises huge competition of customers’ time spent in service providers’ user interface and – experience [15]. An AIS provider therefore highly depends on its ability to provide its customers with excellent user experience and personalized services [16]. The directive will boost competition in the e-payments market which will lead to lower prices and an increased amount of choices to customers [14]. New services could mean for instance a better budgeting or forecasting tool or better utilization for customers own finances [17].

Millennials and Technology
The generational theory states that generational cohorts share life experiences which cause them to develop similar attitudes and beliefs [18]. The Oxford dictionary defines millennials as people who reached young adulthood in the early 21st century [19]. So, the millennial cohort also called as the Gen Y consists of people born between 1980 and 2000. Millennials are, according to Brack, “continuous learners, team players, collaborators, diverse, optimistic, achievement-oriented, socially conscious and highly educated” [20]. Growing up with high-speed internet, cell phones, and social networks, has made millennials accustomed to rapid technological changes [4]. Kim and Ammeter found that this tech-savvy cohort processes website information five times faster than older generations [21]. Fertik argues that these advanced technologies made millennials experts in multitasking, but also shortened their attention spans and the ability to focus on a single task at a time [22]. According to the Touchpoints report, on average, 20 to 30 years old people use mobile phones during approximately 300 sessions per day [23]. The report Svenskarnas och Internet 2018 says that among 16 to 25 years old the internet usage in Sweden is 100% and mobile internet usage 99%, the percentages among 25 to 35 years old people are 99% and 98% respectively [24].

Millennials care a lot about the user and customer experience. They expect clear and easy to navigate
Websites and applications [25]. Young adults only enjoy interactivity when it serves a purpose [26]. Bilgihan found that building aesthetically attractive websites motivates millennials' loyalty in online contexts [27]. According to Nielsen Norman Group, young adults tend to be extremely confident in their own ability to navigate digital interfaces, even when encountering radically new design patterns and consequently, they are error-prone when using interfaces [26]. In addition, young adults rarely blame themselves when things go wrong, so they typically see usability issues as the fault of the site and will sometimes criticize the organization that the site represents [26]. This aligns with the findings of Bilgihan that websites' design is important for gaining the users' trust [27].

**Millennials as Investors**

One driver of the revolution in the financial services industry is the significant generational change taking place: the coinciding retirement of the Baby Boom generation and millennial generation entering the workforce, so money is changing hands from baby boomers to their heirs [28]. “This redistribution is creating a more diverse elite, new groups of investors, and a modification of the primary needs for the savings of families” [28]. Report by Deloitte states that most millennials have different investment practices than their parents and this cohort will eventually hold a significant share of global investable [5]. Many investment management firms are planning for the potential disruption caused by new technology-based entrants, who are likely to provide low-cost services, coupled with digital-age capabilities, aiming to build relationships with millennial cohort before they are targeted by incumbent firms [5].

Norwegian ICT company Evry studied how to engage millennials in financial services and discovered that members of this cohort trust the crowd aggregate, but they trust their personal friends even more [29]. They listen to endorsements and recommendations from people they feel they can relate to, are similar or know them best [29]. At the same time, millennials also have a strong sense of individualism and they feel the need to prove that they can make their own decisions [29].

The study by Cudmore et al. suggests that young investors are more interested in investing in stocks of companies that they are more familiar with or enthusiastic about [25]. The investment sector most preferred by millennials is by far technology, followed by health care, energy and real estate [30]. Millennials are achieving greater integration of their money and values by seeking personal fulfillment in their careers, applying a global consciousness to purchases, and investing in sustainable, impactful business models [31]. Brack argues that this generation is socially conscious, and, thanks to technology, they are aware of their own vast numbers and their impact on the environment [20]. The Report by Morgan Stanley states that millennials are nearly twice as likely to make a purchase because of a brand’s environmental or social impact, and three times more likely to work at or apply for a company because of its stance on issues [32].

