

A CASHLESS SOCIETY?

EUROPEAN MILLENNIAL ATTITUDES TOWARDS ELECTRONIC PAYMENTS



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European Millennial Attitudes Towards Electronic Payments

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ThinkYoung is the first think tank that focuses on young people. It was founded in 2007 and has expanded to have offices in Brussels, Geneva, Madrid and Hong Kong. It is a not-for-profit organisation, with the aim of making the world a better place for young people, by involving them in decision making processes and by providing decision makers with high quality research on key issues affecting young people.

ThinkYoung conducts studies and surveys, makes movies, writes policy proposals and develops education programmes: to date, ThinkYoung projects have reached over 600,000 young people. Based on its research on young people's necessities, ThinkYoung creates trainings and workshops to empower youth with the tools to have a positive impact and make a change.



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EXECUTIVE SUMMARY





Over the last few years, digitisation has been driving disruption in almost every industry. The personal finances and financial services sectors have been one of the sectors most affected by the rise of fintech start-ups all over the world. It is unsurprising that payment options have been revolutionised and the way we use our wallets is changing fast.

The following study is the result of a broad survey of 2,008 young Europeans, aged 18-29, that belong to the two generations that are driving the digital revolution

– Generations Y and Z¹. Based on their responses on how they approach, rate and use cash and electronic payment options, we try to pinpoint the most important trends that are shaping the development of new technologies and consumer behaviours in five of the European Union's largest markets: Germany, France, Italy, Poland and Spain.

Generation Y and Z members were asked about a range of different topics including: their current use of cash; their use of electronic payment options; their prefer-

¹Generations Y and Z are the demographic cohorts directly following Generation X. As there are no clearly established dates for these two generations, we have defined Generation Y as all people aged 24-29 and Generation Z as all people aged 18-23 for the purposes of this study.

ences in terms of providers and types of solutions; their opinions on safety and convenience of different payment options; and their perspective on technological trends that will shape the sector in the coming years.

The study uncovered that the main drivers for the adoption of electronic payment options are financial awareness and increasing purchasing power. The wave of digitisation seems to be unstoppable. At this point, only 1 out of 4 young Europeans use cash on a daily basis.

In terms of electronic payment method providers, the market is highly fragmented. Over 70% of all respondents have adopted additional options of payment from multiple emerging digital solutions. This however does not exclude the fact that over 70% of young Europeans still use a credit or debit card and over 60% of both generations have a PayPal account.

Among the new payment options, country-level providers have gained the most market share. Solutions such as Giro in Germany, Postepay in Italy and BLIK in Poland are used by between 35% and 50% of all respondents in their respective countries. Digital wallets of young Europeans are shifting from their cards to their smartphones and other devices.

The main barriers for the adoption of electronic payment options are insufficient acceptance for small commerce and control over spending. Young Europeans are also likely to demand matching levels of convenience and security. They expect encryption and biometric identification to be further developed over the next few years.

The adoption of electronic payments is here to stay. However, the rate will vary by country and be dependent on the ability to gain the trust of young Europeans.



LITERATURE REVIEW



TRENDS IN ELECTRONIC PAYMENTS

Although 85 percent² of all world-wide payments are still made in cash, the cashless economy is hurtling forward helped by a number of different economic, social and regulatory factors.

A) Changes in Consumer Preference and Purchasing Behaviour

Generation Y (Millennials) and Generation Z represent approximately one quarter of the population in the U.S. and Europe. They have lived their entire lives in an era of mobile technology, and they see almost no reason for paper money³.

Both Generation Y and Z cherish experiences⁴. Therefore, payments need be a seamless element in the purchasing process, occurring automatically and in real time, embedded into the everyday buying flow.⁵

B) Technology Advancements

In recent years, advancements in electronic payments have accelerated the mass adoption of certain options⁶. From the fourth quarter of 2017 to the first quarter of 2018, digital wallet payment expenditure rose by 114%, the number of transactions increased by 38% and average ticket size grew by 55%⁷.

² Alan Wheatley, Cash Is Dead, Long Live Cash. Finance & Development, Imf.org, June 2017, Vol.54, No.2. Available at: <https://www.imf.org/external/pubs/ft/fandd/2017/06/wheatley.htm>

³ Jingjing Jiang, Millennials stand out for their technology use, but older generations also embrace digital life. Pew Research Center, 2 May 2018. Available at: <http://www.pewresearch.org/fact-tank/2018/05/02/millennials-stand-out-for-their-technology-use-but-older-generations-also-embrace-digital-life/>

⁴ Jason Dorsey and Denise Villa, The State of Gen Z 2017: Meet the Throwback Generation. The Center for Generational Kinetics. April 2017. Available at: <https://genhq.com/wp-content/uploads/2017/04/The-State-of-Gen-Z-2017-White-Paper-c-2017-The-Center-for-Generational-Kinetics.pdf>

⁵ Wellsfargobankcom, What Millenials and Generation Z Expect from their Banks and Service Providers. Wellsfargobankcom 2017. Available at: <https://global.wellsfargobank.com/wfinsights-articles-millenials?elqTrack=true>

⁶ Estelle Mense, 7 Payment Industry Trends That Will Shape 2019. BlueSnap. December 2018. Available at: <https://home.bluesnap.com/snap-center/blog/payment-trends-2019/>

⁷ Daphne Howland, Gen Z is about to kill cash. Retail Dive. 23 April 2018. Available at: <https://www.retaildive.com/news/gen-z-is-about-to-kill-cash/521642/>

This is evidence of four important factors: greater acceptance, increased comfort with the technology, a better checkout experience, and more repeat purchases⁸.

Almost 2.1 billion consumers worldwide are expected to use mobile wallets for payments or money transfers by 2019, representing growth of almost 30% over the 1.6 billion consumers who used mobile wallets last year⁹.

⁸ Ibid.

⁹ Ibid.

COMPETITION IN THE MARKET

As in any market that is scaling up fast, electronic payments have seen high levels of new product launches in recent years¹⁰. Technologies that are currently dominating the space are contactless credit and debit cards, other RFID-based items and mobile payments¹¹.

A) Contactless Payment Cards

One of the most wide-spread options of electronic payments are contactless cards. They are traditional cards issued mainly by Visa and Mastercard with an embedded RFID chip. Their increasing popularity with consumers can be attributed to a number of factors, including the way they have changed the way payment cards are used by allowing transactions to be authenticated simply by tapping the card without the need to enter a pin-code for low-value transactions.

In many ways, contactless cards are similar to other RFID-enabled items as they are all quick and easy ways to make payments. However, there are also several key differences. On the upside, customers are dealing with a piece of technology they have already had in their possession for several decades. In fact, many consumers do not even know that they have the possibility to use this technology until they discover it on the go¹².

B) RFID Technology-based Solutions

RFID technology uses radio waves to track tags containing electronic information. Tiny RFID can be attached to wristbands, lanyards or badges, and can be scanned using dedicated scanners or modern smartphones, making them an almost universal and very versatile payment option.

¹⁰ Christopher Zara, Cashless Payment Apps: the Good, the Bad and the Ugly. Fast Company. 27 December 2017. Available at: <https://www.fastcompany.com/40512175/cashless-payment-apps-the-good-the-bad-the-ugly>

¹¹ Token Team, The Three Most Popular Types of Cashless Payments Compared. Gettoken.com. 27 April 2018. Available at: <https://www.gettoken.com/3-popular-types-cashless-payments-compared/>

¹² Dylan Bushell-Embling, 82% of consumers make contactless payments every week. Technologydecisions. 15 March 2017. Available at: <http://technologydecisions.com.au/content/it-management/news/82-make-contactless-payments-every-week-544794707>

One of the most popular uses of RFID, used mainly at events, is using the RFID tags as 'wallets' that attendees use to pay for food, drinks and merchandise (after topping them up with credit, either before or after the event)¹³.

Versatility and the fact that RFID tags do not need a power source makes them a preferred technology for wearable devices¹⁴, smart clothing and other non-traditional payment options, such as direct payment stickers at the point of sale or even electronic payment options embedded in smart buildings.

C) Device-based Mobile Payments

Mobile payment refers to the various apps that turn the smart-

phones that consumers are already carrying into a digital wallet which can be used to pay for goods and services¹⁵. Apple Pay and Google Wallet (recently re-branded Google Pay) have both launched in recent years and have seen some adoption in the United States, Europe and Australia with a user base of 87 and 24 million respectively¹⁶.

There are two main types of digital wallets: device-based and internet-based. Device-based digital wallets use near field communication (NFC) technology to allow users to pay for purchases without handing over a credit or debit card. Instead, customers can tap their phone or other NFC-capable device on a contactless reader¹⁷.

