



THE FUTURE OF YOUR MONEY.

How PFM's aim to shape spending and take charge in a post pandemic world.

There is no doubt that recent developments in the digital banking space are geared towards accelerating convenience and ease at an unprecedented pace. More and more fintechs/banks/neo-banks and even outside industry players are stepping up to provide best in-class facilities and as time passes, novel use cases keep popping up, the likes of which are often not seen before.

One driver that is moving the industry forward as a whole is "Open Banking". It is a banking practice that provides third-party financial services open access to consumer banking, transaction, and other financial data from banks and non-bank financial institutions. This is made possible through the use of application programming interfaces (APIs).

How does Open Banking change things for consumers?

For one, this is an opening to a world of convenience and personalization. Users no longer have to go through cumbersome processes to link their banking apps with other sources.

"It can all feel like one convenient ecosystem which enables greater financial freedom and reduces friction in user experience."

In the context of PFMs, Open Banking leads to a treasure trove of data for banks. In recent times, the PFM app industry has incrementally ballooned. With multiple players in the space, users have an option to switch to other services requirements.

“Hyper-personalization” is therefore something which a lot of PFM players are hopping onto. The deeper the personalization, the greater the chance of consumer stickiness and brand loyalty. With more and more data resulting as part of linkages, this gives greater insight to tailor products to individual users by analyzing, segmenting, increasing and retaining consumer base.

As of 2020,

24.7
Million

individuals worldwide used Open Banking services, a number that is forecast to reach

132.2
Million

by 2024.

(Statista)

Hyper-personalization helps with user stickiness and aims to increase retention.

(Brand Equity)



What Not to Ignore

Although the list of potential use cases (thanks to Open Banking) are non-exhaustive, some to potentially watch out for are:



Cryptocurrency

Thanks to widespread publicity, stories of astronomical profits and ease of entry- cryptos are quite literally “the talk of the town” in any urbanized setting. Gen Z’s are playing an active role as investors and ignoring this space is not exactly sound. Enabling users to keep track of crypto prices and track of their investments value is something PFMs should consider. The idea is to link PFMs to crypto exchanges like Binance and Coinbase.

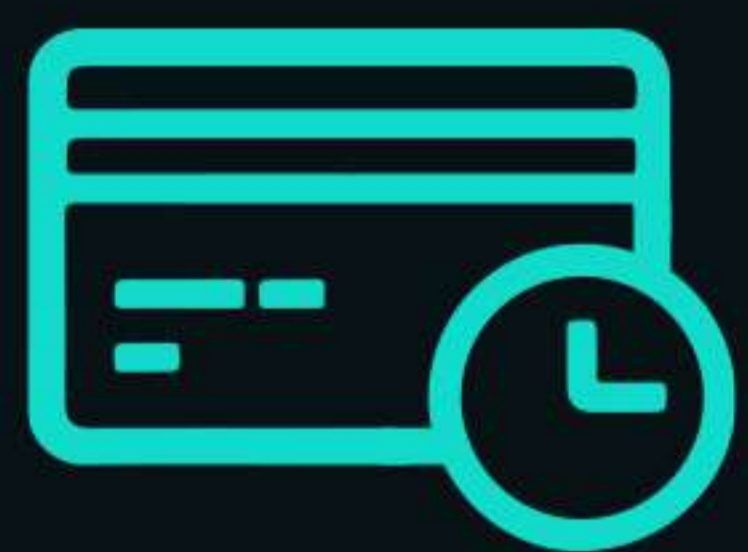
Bitcoin has a total market cap of

\$640

Billion +

as of June 2021.

(AI Multiple)



BNPL

Apple’s recent move into the BNPL space only further cements the case for this development to be a mainstay and any future PFM update must consider incorporating linkage with BNPL players via Open APIs.

The Middle East saw over **10 BNPL providers emerging** in 2020.