According to Ernst & Young, millennials prefer to invest in alignment with personal values and this has driven a demand for sustainable investments [31]. Report by Morgan Stanley says that 86% of millennial investors are interested in sustainable investing: “individuals who invest sustainably choose to invest in companies, organizations, and funds with the purpose of generating measurable social and environmental impact alongside a financial return” [32]. Millennials, with their sizeable population, inheritable wealth and preference for digital channels of communication, will disrupt the industry as they begin to engage with wealth and asset management [31].

Unlike older generations like Baby Boomers and Generation Xers, who are often expecting elegant interactions through their online investment accounts and professional advice on demand, the millennial cohort tends to prefer engaging with online and mobile channels, a low minimum initial investment amount, and 24/7 access to investment advice on smart devices [5]. They expect a technology-driven interface, peer-to-peer interaction, low cost, transparency, and thematic investing, including social impact [5].

**Financial Literacy**

Financial literacy or financial expertise is “the education and understanding of various financial areas including topics related to managing personal finances, money, and investing” [33] Hilgert, Hogarth, and Beverly uncovered a strong correlation between financial literacy and day-to-day financial management skills [34]. Several studies have been conducted all around the world on the matter of financial literacy. Studies done in the Netherlands [35] and the UK [36] both resulted in findings that the overall level of financial literacy among the public is low, moreover, it appears that young people have a lower financial knowledge than the average. On the other hand, Pettigrew et al. found that young people
who have a clear plan for their future manage their savings better than those without a plan [36].

Even though the studies have shown that Sweden is one of the leading countries in the matter of the highest financial literacy, the situation among millennials is not great [37]. Almenberg and Säve-Söderbergh studied financial literacy in Sweden by asking three standard questions about the interest rate, inflation, and risk diversification from more than a thousand people [38]. They found that only 21.4% of the respondents could answer all three questions correctly and 34.7% answered “I don’t know” to at least one of the questions [38]. A study conducted by Inizio showed that nearly half (49%) of the Swedish university students hardly had thought about pension during the previous year [3]. 39% of the respondents felt that the information about pension is rather difficult to understand and 19% thought that it is very difficult [3].

The positioning of the Present Study

Extensive research has been done on the millennials’ money management habits, especially in the USA, less so in Europe. Additionally, thorough research has been conducted on the financial literacy of the population. There are many reports on how technological innovations have altered the financial services market, but not on how well these new service offerings are catering for the millennials’ needs. Therefore, this study aims to fill the gap in the literature of millennials’ perception of and expectations for mobile financial services and how well does the industry experts opinion match with reality.

This research paper aims to answer the following research questions:

Q1: How do millennials engage with wealth management and how much does the reality differ from the opinion of industry experts?

With sub-questions:

SQ1: To what extent are millennials satisfied with the mobile financial services on the market?

SQ2: Which factors influence the user satisfaction of mobile financial services among millennials?

METHOD

The process of this research was divided into three parts: pre-study, empirical study, and data analysis. The pre-study helped the author to gather a general understanding of the area. The empirical stage was the data collection phase, and the data collected through a survey and interviews were then analyzed during the data analysis stage.

A survey was selected as one of the research methods to reach a greater amount of people and therefore have more validity in the results. The purpose of the survey was to collect both qualitative and quantitative data about millennials’ attitudes and expectations regarding investing and other wealth management activities. Semi-structured interviews were selected as one of the research methods to acquire a deeper understanding of the phenomenon than it would be possible to get when using only quantitative methods such as surveys. Observational methods would yield more objective data on the issues, but as this study does not focus on a single mobile financial service rather aspires to get insights of the perceptions and expectations, it was not considered as an option. Also, observing users lacks all the explanations, rationalizations and interpretations offered by the interview talk.

The first part of the empirical study was conducted by sending out an online-based survey to respondents defined as millennials, i.e. born 1980-2000. The goal for the selection of the participants was to have a variety of ages and educational and professional backgrounds. The survey respondents were required to be from Sweden. Secondly, three interviews with millennials and four interviews with financial experts were conducted. The millennial interviewees were selected with different educational journey and working experience. The selection included two employees with either a bachelor’s degree or high school education and a medical school student. The aim was to have expert interviewees with different industrial background to have more variety to the perspectives: from banking to insurance, from big corporation to a startup.