Among the device-based digital wallets, Apple Pay is the most

¹³ Token Team, The Three Most Popular Types of Cashless Payments Compared. Gettoken.com. 27 April 2018. Available at: <https://www.gettoken.com/3-popular-types-cashless-payments-compared/>

¹⁴ Simon Davies. Could RFID Technology be the Future of Event Giveaways? TechCo. 7 August 2017. Available at: <https://tech.co/news/rfid-technology-wearables-future-event-2017-08>

¹⁵ Ellen Cunningham, Digital Wallets: Intro to Apple Pay, Google Pay, Chase Pay and more. CardFellow Credit Card Processing Blog. 30 October 2018. Available at: <https://www.cardfellow.com/blog/digital-wallets-apple-pay-samsung-pay-paypal/>

¹⁶ Merchant Machine, The Rise of Digital and Mobile Wallets: 2019 Global Usage Statistics. Merchant Machine. 7 November 2018. Available at: <https://merchantmachine.co.uk/digital-wallet/>

¹⁷ Ellen Cunningham, Digital Wallets: Intro to Apple Pay, Google Pay, Chase Pay and more. CardFellow Credit Card Processing Blog. 30 October 2018. Available at: <https://www.cardfellow.com/blog/digital-wallets-apple-pay-samsung-pay-paypal/>

popular application¹⁸. Apple manages to create more of a user-friendly experience by getting users acquainted with their security systems such as Face ID and Touch ID. Once users have onboarded to their phone's biometrics systems, they are more likely to adopt a payment service attached to their phone's security.

Google Pay's ecosystem is more fragmented, so it becomes more challenging to educate Android users about new features. Google also has a hard time getting Android phone users to upgrade to the latest version of its operating system, which explains the lower number of people using Google Pay¹⁹.

Internet-based digital wallets let customers add credit or debit card information to a personal account or profile. Information is kept on

file and when customers make a purchase online, they sign into their account and use it to pay for their purchase. This type of digital wallet allows users to pay for online purchases without providing their card details to the website where they are shopping²⁰.

D) Internet-based Mobile Payments

Internet-based digital wallets are most commonly used for paying for products from a website but may also be accepted as a payment method for takeout meals, delivery services, donations and other prepaid purchases²¹.

With a customer base of over 250 million, PayPal is the best-known internet-based digital wallet for paying for purchases from shopping websites²².

¹⁸ Karen Tumbokon, Apple Pay Beats Google Pay and Samsung Pay Among Millennials. Tech Times. 4 March 2018. Available at: <https://www.techtimes.com/articles/222154/20180304/apple-pay-beats-google-pay-and-samsung-pay-among-millennials-and-genz-users-survey-says.htm>

¹⁹ Charles Arthur and Sarah Butler, Upgrade downturn: Why are people holding on to their old phones? The Guardian. 1 September 2017. Available at: <https://www.theguardian.com/money/2017/sep/01/upgrade-downturn-why-are-people-holding-on-to-their-old-phones>

²⁰ Brady Porche, 3 Major Mobile Payment Security Risks and How to Avoid Them. CreditCards.com. 14 December 2017. Available at: <https://www.creditcards.com/credit-card-news/mobile-payment-security-risks.php>

²¹ Adam Toren, The 15 most popular online payment systems. Entrepreneur. 6 December 2016. Available at: <https://www.entrepreneur.com/article/286006>

²² Sarah Perez, PayPal to become a payment option in Samsung Pay, including in-app, online and in-store. TechCrunch. 17 July 2017. Available at: <https://techcrunch.com/2017/07/17/paypal-to-become-a-payment-option-in-samsung-pay-including-in-app-online-and-in-store/>

GENERATION Z AND ELECTRONIC PAYMENT OPTIONS

Generation Z, a demographic group that has only recently been subject to careful study in terms of behaviour and consumption trends, will be driving the digital transformation over the next few decades. Their usage of new technologies, which is significantly higher than for Generation Y, paired with a very forward-looking and bold worldview, is an emerging opportunity for electronic payment options.

A) Preference for Flexibility

In 2017, Gen Z had the highest frequency of mobile payment usage at 45% compared to Gen Y at 42%, 41% for Gen X and 38% for Baby Boomers. They are also more likely to use payment technology that allows them to share or split purchases with friends. Gen Z are also more likely (58%) to make a spontaneous purchase and payment on their mobile device (compared with 51% of Gen

Y, 36% of Gen X and 37% of Baby Boomers)²³.

Gen Z are more likely than older generations to abandon a purchase or payment on mobile if the payment takes too long. A negative payment experience will affect customer loyalty and the potential for a repeat purchase²⁴.

Surveys also revealed that members of Gen Z make mobile payments at a wide variety of establishments, including department stores (44 percent); shops selling coffee, tea and snacks (41 percent); convenience stores (33 percent); and supermarkets (28 percent)²⁵.

B) Increasing Interest in Mobile Channels

Among Gen Z, over 28% are digital pioneers that require everything to be connected and mobile. This large group is the most likely to

²³ Michael Donoghue, How Generation Z will dictate the future of payments. IPSI. 1 April 2018. Available at: <https://ipsi.com.au/generation-z-will-dictate-future-payments/>

²⁴ Ibid.

²⁵ Thefinancialbrand, Generation Z: The Future of Banking. Thefinancialbrand. 22 January 2018. Available at: <https://thefinancialbrand.com/70024/generation-z-banking-marketing-strategy/>

push the revolution in electronic payments forward²⁶. Studies found that only 20% of Gen Z consider easy online banking to be important, compared to about 33% for Gen Y. This can be seen as Gen Z abandoning the channel in favour of mobile access²⁷.

C) High Consumer Awareness

Recent research revealed that Gen Z are also very interested in financial and economic education and want to comprehensively understand the products they use²⁸.

Subsequently, compared to Generations X and Y, they are also far more open to financial service offerings from non-traditional brands, such as Google, Amazon and Apple. Their willingness to adopt new technology is up to 2.5 times faster than other consumers and is a boon to banks

when piloting new services, but it also contributes to the success of fintech start-ups as they develop disruptive solutions²⁹. As many as 31 percent of all of Gen Z members agree that they will not have to rely on banks for financial services in the future, but rather on large tech companies³⁰. This group is also more likely to find existing security measures an irritating step when paying for something (64% vs 59% of all adults)³¹. They are keen to see biometric security, such as facial recognition, fingerprint and retina scans become available to replace them. 76% of Generation Z would feel comfortable making a payment using biometric security and 69% believe this will make their lives faster and easier³².

²⁶Andrew Vahrenkamp, Gen Z Comes of Age... In the Age of Digital Banking. Atmmarketplace. 15 June 2018. Available at: <https://www.atmmarketplace.com/blogs/gen-z-comes-of-age-in-the-age-of-digital-banking/>

²⁷Jeffrey Pilcher, Gen Z is About To Rock The Banking Industry. Thefinancialbrand. 19 October 2015. Available at: <https://thefinancialbrand.com/54828/generation-z-banking/>

²⁸"Generation Z: The Future of Banking"; The Financial Brand, January 2018

²⁹"What Millennials and Generation Z Expect From Their Bank and Service Providers"; Wells Fargo, January 2018

³⁰Thefinancialbrand, Generation Z: The Future of Banking. Thefinancialbrand. 22 January 2018. Available at: <https://thefinancialbrand.com/70024/generation-z-banking-marketing-strategy/>

³¹Visaeurope. Generation Z Ready for Biometrics to Replace Passwords. Visaeurope. 12 January 2015. Available at: <https://www.visaeurope.com/newsroom/news/generation-z-ready-for-biometric-security-to-replace-passwords>

³²Ibid.



FUTURE TRENDS IN ELECTRONIC PAYMENTS

The payment technology of tomorrow demands greater flexibility, security and agility to adapt to customer needs on short notice. All players in this increasingly diverse industry need to anticipate and act accordingly. They must be ready and capable of adapting to remain relevant.

A) Gen Z's Coming of Age

The high demand for electronic payment options will only become more important as a larger share of Gen Z enters the workforce and their level of spending increases. Previous generations tolerated poor user design and experience, slower payment times and inconvenient identification. With Gen Z, businesses that use payment infrastructure without seamless, real-time capabilities will get crushed by their competition³³.

B) Rethink by Financial Institutions

On the supply side, financial institutions will need to rethink their models of R&D and consumer engagement as they face two main challenges – development of technology and meeting customer demand in terms of experience.

As it is questionable whether financial institutions have the digital DNA needed, the expected collaboration and partnerships will make the fintech landscape for payments unrecognisable in less than a decade. Banks are likely to bring their years of experience, critical infrastructure and compliance capabilities to the table, while they leverage small technology start-ups for biometrics, authentication and service design. The new marriage of opposites—fin and tech together—is a powerful mutual dependency³⁴.

³³Michael Donoghue, How Generation Z will dictate the future of payments. IPSI. 1 April 2018. Available at: <https://ipsi.com.au/generation-z-will-dictate-future-payments/>

³⁴Michael Abbott et.al. Driving the Future of Payments: 10 Megatrends. Accenture. 2017. Available at: https://www.accenture.com/t20171012T092409Z_w_/ca-en/_acn-media/PDF-62/Accenture-Driving-the-Future-of-Payments-10-Mega-Trends.pdf



BACKGROUND AND METHODOLOGY





BACKGROUND AND OBJECTIVES

The survey on the behaviour of Europe's youth with regards to cash and electronic payment options was carried out between November and December 2018. The main goals of the study were to:

i. Identify to what degree European youth are switching from cash to electronic payments in their daily life;

ii. How Gen Y and Gen Z interact with different options of payment;

iii. What is it that entices young

Europeans to use each of the available options; and

iv. What factors drive their choice of their preferred options of payment.