(MENA Bytes)



DIGITAL CURRENCY

Pilot projects have already been rolled out in multiple countries (including Bahrain) for CBDCs and it may be a matter of time when govts fully roll out these plans.



DIGITAL ASSETS / NFTS

Although still a growing concept – NFTs and other digital assets may soon see widespread adoption and be a part of a consumer's wealth portfolio.

There are approximately

10+
Countries

that are in the process of rolling out CBC's - Russia, Japan, Equador, Tunisia to name a few.

\$250 million the total value of NFT sales in 2020

\$2 billion the total value of NFT sales in the first quarter of 2021

(Cloudwards)

Global Insights

How money management differs

At its core, PFM's offer an almost universal functionality, budgeting money and tracking expenses. People around the world have been using different forms of PFM's – be it the humble pen and paper, the heavily commercial Excel program, or more recently sleek apps. PFM adoption depends on:

- The percentage of the population using banking services
- Financial literacy
- Innovation infrastructure
- Digital connectivity

This list is non-exhaustive but from our analysis it is widely seen that majority PFM apps are usually centered around developed markets. Although with the rapid enhancements in digital banking, Internet connectivity and Open APIs this is likely to change.

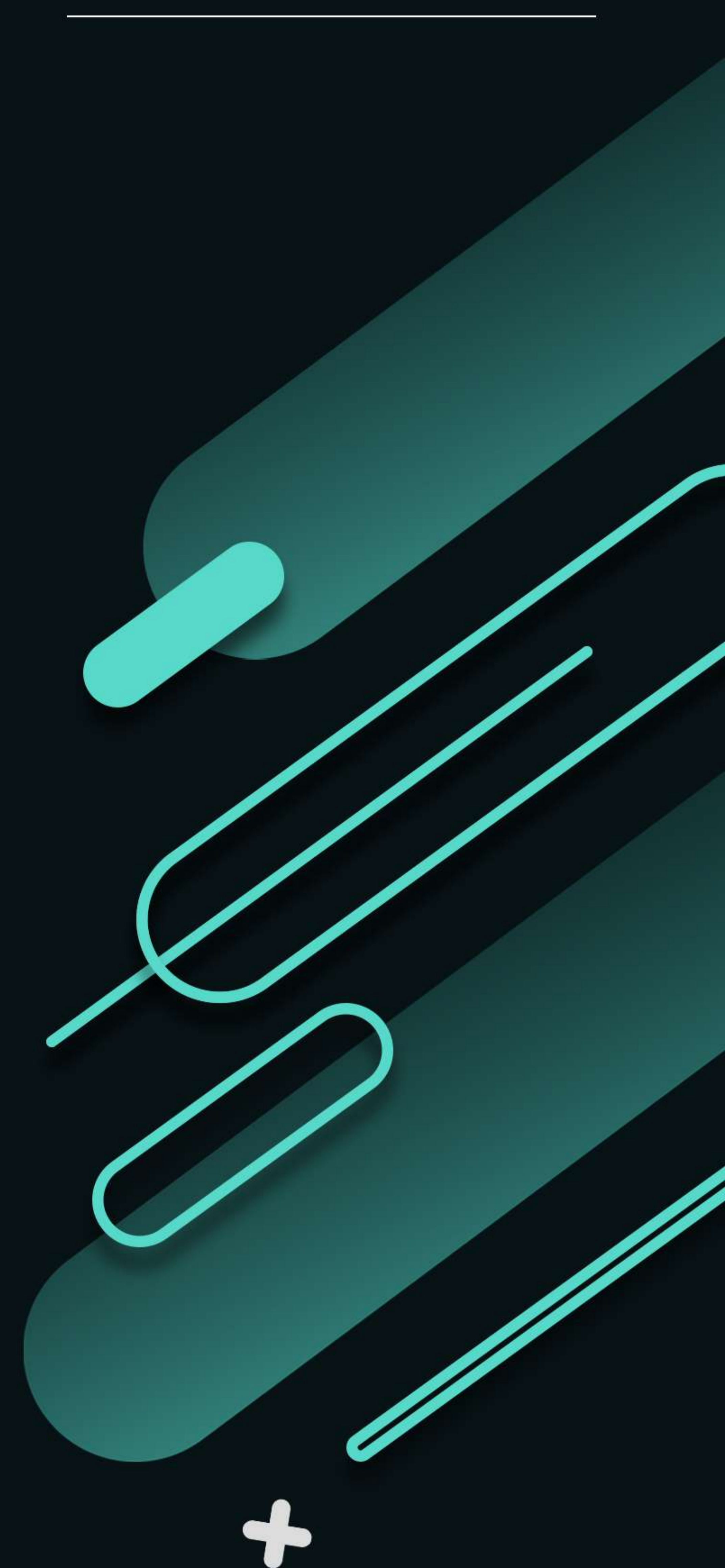
PFM apps are likely to see an increased interest in light of the economic downturn due to COVID. Although a large majority of PFM's are natively integrated with a country's banks – often standalone PFM's/digital banks offer services in multiple geographies and with the option of multiple currencies (Mint, Revolut).