Data Analysis

The data collected during the empirical phase was analyzed using a multi-approach method as quantitative (close-ended questions) as well as qualitative (open-ended questions, interviews) data was collected. The quantitative answers were categorized and analyzed with descriptive statistical methods, such as tables, charts, and other graphical forms.

The qualitative data was analyzed using thematic analysis method. Braun and Clarke [37] provide a six-phase guide which steps are explained in the following paragraph [38].
1. Familiarization with the data. The step includes reading and re-reading the transcripts.

2. Coding: generating succinct labels (codes) that identify important features of the data that might be relevant to answering the research question.

3. Searching for themes: examining the codes and collated data to identify significant broader patterns of meaning or, in other words, themes.

4. Reviewing themes: checking the candidate themes against the dataset, to determine that they tell a convincing story of the data that answers the research question. The themes selected must be coherent and they should be distinct from each other.

5. Defining and naming themes: developing a detailed analysis of each theme, working out the scope and focus of each theme.

6. Writing up: weaving together the analytic narrative and data extracts and contextualizing the analysis in relation to existing literature.

RESULTS AND ANALYSIS

Survey Results

The online survey targeted Swedish millennials and it included questions about their attitudes towards personal wealth management as well as thoughts about mobile financial services. The survey was created with Google Forms and distributed among the author’s friends and acquaintances as well as the young professionals’ network at Tieto. A total of 106 responses were collected. As the goal was to study Swedish millennials, 101 responses were used for this study, as 5 respondents were not from Sweden. 64% of the respondents were male and 32% female, 4% preferred not to say their gender. The majority of the respondents had a university degree or were currently pursuing it (79.2%). 11.9% of the respondents were currently in high school or it was their highest education. 57.4% of the respondents were from Stockholm, 16.8% from Västerbotten, the percentage from other counties was under 10 percent.

The participants of the study were asked about their attitude towards money management, the results are displayed in Figure 1. Half of the respondents said that they feel confident (50.5%), 25.7% said that they feel very confident, and 15.8% said they feel neutral about the matter. A minority of the respondents said that they feel unsure (4.0%) or very unsure (4.0%) about money management.

![Figure 1: Respondents’ feelings towards money management](image)

The respondents were asked to explain their answer and most of the people said they feel in control over their wealth, as they keep a close eye on their incomes and expenses. Some explained that they put money aside every month, which gives them confidence. Some respondents said that they spend more than they should or sometimes make irrational decisions, which makes them more uncertain about their money management skills. Some respondents brought out that they are interested in wealth management and/or investing, but at the same time others were either confused about the different options available or said it takes too much time to understand the best investing practices.

The participants of the survey were asked to rate their overall knowledge about money management and the results are shown in Figure 2. On the scale of 1 to 5 with 1 being very poor and 5 being very good, almost half (49.5%) of the respondents rated themselves with 4 (good), 27.7% said their knowledge is average, and 14.9% said it is very good. 4.0% of the respondents said their knowledge about wealth management is poor, and 4.0% said it is very poor. The same question on the same scale about investing gathered more equally distributed responses: 28.7% rated themselves with 2 (poor), 28.7% said their knowledge about investing is average, 25.7% said it is good, and 10.9% said their knowledge about investing is very poor. Only 5.9% of the respondents felt their knowledge about investing is very good. The ratings for knowledge about saving on the same scale was distributed as follows: 40.6% respondents rated themselves with 4 (good), 25.7% said they know an average amount about saving, 24.8% said their knowledge about saving is very good, 6.9% said it is poor, and only 2.0% rated themselves with 1 (very poor). The respondents rated themselves higher for knowledge about budgeting: 42.6% said they are good
at budgeting, while 31.7% said they are very good. 17.8% rated themselves with 3 (average), 5.9% with 2 (poor), and 2% said their knowledge about budgeting is very poor.