Additionally, we have investigated what young Europeans think about safety, privacy and security while paying with electronic options and what trade-offs they are willing to make in terms of convenience and features. We have also asked young people about the trends that they be-

lieve will shape the landscape for electronic payments in Europe in terms of technology advancements and developments. The results of this survey give a

good overview of the electronic payment landscape that providers of these services will face over the next few years and draft some conclusions on how to address the payment needs of European youth.

METHODOLOGY

The study received 2,008 valid responses from 5 different EU countries – France, Germany, Italy, Poland and Spain. It was carried out among a diverse group of young people ranging from 18 to 29 years of age. For the purposes of the results, we have categorised the sample in two groups. Whenever we refer to Generation Z (Gen Z), we mean young people ranging from 18 to 23 years of age. Whenever we refer to Generation Y (Gen Y), we mean young people ranging from 24 to 29 years of age.

A total of 777 responses were received from Gen Z representatives and a total of 1,231 responses came from Gen Y. Country of residence and gender are

represented equitably. Detailed information on demographics, financial situation, self-reported relation to banking products and new technologies is attached in Annex I.



ANALYSIS



ANALYSIS

In this section, we analyse the survey results. This analysis is subdivided into three sections:

i. Use of cash:

explaining current behaviours and attitudes towards cash, including frequency of usage, most common uses and their reasons;

ii. Use of electronic payment options:

exploring current attitudes towards electronic payment options, preferred providers and desirable characteristics; and

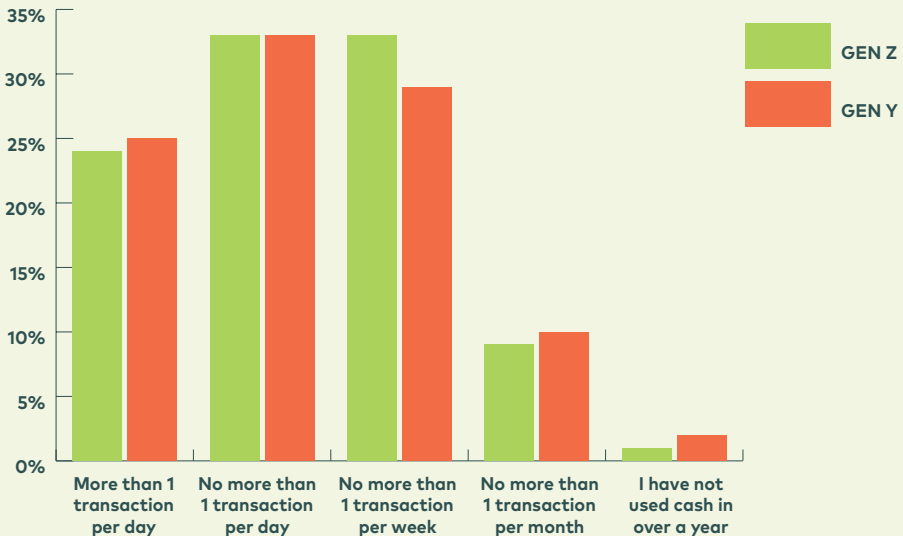
iii. Security of electronic payment options:

analysing young European perceptions of security and convenience of electronic payment options, as well as expected future trends in the development of electronic payment options' technology.

USE OF CASH

A) Frequency of Cash Usage

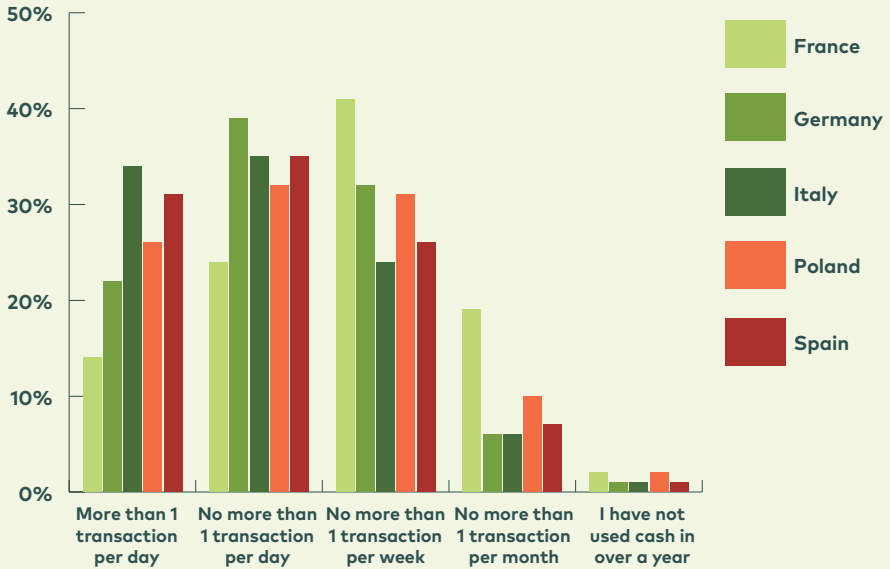
1. Frequency of Cash Usage



The frequency of cash usage follows interesting patterns for both age groups. It is a time of change in the sector and usage frequency is very different for both groups. Notably, only around 1 out of every 4 young Europeans uses cash on a daily basis. The two most visible groups are those that use cash either a maximum of once per day and those that use it a maximum of once per week.

In terms of group differences, Gen Z is clearly moving towards using cash less than once per week. There are also fewer Generation Z representatives that use cash on a daily basis. Inversely, however, Gen Y leads in terms of fully cashless individuals, with a higher percentage of those that use cash for a maximum of one transaction per month and those that have not used it in over a year.

2. Frequency of Cash Usage per Country



On a country level, Italian youth are the most frequent cash users, with over 34% of them using cash for more than one transaction per day – in line with Italians having the highest share of people without access to bank accounts.

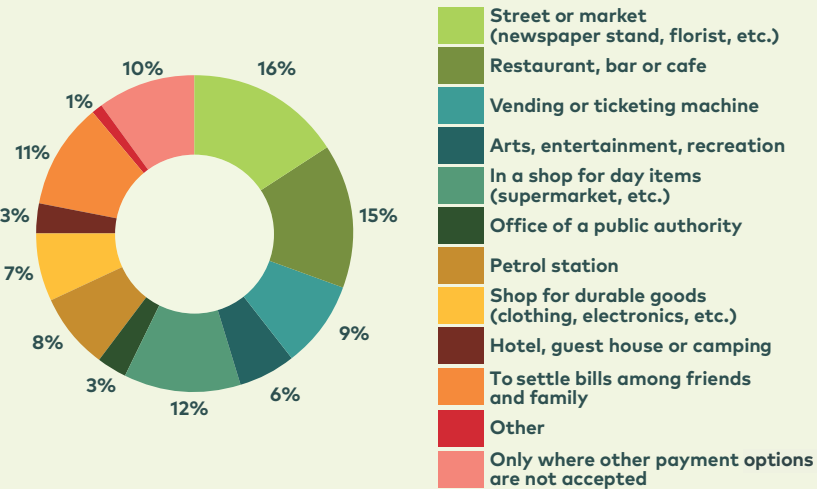
France and Poland are spearheading the abandonment of cash payments. In France, just under half of the surveyed group (41%) uses cash less than once per week and 19% of all French youngsters claim to use cash a

ANALYSIS

maximum of once per month – 2 to 3 times the percentage seen in other countries. Young Poles are just behind the curve with 31% (similar to Germany) using cash once per week and 10% not more than once per month.

The number of people who have not used cash in over a year is consistently low in the five countries and varies from 1 to 2% of the surveyed population, proving that it is difficult for young people to be able to completely abandon cash usage.

3. Most Frequent Places of Cash Payment (%)



B) Where is Cash Normally Used?

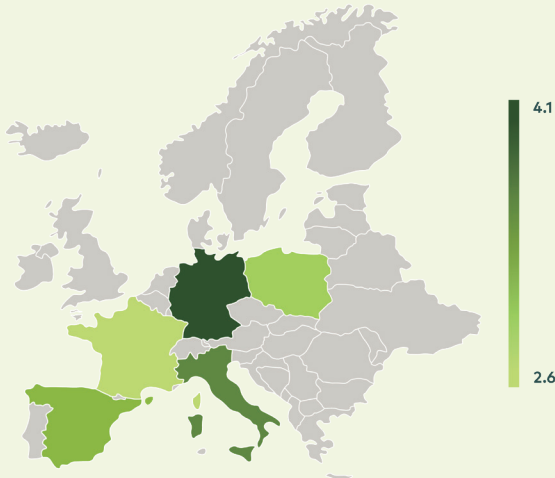
In an increasingly cashless economy, cash is still retaining a strong position as a form of payment among several broad categories. The top types of establishments where cash is frequently used are street stands and small, local establishments such as newspapers stands, florists, and farmers' markets. Over 50% of all respondents use cash in these places.