There are currently over

100

PFM Solutions

globally.



PFMs also present a very strong case for travel especially with multiple currency handling features. With multiple tourist destinations primed to open up as COVID-19 subsides there is an expected surge in travel and it represents a potential opportunity for PFMs to correctly position themselves and build user loyalty. Minimizing on travel costs- saving along the way and even perhaps building up on reward points presents a potential hook and catch to retain users.

Leaders vs Followers

In the PFM space Europe is seemingly leading the race in terms of feature enhancements. Some of the leading players being -SaltEdge, Meniga, Strands, and Revolut. In the Middle East region, PFMs have leapfrogged from being basic saving and expense management tools to incorporating more enhanced features like:

- Loan management
 - Retirement planning
 - Cryptocurrency
 - Automated savings
 - Automated stock trading
 - Family account management
 - Subscription management
 - Predictive insights
 - P2P transfers
-to name a few

KSA e-commerce platforms, Bin Dawood and Danube saw an increase in sales of almost

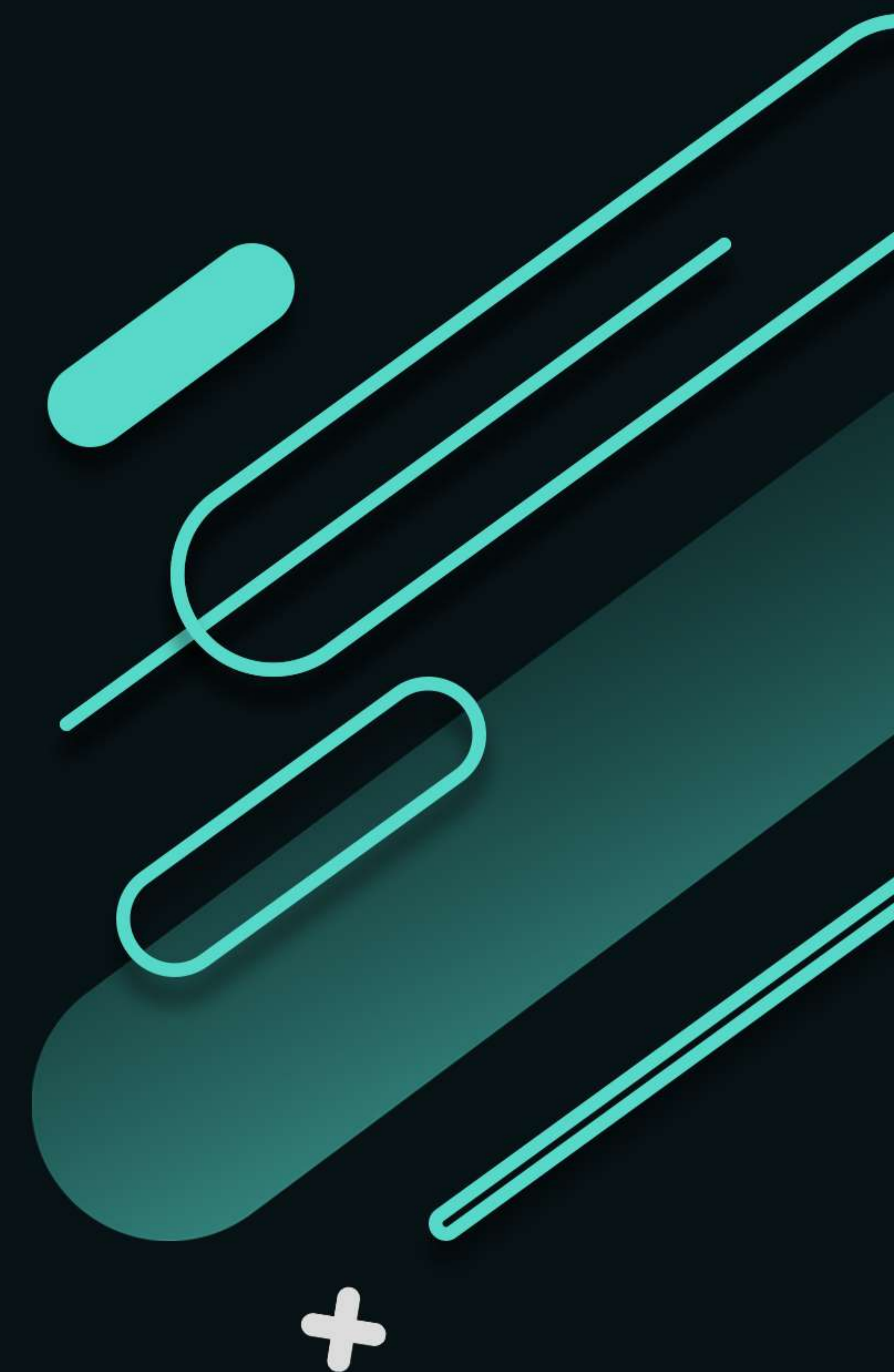
200%

while a survey of respondents indicated that over

50%

would continue to use their smartphone for online shopping post COVID-19.