![Figure 2: Respondents' ratings for their knowledge about money management](image)

The respondents were asked to explain the answers to the questions about knowledge and most people said that they felt quite good about their knowledge about wealth management but added that they are not experts and would like to know more, especially regarding investing. Often the respondents said they are confident in their saving and budgeting skills, but do not invest the saved money anywhere, because it requires time and effort to figure out one’s way in this area. A couple of respondents mentioned that their flaw is budgeting, as they tend to “steal from their savings account”.

The survey provided the following insights:

**Millennials manage their wealth, but generally without a strategy**

When asked about their ways of managing the money, 75.2% of the respondents said they put aside X amount of money each month, 44.6% said they use money management applications. By far the least frequent answer was talking to a financial adviser: only 4% of the respondents said they have used this kind of service.

**Starting the first job and earning more money than needed are the main triggers for saving**

The respondents were asked what would make them save for smaller investments like a phone or traveling, bigger investments like a car or home, and pension. While starting a job and having more money than needed were among the top three triggers for saving in each of the categories mentioned before, the most frequent reason differed by category. For smaller investments, the most popular choice was having more money than one needs (76.2% of the respondents), for bigger investments, it was starting to think about having one’s own place or car (55.4%), and for the pension, it was starting a new job (48.5%).

Almost half of the respondents have set goals, but only 8% have measurable goals

47.5% of the respondents said they have set investment related goals. The respondents were asked what kind of goals they have set and how it helps them with wealth management. Many people have set a goal to save enough money to purchase a house or an apartment (16), 9 have set a pension-related goal, 6 want to pay off their loans and 9 are saving for an emergency buffer. Most of these goals are quite abstract, though, and do not have any measurable quality to it. Only 8 respondents indicated that they have a specific, measurable, and time-bound goal.

Financial security and freedom are the most influential motivators, successful people and pension forecast not so much

72.3% of the participants indicated that their motivator for engaging in wealth management and investing is financial security or freedom. A minority of the respondents named other successful people (19.8%) or investment gurus (5.9%) as their motivators. Neither did a bad forecast for the pension have a very big influence: approximately a quarter of the respondents (26.7%) said this motivates them to invest.

Distractions: living in the moment, not earning enough money to save, long time until pension

The responses for distractions that people face when trying to engage in wealth management were quite equally distributed. The two biggest distractions people have when trying to save money are the desire to enjoy living in the moment (27.7% of the respondents) and not earning enough money (25.7%). Other more frequent responses were the fact that pension is too far ahead (16.8%), not being able to control the impulsive buying behavior (15.8%), not knowing where to start (14.9%), and lack of interest towards the topic (10.9%).

Drivers: better life in the future and emergency fund

The respondents were asked what their drivers and reasons for engaging in wealth management are. The most frequent answer to this question was a better life in the future (80.2% of the respondents). Another popular reason was having a sufficient emergency fund, which was indicated by 73.3% of the
respondents. The survey shows that generally, millennials do not dream of retiring early: only 19.8% of the respondents claimed to be able to retire young their reason for engaging in wealth management. 

**Half of the people compare themselves with others, it helps to get an overview of the situation**

The survey results show that half (51.5%) of the people compare themselves regarding money management with their friends and family. The respondents were asked to explain why they do it and how it makes them feel. 9 people said that it makes them feel good about their situation or superior over their peers. 8 respondents explained that comparing makes them feel either inspired or pressured to work harder to reach their financial goals. The respondents described that the comparison helps them to get a better understanding and overview of their current situation, gives them the opportunity to help others, and enables them to get good tips on investing.

**Information travels by word of mouth, but not through a financial adviser**

The information about wealth management mostly travels by word of mouth. 55.4% of the respondents said that they get information from their friends, 50.5% from their family, and 46.5% said they get new information through co-workers. When asked about where the respondents turn for advice, 54.5% of them said they would talk to their family, 52.5% would search on the internet, and 41.6% would talk to their friends. Only 15.8% of the respondents said they would ask advice from a financial adviser. Most of the people would discuss money matters with their family (80.2%) or friends (64.4%), and only 15.8% of the respondents would talk to a financial adviser.