The second largest group, where about 30% of all respondents use cash, are small every day purchases and money operations such as shopping in a local supermarket, settling bills between friends and family, and to pay in places where other payment options are not accepted.

On the other end of spectrum, hotels and similar establishments are least often paid in cash, likely due to the rising popularity of online booking services. Payments in public authority offices are also unlikely to be paid in cash.

It should be noted that there are no places where over 50% of respondents use cash.

4. Average Number of Cash Payment Places/ Respondent by Country



Although the frequency of cash usage in different places is consistent across all five countries, there are visible differences in the number of places each respondent uses cash. Europeans in Germany and Italy have the highest number of places where they pay with cash - 4.13 and 3.99 per person respectively.

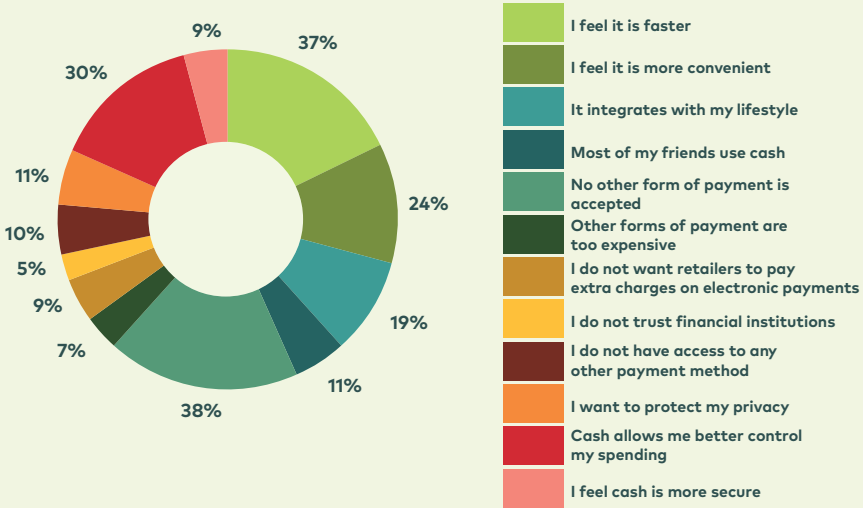
On the other end of the spectrum, most young people in France and

Poland do not use cash in more than three different places. In France, the ratio is the lowest in Europe, with just over 2.5 commerce types per respondent. In Poland it is 2.9 places per person.

The average across all five countries is 3.4 out of 12 potential eligible commerce types, indicating that cash is not the preferred payment form for most respondents.

C) Why Do Young Europeans Use Cash?

5. Main Reasons for Cash Payment (%)



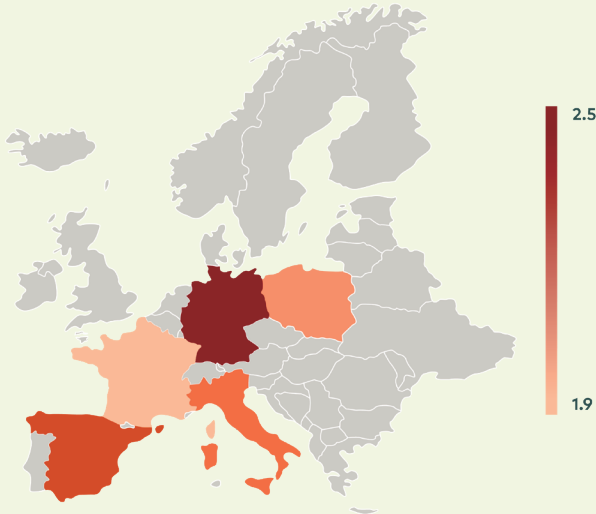
European youth gave very consistent responses about their main reasons for using cash. Apart from the impossibility of using other forms of payment, which is ranked as the top reason with 38% of all responses, only two other reasons were mentioned by over 30% of people. Almost as many people that pay with cash because no other form is accepted, use cash as they feel it is faster (37%). Young Europeans also believe that cash allows them to better control their spending (30%).

The three top reasons are followed by two that were selected by about

20% of all respondents, both referring to lifestyle and ease of payment. 24% of European respondents believe that cash is more convenient, while about 19% state that it integrates better with their lifestyle.

The remaining reasons listed relate mostly to the technical and security side of cash payments. Each of which were listed by a maximum of 10% of all respondents.

6. Average Number of Reasons to Prefer Cash Payment/ Respondent by Country



Preference for cash payments is also reflected in the average number of reasons listed by each respondent. On a country level, the highest value was registered for Germany, where young people named almost 2.5 reasons per person. The lowest values were noted for France and Poland, where respondents gave around 1.9 reasons per person.

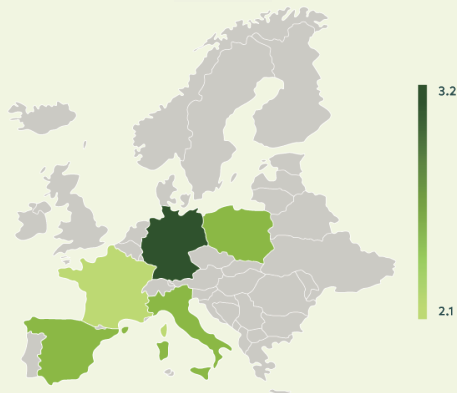
Given the very low number of reasons for using cash in combination with how strong the relative weight of the top three reasons is, it can be inferred that these three reasons – impossibility to use other options, speed of payment and control over spending – are the top barriers for the adoption of electronic payment options.

There is a strong correlation between the number of reasons and the frequency of cash usage, where France and Poland show the highest levels of cash abandonment, while Germany and Italy display the highest attachment to this method.

USE OF ELECTRONIC PAYMENT OPTIONS

A) Electronic Payment Providers

7. Average Payment Options / Respondent by Country



On average, young Europeans use 2.7 different options of payment per person. This ratio is highest in Germany, where young people use 3.2 different means of electronic payment and the lowest in France,

with just 2.11 different options. This ratio indicates that in spite of the strong position of PayPal and credit/debit cards, the market is increasingly open for emerging electronic payment options.

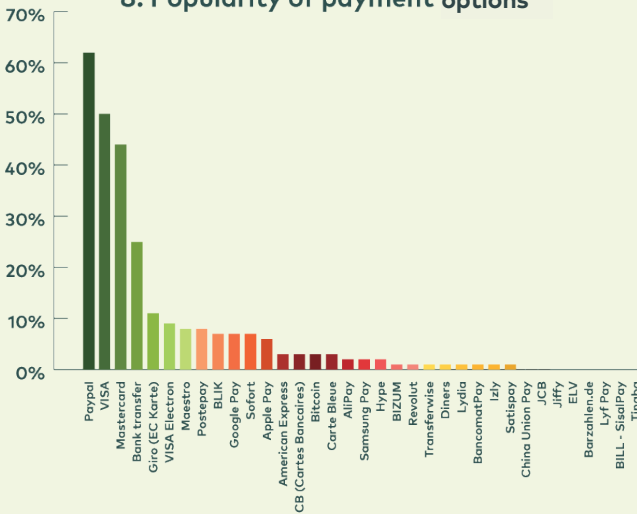
B) Popularity of Payment Options

The results demonstrate a relatively high market fragmentation in relation to the number of payment options used by young people. This is based on emerging electronic payment options being cumulatively used by 74% of the surveyed group - surpassing PayPal and both credit card companies. Despite this, however, the position of the large card operators (Visa and Mastercard) is still very strong, with almost all of the young people surveyed using one or the other.

Moreover, the top position is occupied by the best-known online payment provider, PayPal - with over 60% of all young people using it for electronic payments.

The most interesting insight is offered by the position of national players in the ranking. Below the threshold of the most traditional listed method of payment – bank transfer – there is a group of new solutions used by 6 to 11% of the respondents.

8. Popularity of payment options



On an EU scale, these percentages do not appear comparable with the position of major players. Nonetheless, this perception changes when we take into account that some of these payment options are only national in scope.

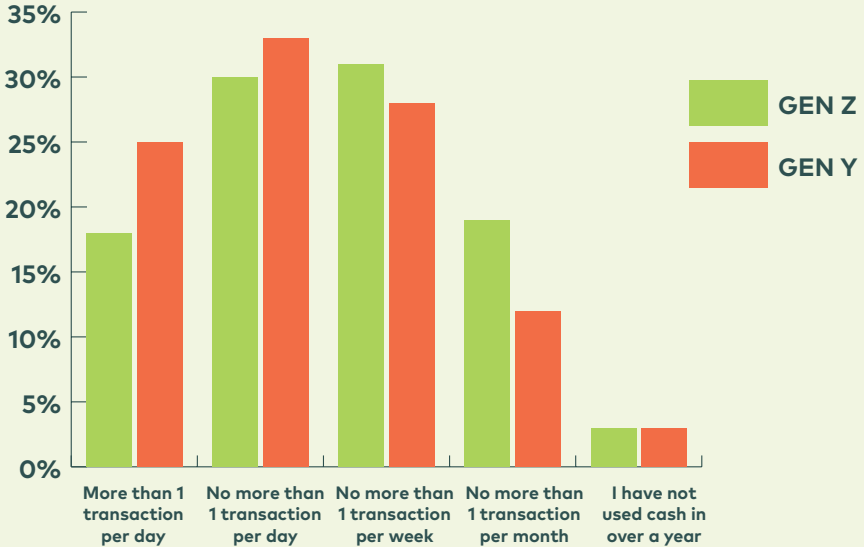
Sofort and Giro in Germany have accumulated about 25 and 50% of German users respectively and Postepay in Italy has attracted about 37% of Italian respondents. In Poland, BLIK boasts exactly the same percentage of the market - 37%. The rise of these national solutions that seem to be more popular than more traditional options is the most visible sign of changing consumer behaviours and emerging shifts in the market for electronic payment options.

