

Future brief 3

Advertising in the FinTech space

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The role of advertising in the FinTech space

Yesterday's blog prompted lots of useful discussion among our Iwisave Social Collective. I have been overwhelmed with a flood of stories. Today's e-post explores the impacts of FinTech advertising on young people. Teenagers can be very vulnerable when forming their financial identities and advertising knows how to make the most of this vulnerability.

Students get personalised adverts whenever they open their Y-Fones. The adverts are based on their online identities and on their previous purchases.

Virtual advertising is everywhere: even secondary schools make money by letting retailers advertise things on the walls, doors, and floors. The adverts encourage students to buy things such as fashion items and sports equipment and to stream music and video footage. All students need to do to purchase an item is scan an image and press a button on their personal device.

The ease of virtual shopping has led to overspending and debt/nama as there are as many online loan and banking apps. Credit companies are happy to loan to students and some students end up in a debt/nama cycle that lasts a lifetime. Young people have to constantly weigh up their needs and wants as they establish their financial identities. Unless they have a good understanding of how to manage their money/moni, they can be easily persuaded to buy things on credit that end up costing them a lot more than just the selling price. E-Loan (aka E-Shark) apps offer loans that are free for the first three months but then charge high interest rates if the loan isn't paid back quickly.

Virtual loan adverts draw people in with promises of no deposits and low repayments. The small print explains the timeframe for repaying the loan and the interest rates, but lots of people don't read this information. Budgeting/tahua services are worried that when people are short of money/moni, they focus on the short-term payments rather than on the total long-term cost.

Unfortunately, some communities are more exposed to advertising than others. A recent FinTech investigation reported that one holographic board in a low socio-economic community flashed 55 one-minute ads offering loans in a one-hour period. Only one of those adverts said a good credit rating was needed to borrow money/moni. The adverts target people who need emergency loans by stressing that loans can be set up quickly and easily. The adverts also target specific groups of people, including students, new immigrants, and the elderly. There are very few rules about adverts.

Loan sharks are experts at designing adverts that appeal to young people. They use everyday language and promote good that appeal to young people - goods that often lose value as soon as they are purchased. Financial institutions such as banks and finance and insurance companies need to change how they target young people. Research suggests that the language used in their advertising is too wordy and too formal to appeal to youth.

I know my thoughts reflect the concerns of many parents. Our kids are living in a very different financial world to the one we grew up in. Direct message me with ideas for my next feature series.

Tomorrow Freda Karpreet will share her insights into what is trending on social media posts - "Protecting my Financial Identity", "Building Resilience" and "Family Wealth" - useful commentary in this ever-changing marketplace.

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