**Most popular applications with features that match the needs, are easy to use and convenient**

According to the survey, the most used mobile financial applications among millennials are bank applications (58.4% of the respondents), Swish (62.4%), and Avanza (40.6%). People like these applications, because they are easy to use, convenient and features match the users’ needs. The safety and good appearance of the application had the least influence on the appeal among the respondents.

The results of the survey show that millennials are not very eager to change the apps they use, as nearly half (44.6%) of the respondents had not switched the application they use. The application that had lost the most users was Tink, as 17.8% of the respondents had stopped using this application. The respondents were asked the reasons behind their decision and the majority said they either had discovered a better application, had not seen the benefit of the application, or just had forgotten about it.

**Users expect a great user interface that is easy to use but do not care much about customer service**

According to the survey, millennials want financial applications to be easy to use and simple. They expect the applications to have a great user interface. The least important aspect was good customer service. The millennials were asked to vote for their favorite feature of mobile money management applications and the most popular feature was saving (59.4%). Least votes were given to financial advice (13.9%). When asked what kind of services are missing from the market, the millennials answered they would like an application that would give them the forecast for their savings and investments.

**Interview Results**

In addition to the survey, three in-depth interviews were conducted with millennials with different backgrounds and four interviews with experts working in the financial services industry. In the following paragraphs the summary from these interviews is presented.

**Current Situation**

The interviewed millennials all said that they keep an eye on their expenses and try to save as much as possible, but do not use a wealth management system. They explained that they have a monthly budget for living and the rest of their income goes to savings that will be invested into funds by the bank. The interviewees said they save for so-called rainy days or buying a new apartment. Interviewee B said he started with money management when he was a kid and had to choose between buying candy and saving for a videogame. Interviewee A said he personally started saving when he was 18 years old, but his parents have saved for him since he was born. He added that he wishes his parents had included him into saving decisions when he was a teenager.

While interviewees A and C said that a person should start saving for pension as soon as they start working, neither of them had done it themselves. They both brought out the fact that their employer saves for them and it takes some pressure off them. Interviewee B was confident about his money management skills and felt like he does not need to save for pension due to the rising retirement age, which for him would mean “ten years more working and ten years less living on
pension”. Interviewee C said he would like to save more, but he needs the money for living. All interviewees said they compare themselves with their friends. Interviewee A said that it gives him “a view on where you are regarding investing and also where you should be”. He added that it makes him feel like he should have started saving earlier and puts more pressure on him. Interviewee B believes that the background of a person and their intelligence affect the decisions they make regarding money management, and he thought that people from poorer families are more frugal.

Interviewees A and B said they are not particularly interested in investing, interviewee C really wants to learn about it, but he does not know where to start. He explained that he wants to make the decisions himself instead of having someone from the bank do it for him. None the interviewees believe that banks have their best interests in mind, but when given a choice between a financial service provided by bank versus a third party, they would all choose the bank’s option. Interviewee A explained that in this case, all his finances would be in one place and interviewee C has more trust towards banks.

The interviewed experts, however, agreed that young people do not think enough about saving for the future. In their opinion, a person should start saving as soon as possible, already in the teenage years. At the same time, the experts argued that it is understandable that the youth postpone the saving. Interviewee G said he does not believe that it is connected to the socialist politics of Sweden. They all agreed that if young people save, then it’s for short term goals, like traveling, studies, or an apartment, but people under 30 rarely have started saving for pension (Interviewee E; Interviewee G). People stay young for a longer time (Interviewee D) and these days one is not considered adult until they are 30 years old (Interviewee E). Nowadays people want to travel and explore before settling down. Therefore, it is normal to put off starting a family which would force people to start managing their wealth more carefully. (Interviewee D; Interviewee E) Interviewee G believed that it is expensive to live while you are young, so the younger generation spends a lot of money, which makes saving very difficult. Interviewee E thought that millennials have a high propensity to consume now and borrow money to finance this consumption.

Drivers and Distractions

The interviewed millennials stated that the distractions that keep them from engaging in wealth management are lack of interest (Interviewee A) and limited resources (Interviewee C). Also, unexpected expenses on going out with friends take a toll from the savings. The main driver for interviewee A is living stress-free. Interviewees B and C name money and wealth as their driver for engaging in personal financial management.