Additionally, Google Pay and Apple Pay – introduced only recently in several EU countries – have managed to gain 7 and 6% respectively of the EU young user base. Their presence, given their visible marketing efforts in the EU, can be expected to grow quickly.

The remaining 23 listed options of payment did not surpass the threshold of 3% across all respondents. In spite of very low adoption of several options (close to 0% and thus invisible on the above chart), all electronic payment options were picked by at least 1 user, indicating high market fragmentation in the space of emerging electronic payment options.

B) Frequency of Payments

9. Frequency of usage of electronic payment options

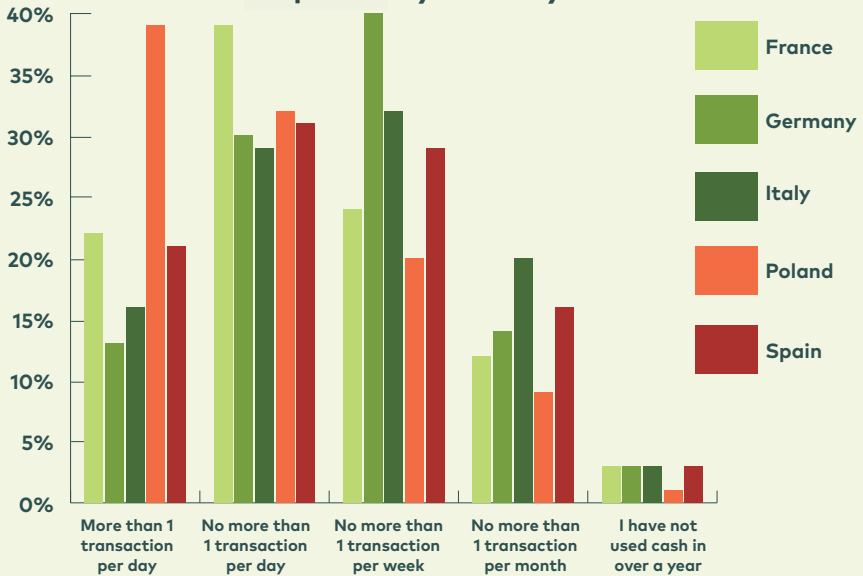


In terms of frequency of purchases, Gen Y seems to have already adopted electronic payment options to a greater extent than their younger colleagues from Gen Z.

1 out of every 4 representatives of Gen Y uses electronic payment options more than once a day and over 30% of respondents use them several times a week. Only about 10% of all respondents in this age group admit that they do not use electronic payment options more than once per month and about 2% do not use electronic options at all.

At the same time, almost 20% of all Gen Z respondents use electronic payment options for a maximum of one transaction per month and over 30% uses these options weekly.

10. Frequency of usage of electronic payment options by country

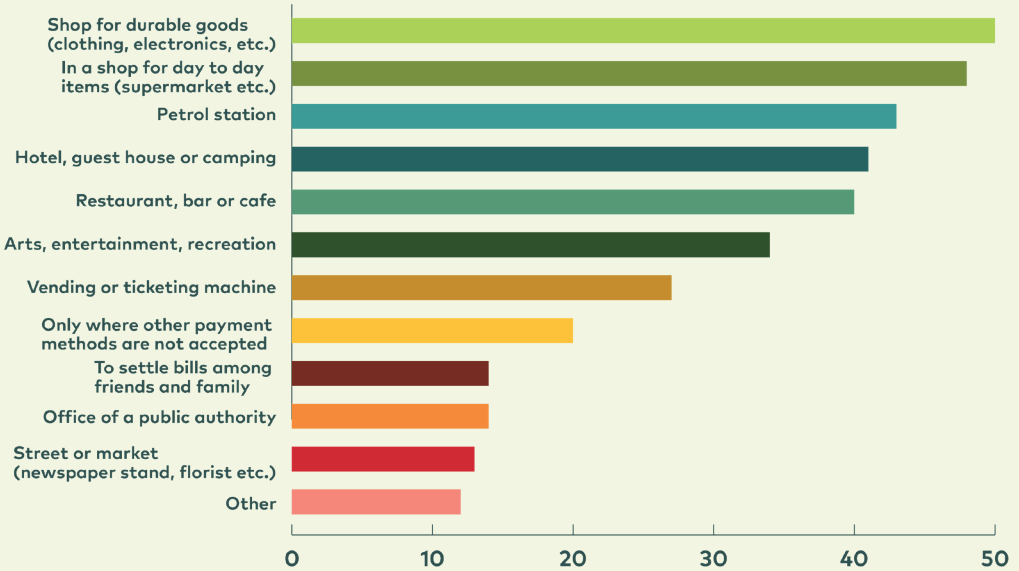


On a country level, Poland has the highest electronic payment usage. This is almost twice as high as for the other four countries in terms of the percentage of respondents that use their electronic payment options more than once per day. Additionally,

Poland ranks very high in terms of the number of people who use electronic payment options several times a week. Conversely, almost 20% of respondents in Italy and Spain make a maximum of one electronic transaction per month.

C) Where Are Electronic Payment Options Normally Used?

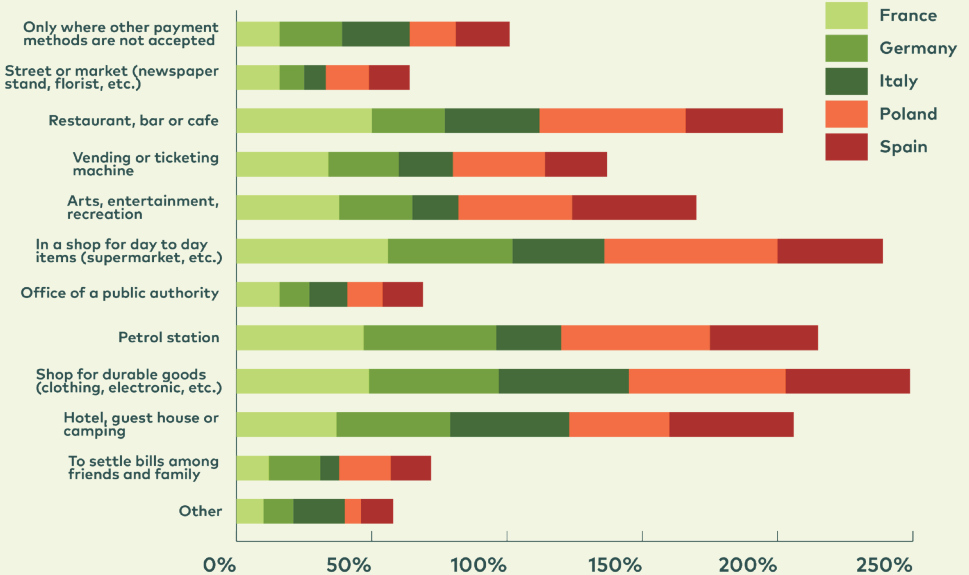
11. Most frequent types of purchases



According to the surveyed Gen Y and Z representatives, electronic options of payment are characterised by a high level of versatility. The top two categories in terms of where young Europeans shop using electronic options of payment are very different in terms of their type – about 50% of respondents use electronic options of payment to shop for both durable goods and day-to-day items in supermarkets and stores.

Categories with a small percentage of electronic payments were shown to have a high degree of cash inertia earlier in the study – street stands, local markets, small transactions among friends and family and public authority offices.

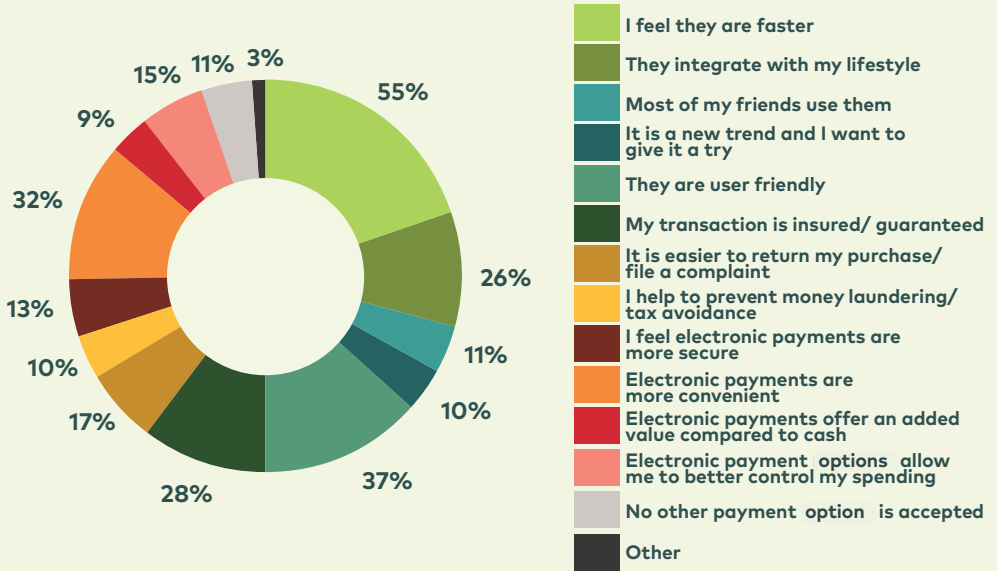
12. Most frequent types of purchases by country



France and Poland are, again, the two countries with the highest rate of adoption of electronic payment options. 64% of Polish and 56% of French youngsters use electronic payment options to pay for their everyday shopping. Electronic payments are used the least in Germany, with no category reaching above 50% of the sample.