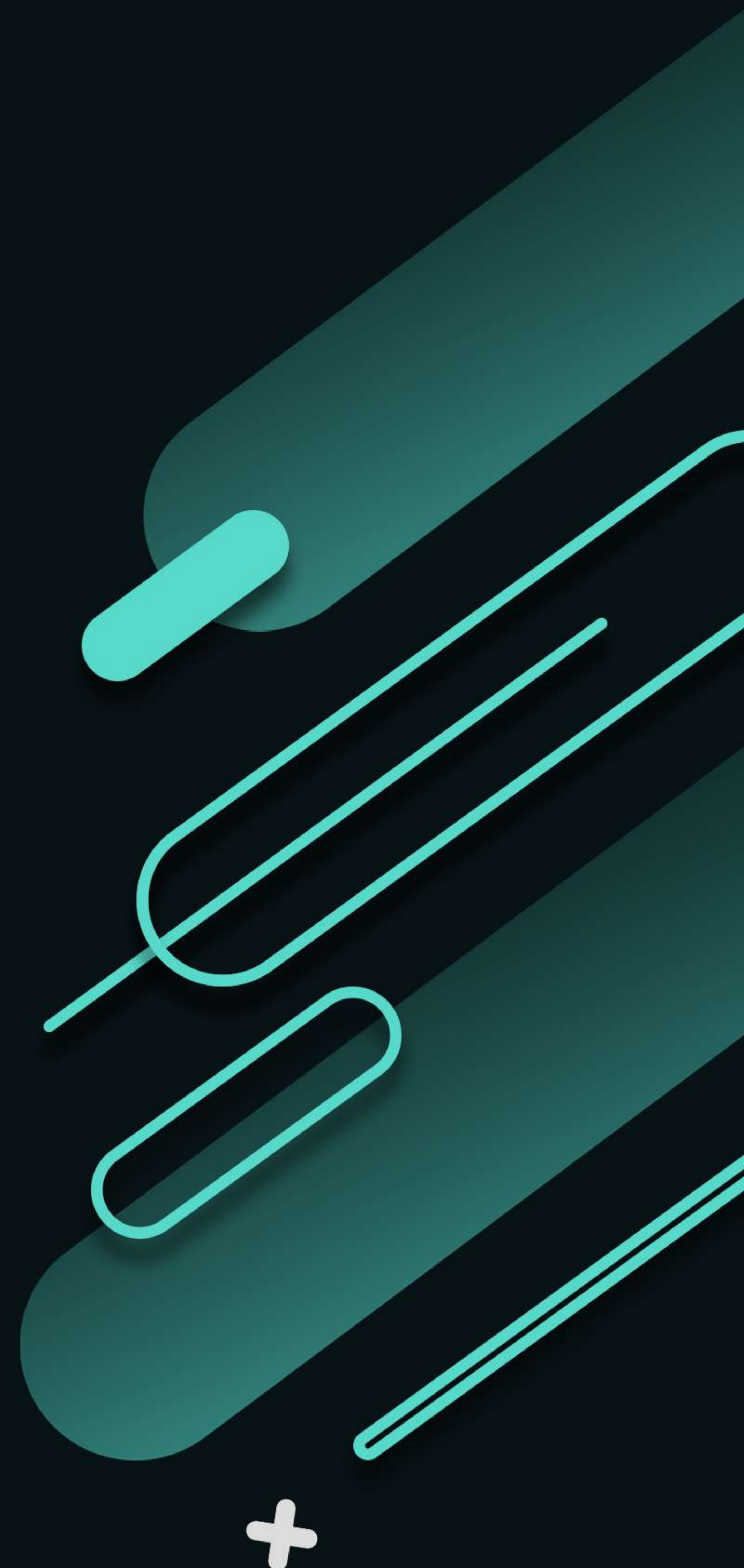
(PWC)



With advancements in AI and Open Banking, this list is likely to grow further and players who identify trends and incorporate them quickly will receive greater traction in attracting users. Less developed markets are likely to follow the leaders in this space, although where they can perhaps excel is in further localizing their offerings.

For example, Warba Bank in Kuwait offers multi-language functionality as well as attractive design avatars catered to the MENA market. In America, minority-focused digital banking is growing and the same concept may be applied to the PFM space as well. Some PFM apps such as Twine and HoneyDue focus on the "couples-only" niche and while MENA based PFMs do not necessarily need to "follow" or target the same niche. However, they may follow a segmented approach for their own regions in specific cases. Or perhaps offer different modes (locals, expats, tourists etc.)

That being said, interest in digital payments and the digital space in general has seen quite a boom in the MENA region. Two of the driving factors being COVID-19 and government development plans (Bahrain 2030 and Saudi 2030). This then indicates a large propensity for MENA consumers to spend their time online. With the right pitch and feature development, PFM can be an effective way for banks to increase and enhance their relationship with clients both existing and new.



Open banking, AI and PFM apps have a seemingly upwards cascading relationship. This space is truly one to watch out for both as consumers and as banks.

How to capitalize on the opportunity?

Spire's state of the art PFM solution is already on the path to build itself as the Super App 2.0. While it is still a unique PFM solution with its core functionality of Intuitive Budgeting, Smart Savings with Round Up, Bills Management and Financial Well-Being, it has been smartly placed and positioned within the roadmap to cater to this opportunity through its Market Place Integrations as well as becoming Open Banking ready.

Stay tuned for a full report to be released very soon!