Expert interviewee E believes that financial services overall is not a very interesting topic. Experts believe that the main driver that makes some millennials engage in the area is the interest in finances. Interviewee F added that major life changes like getting married or having a child influence the attitudes toward wealth management.

In the experts’ opinion the biggest distraction is the time – millennials feel like the pension is too far ahead. Also, the cost of living makes saving very difficult (Interviewee G). Interviewee G believed that the help from the parents has diminished the millennials’ need for saving.

Millenials’ Expectations

When asked about what they want from a mobile financial service, millennial interviewees explained that they want simplicity that gives them a good overview of their financial situation. Interviewee C specified that he dislikes the apps that require a lot of clicking through menus. Interviewee A said that there are too many options today, so it all becomes background noise and, because of that, none of the applications catch his eye. He also added that he wants the mobile financial service to be innovative and bring some new value to him. Interviewees A and C said they would be interested in an app that gives investment tips and market overview. Interviewee A specified that he would not mind robots giving these tips instead of humans. Interviewee A thought that a service that helps young people with housing loans and gives advice on savings is missing from the market.

Experts believe that young people are not used to planning, because they have grown up in an environment where “everything is a couple of clicks away”, Interviewee F believes that younger generations expect this availability from financial services as well. “Everything should be as effortless as ordering something from Amazon” (Interviewee E). All interviewees agreed that millennials want easily accessible, simple applications that provide a quick and hassle-free experience. Millennials are not interested in gamification, rather they want to spend as little time as possible using the financial applications (Interviewee F). Experts agreed that the
key is to be present in online channels, especially in mobile. Interviewee F argued that building successful mobile applications is not easy, because “nobody wants to download another app”. Interviewee D said that millennials do not want to be told what to do, but at the same time he believes that financial advice is the feature that millennials would look for in a financial application. Interviewee G thought that millennials are impatient and therefore want to see immediate results or they will change the tool in use.

Interviewee F said that the goal should be developing services that do not require thinking. Expert interviewees believe that the best solution to get to the younger generation would be targeting them where they are i.e. social media. Interviewee F added that in his opinion the messaging apps would be the best channel. Interviewee G said he believes that a great service would be a simulation that allows the user to set a goal and then gives advice how to get there: how much should be saved per month and where should these savings be invested into. Interviewee F firmly believes that just displaying insights is not enough, there must be a call-to-action button right next to the information. Overall, experts believe that a good financial advisory service is missing from the market, but they agree that the millennials must have the initiative to ask for the information.

DISCUSSION

This thesis aimed to identify the situation between Swedish millennials and wealth management and the young adults’ expectations for mobile financial services. The methods used to conduct this study were interviews with industry experts as well as Swedish millennials and an online survey with millennials. The aim of this study was to answer the main research question. To make the research more structured, two sub-questions were defined. Answers are presented below.

SQ1: To what extent are millennials satisfied with the mobile financial services on the market?

The results of the survey and interviews with millennials show that approximately half of the respondents use wealth management applications to manage their finances. Many people just keep an eye on their expenses and have a fixed amount that goes to savings each month. Some millennials feel there are too many different options on the market and it makes it hard to figure out the best one. The millennials like very simple and effective applications, but they feel like the services offered today could have more effortless interaction. Their biggest issue is that most of the applications do not support the integration with every bank account they have.

Millennials use mobile financial services mostly for getting an overview of their spending, but they do have some complaints about the tracking systems. The interview respondents said that often the system displays inaccurate expenses, which makes it look like the spending is higher and this causes unnecessary stress to the users.

SQ2: Which factors influence the user satisfaction of mobile financial services among millennials?

For an application to be successful among millennials, it must be effective and match their needs. Cudmore et al. found that millennials expect clear applications that should be easy to navigate [25]. The results of this study match with Cudmore et al. as they show that the system itself should be simple and easy to use. Although gamification has been a buzzword during the recent years and it is supposed to make an application engaging, millennials do not want to see unnecessary gamification elements in mobile financial services. Rather they would spend as little time as possible using the application. This aligns with the report by Nielsen Norman Group, which states that young adults only like interactivity if it serves a purpose [26].