D) Why Do Young Europeans Use Electronic Payment Options?

13. Main reasons to use electronic payments (%)



There is a clear trend among European youth to focus on convenience. Four of the top five reasons to use electronic payments refer to user experience.

The speed of electronic payments is the first reason for 4 out of the 5 surveyed countries mentioned by over 50% of all respondents. Only in Italy did respondents attribute more value to the fact that electronic payment options are user friendly – the second most important reason overall

with about 37% of all respondents. The insurance of transactions paid by electronic options comes fourth, after their convenience but before all the technical and operational aspects.

On a country level, there are three important outliers. Only about 5% of French respondents agree that electronic payment options are user friendly, compared to 37 to about 50% for the other four countries. Similarly, in Italy only about 5% of young

people believe that electronic payments are more convenient. The added value of electronic payment options was rated significantly higher by Polish respondents, where this reason was selected by almost 20%, compared to about 5 to 7% for other countries.

E) Important Characteristics

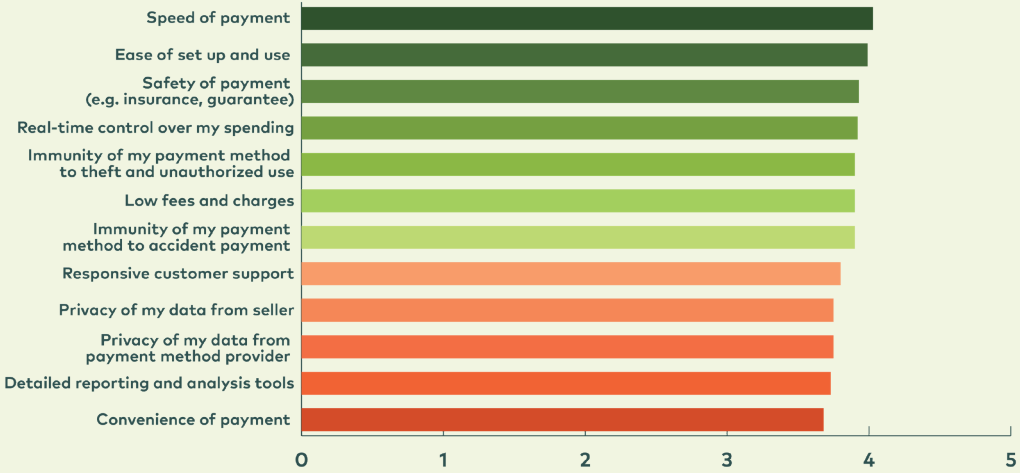
In the survey young Europeans rated the characteristics that they require from their electronic payment options on a scale from 0 to 6, where 0 stands for totally irrelevant and 6 stands for the only one that matters. The two most desired qualities that emerged are speed and easy set up. Safety of payment comes after these two, although with only a slightly lower score.

The next group in terms of importance are the security measures, such as immunity to theft, unauthorised use and accidental payment. This was ranked at the

same level as low fees and charges. Detailed reporting and analysis tools, as well as data privacy, received lower ratings from the respondents.

Interestingly, young Europeans are apparently reticent to make any trade-offs and they seem to require a holistic approach, as there is less than a 10% difference in the rating of each characteristic.

14. Average importance of different characteristics (0-6 scale)

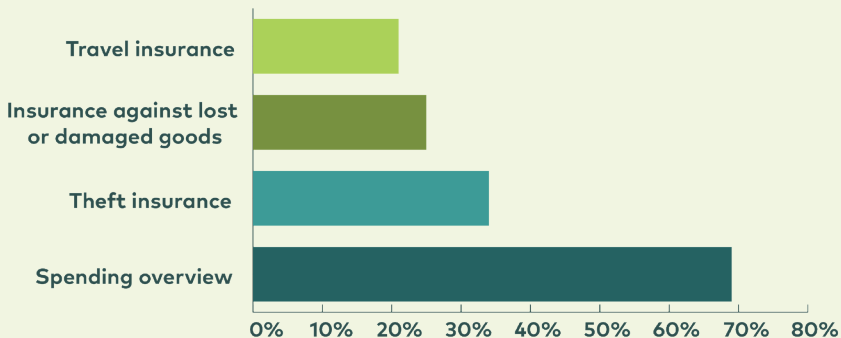


On a country level, there are significant differences about the importance of low costs and fees. In France this is one of the least prioritised characteristics with a

3.6 rating, while in Poland fees are perceived as of paramount importance with the highest rating of all, 4.26.

F) Access to Benefits Through Electronic Payment Options

15. Access to benefits (% of respondents)

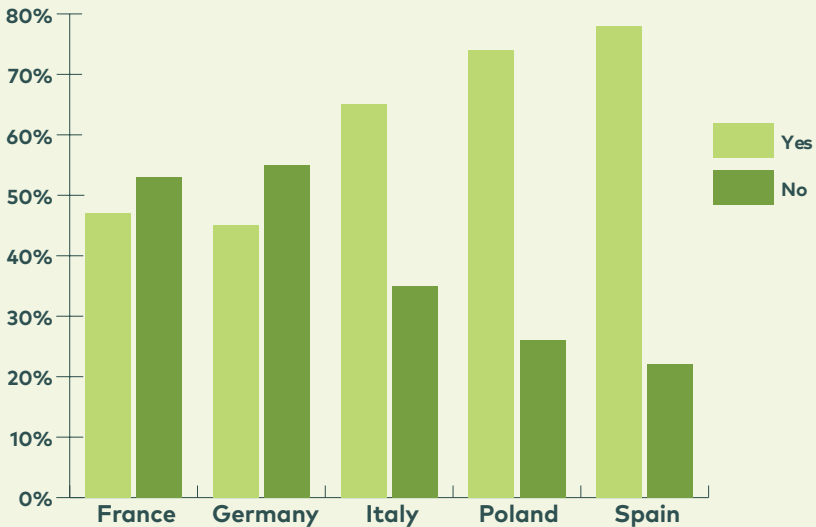


Currently, many providers offer additional benefits aligned with the intended use of their electronic payment options.

Within the surveyed group the most frequent benefit, with almost 70% coverage, is access to an overview and reports on spending. Theft insurance, insurance against lost and dam-

aged goods and travel insurance ranked similarly for 20 to 35% of all respondents. On a country level, the biggest difference is the access to theft insurance. In Spain and France above 45% of all respondents report that they have access to this benefit, while only about 25% of German and Italian customers enjoy it.

16. Impact of benefits on usage of electronic payment options (%)

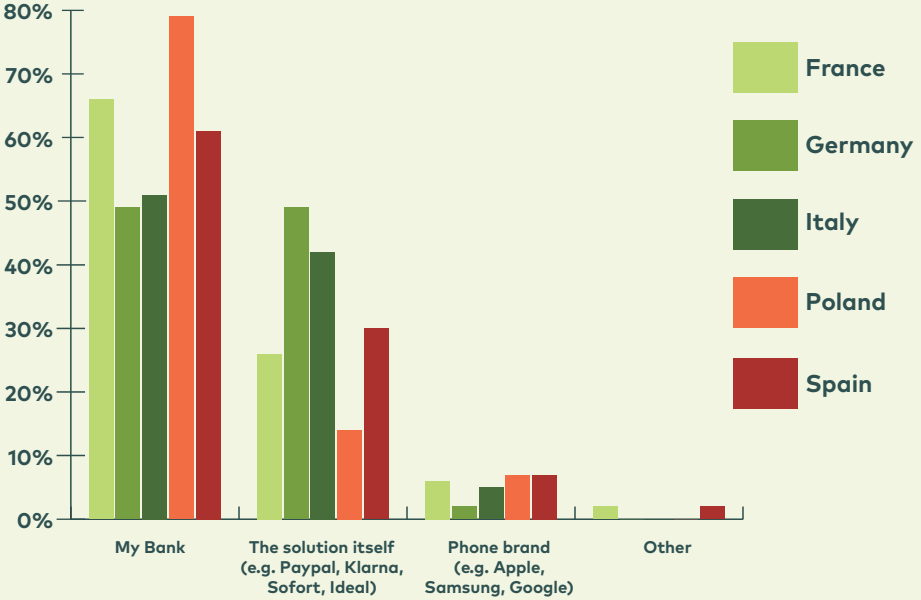


There is also a visible difference in the appreciation of additional benefits offered with electronic payment options. In Italy, Poland and Spain, almost 75% of respondents claim that the offered benefits affected their decisions

on whether, where and how often to use electronic payment options. Meanwhile, in France and Germany opinions are split almost in half among the surveyed group.