Findings of Bilgihan state that websites’ design is important for gaining the users’ trust [27]. The results of this study show the opposite: as long as the company or institution is trustworthy, the millennials tend to prefer their applications regardless of the design quality. The reputation of the service provider is very important and thus it is easier for banks to deliver successful mobile applications. Even though millennials feel like banks do not have their best interest in mind as they are not the most valuable customers, they still would prefer an application provided by a bank to the same kind of application provided by a startup.

Millennials do not care much about customer service, as they would rather not even have to interact with the representatives of the companies. Young people prefer to figure out the issues they might have themselves rather than talk to a customer representative. The results of the survey and interviews show that the millennials do not use the mobile financial applications for advice. Instead, they would discuss money matters with their friends and family.

A suggested answer given to the main research question through the findings from the research process is presented below.
Q1: How do millennials engage with wealth management and how much does the reality differ from the opinion of industry experts?

The conclusions that can be drawn from the results of this study tell that millennials deal with money management but not strategically. This is troubling as according to Pettigrew et al., young people who have a clear plan for their future manage their savings better than those without a plan [36]. Most of the participants of the study state that they save money, but do not have a plan on where to invest those savings. Those who do invest, claim a personal interest to be the driver for engaging in the matter. The respondents rate themselves relatively high on their saving and budgeting skills but admit that their knowledge about investing is rather poor. This aligns with Almenberg and Säve-Söderberg who found that one third of Swedes did not know the answer to at least one of the three basic questions about interest rate, inflation, and risk [38].

Millennials use money management applications but tend to stick to the application provided by their bank. It shows that the reason they use these applications is the overall trend towards using mobile systems, rather than interest in wealth management. Experts have a great understanding of what millennials expect from an application. They have the correct idea that the younger generation wants simple and easy to use systems that are rather inexpensive. Experts believe that millennials are impatient and therefore switch between apps regularly, but in fact, the survey results show the opposite as almost half have stuck to the apps they started using in the first place.

A part of the younger generation relies on society to help them with pension savings. Interviewed Swedish millennials claim that they believe they do not need to start saving for their pension that early because by law their employer must contribute to their pension savings. Moreover, some young adults feel like they do not have to save privately at all, as the retirement age will rise and therefore their period of collecting the pension is longer. On the contrary, experts believe that the situation is not affected by the socialist environment in Sweden. In their opinion, the lack of wealth management activity among millennials is more connected to the spreading of the sharing economy, which influences people to rent instead of purchasing and therefore lowers the need to save up. Experts believe that the previous generation has been too helpful and therefore, the millennials do not have the sense of urgency to save, while the younger generation itself believes that parents should start saving for their children when they are born.

The experts in the financial services industry believe that millennials need an advisory service that would help them with wealth management. They do acknowledge, though, that the initiative must come from the millennials’ side. Millennials admit their lack of knowledge about investing and need for advice, but when asked about the features they like in financial applications, financial advice was one of the least popular answers.

The industry experts believe that the biggest distraction that keeps millennials from saving is the fact that young people feel like the pension is too far away. In experts’ opinion, the younger generation is not used to planning, so to think 40 years ahead is difficult for them. A significant number of millennials believe that this is an obstacle they face but most popular distractions are in fact the desire to live in the moment and therefore not having enough funds to save.

CONCLUSION

The financial industry has a rather accurate understanding of millennials and their needs, however, there are some areas of improvement. The greatest challenge is to raise awareness of the importance of managing personal finances among young adults and get them interested in wealth management. It is crucial to figure out a way to give advice when it has not been asked for and therefore advise the younger generations to become more financially responsible.

The areas for possible future research include widening the scope and exploring differences between countries or alternatively narrowing down and focusing on one aspect of financial services like investing or budgeting. Additionally, an interesting study could be done on the generation Z to get a glimpse into their expectations.

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