G) Trends in Electronic Payment Options

17. Providers of electronic payments by country (%)

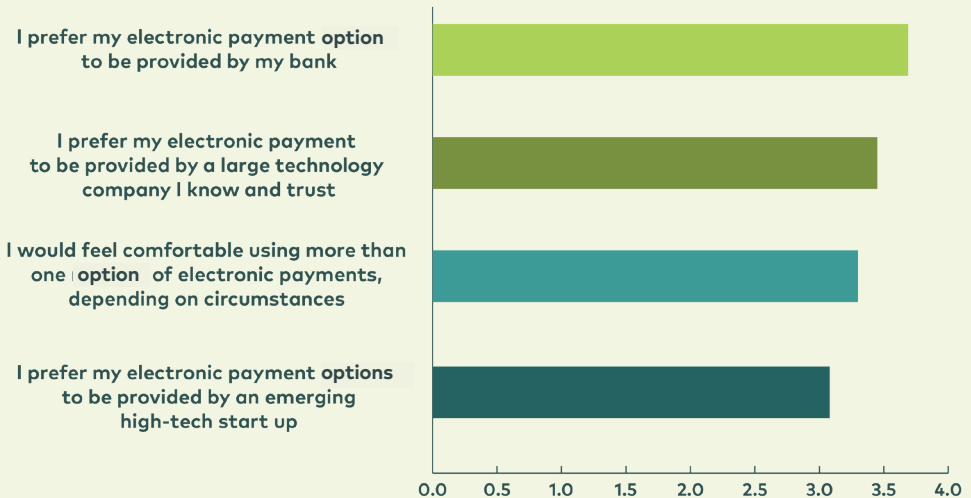


In terms of payment providers, banks are still the most important players with about 60% of all respondents using electronic payment options provided by their financial institution. Based on the answers, it can also be inferred that banks have strengthened their position in the countries where they have adopted and offered emerging electronic payment options, such as mobile BLIK in Poland, where the position of banks is the highest.

In Germany, where standalone solutions such as Sofort are increasingly popular, the proportion between electronic payment options provided by banks and standalone solutions is almost equal.

The survey also shows an increasing uptake of payment options offered by smartphone brands/mobile operating software providers, such as Google Pay, Apple Pay and Samsung Pay. Their usage is the highest in Poland and Spain.

18. Trends and expectations in electronic payments (scale 1 to 5)



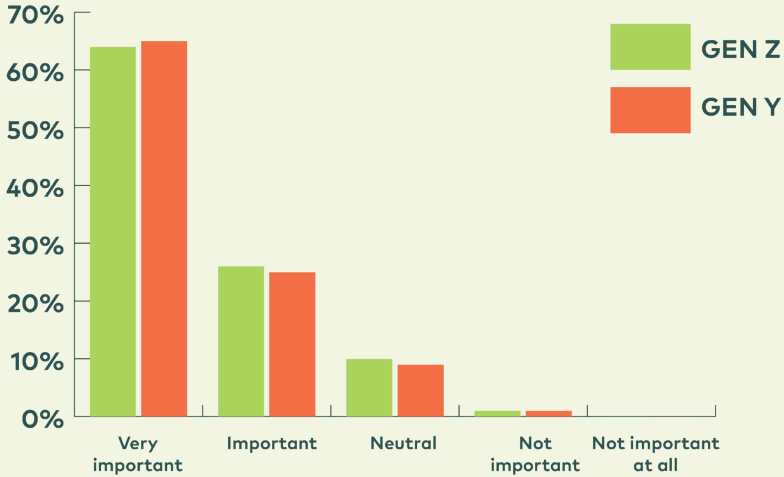
Despite the wide-spread adoption of new technologies, even Gen Z and Gen Y still show a slightly higher preference for electronic payment options provided either by their bank or by a large technology company. European youth are 20% less likely to agree that small financial technology providers are a trusted partner for electronic payment options.

These results are consistent across all five countries. In none of these countries are large technology players preferred over banks for electronic payment options. However, in Poland and Italy the difference is about 1 and 2% respectively.

SECURITY OF ELECTRONIC PAYMENT OPTIONS

A) Importance of Security in Electronic Payment Options

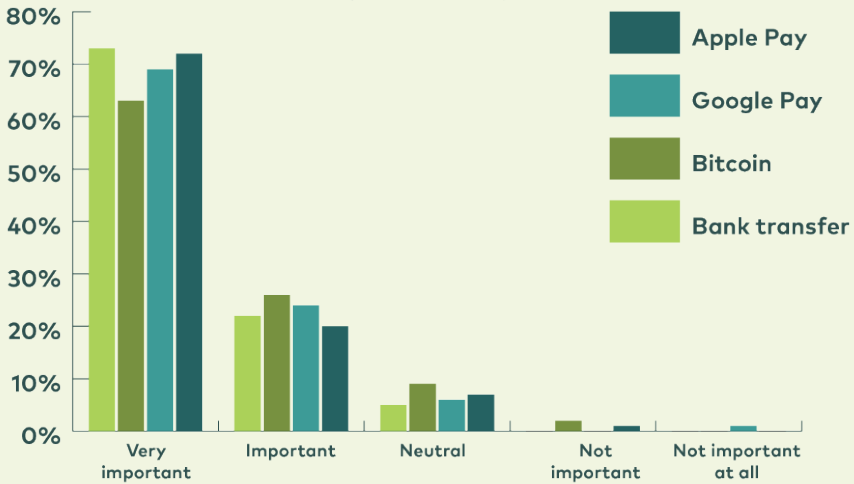
19. Importance of security (% of respondents)



When directly prompted for the importance of security in electronic payment options, all of the respondents attributed a very high value to it. An accumulated

group of over 90% of all respondents, from both Gen Y and Z, rate security as either very important or important. There are no significant outliers on a country level.

20. Importance of security by payment options (% of users)



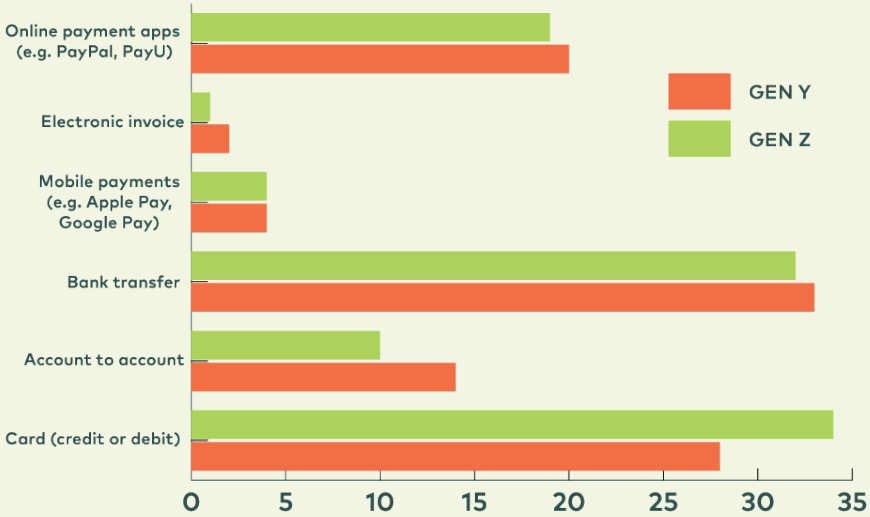
On a solution level, bank transfer users tend to value security most of all with the highest percentage of respondents naming this quality as very important and the lowest proportion as neutral. This situation is different for Bitcoin users that have the lowest proportion of users claiming that security is very important for them

(63%) and the highest rating for it being important (26%), neutral (9%) or not important (2%).

Among new mobile payment technologies, security seems to be slightly more important for Apple Pay users (72% of users rating it as very important) as compared to Google Pay users (69%).

B) Perception of Security and Convenience Across Different Electronic Payment Options

21. The most secure payment options (% of respondents)

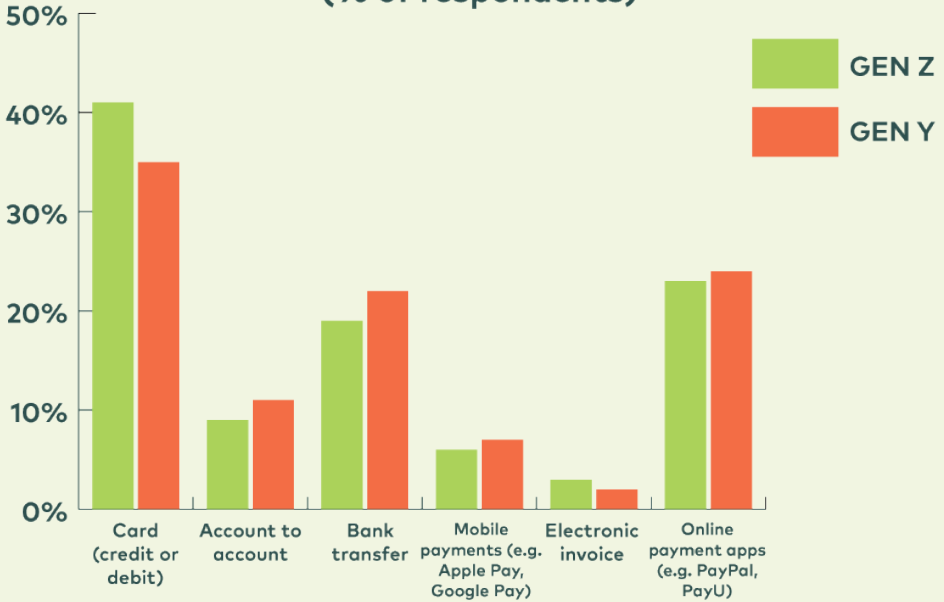


Overall, traditional banking products are perceived by both age groups as the most secure. Gen Z shows higher trust in credit and debit cards, while Gen Y representatives opt for bank transfers. Additionally, both groups of respondents agree that established online payment providers, such as PayPal are also very trustworthy.

Mobile payment and electronic invoices are rated much lower in terms of their perceived security with about 4 and 1% respectively.

On a country level, bank transfers are preferred in France and Poland, with over 40% of all respondents rating security as high. Inversely, respondents in these two countries rate the security of credit and debit cards much lower than their German, Italian and Spanish peers.

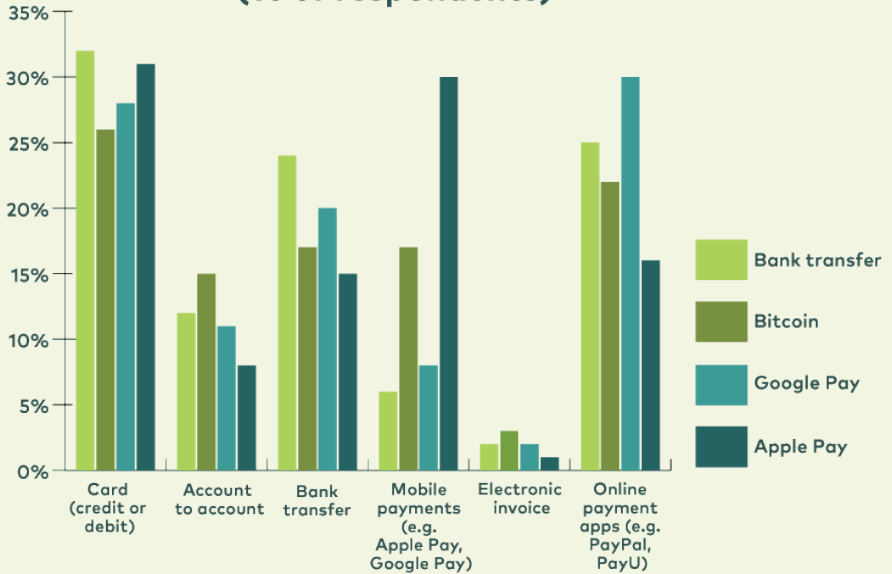
22. The most secure and convenient payment options (% of respondents)



When the respondents were asked about payment options that combine security and convenience in the best way, the situation changed. Credit and debit cards retain their top rating, being perceived as both convenient and secure. Bank transfers see their rating reduced in favour of standalone online payment apps, such as PayPal and PayU. These, although perceived as less secure, seem to offer convenience levels that offset their higher risk for young Europeans.

Similarly, mobile payments offered by Apple, Google and Samsung see a 50% increase in perceived value and transition from about 4% to a 6 to 7% adoption rate. There are no relevant outliers and particularities at a country level, however there are significant disparities of opinions depending on the currently used solution.

23. Opinion on the most convenient and secure payment options depending on currently used solutions (% of respondents)



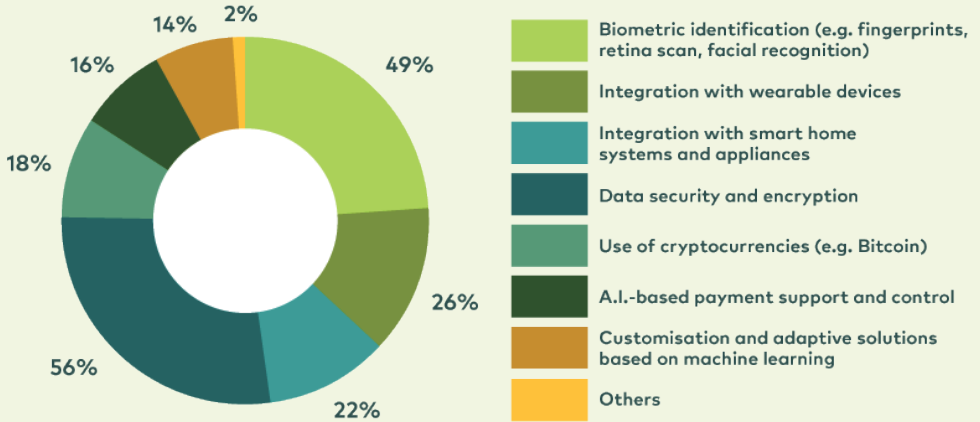
Bank transfer users show a clear preference for traditional options, such as cards, transfers and more widely-accepted online payment apps, such as PayPal.

Bitcoin users are the most divided group, with almost an equal proportion of them rooting for online payment apps, mobile payments, bank transfers and account to account payments (such as their own peer-to-peer transactions). Nevertheless, most users among this group rate cards as the best solution in terms of the security and convenience trade-off.

There is a visible difference between the users of two emerging mobile payment solutions – Apple Pay and Google Pay. While Apple Pay users spearhead high ratings of mobile payments and rate bank transfers even lower than Bitcoin users, Google Pay clients stick to online payment apps and traditional bank transfers.

C) Trends in New Technologies

24. Priority development areas (% of respondents)

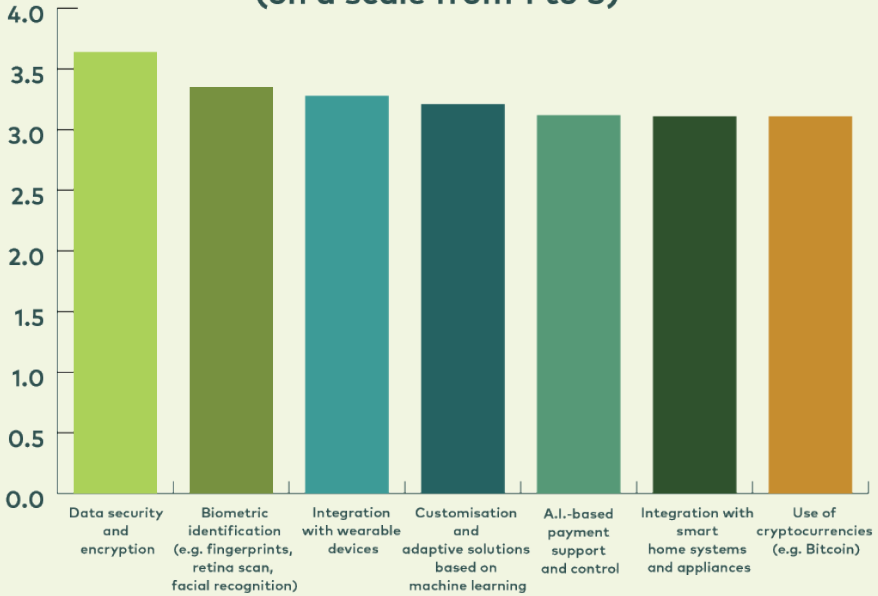


When asked about priority development areas for electronic payment options, European youth answered consistently. From their responses two groups of priorities emerged.

The first group refers to the security of electronic payments and comprises of data security and encryption with over 55% of all respondents placing it on their list, as well as biometric identification mentioned by about 49% of respondents.

The second group of priorities, which have accumulated 26 and 22%, are focused on the integration of electronic payment options into wearable devices and smart home systems.

25. Trust towards technologies (on a scale from 1 to 5)



Based on the survey, the two areas where young Europeans would like to see major developments are also the ones where they place their trust. Data security and encryption as a technology has the highest trust score with 3.64 points on a scale from 1 to 5. Biometric identification follows, although with a significant drop to 3.35 points.

The lowest scores were obtained by the use of cryptocurrencies and integration with smart home systems.

On a country level, Germany shows the least amount of trust with all of the proposed technologies. For 4 out of 7 categories Germans rated the technology options at below 3.0 points, going as low as 2.71 for integration with smart home systems. The level of trust with particular categories increases for France and Italy and reaches its peak in Spain, where 4 out of 7 categories are rated with over 3.5 points.



CONCLUSION





The wave of adoption of electronic payment options seems unstoppable, driven by increasing financial maturity and purchasing power of young Europeans across all the analysed countries.

Already only 1 out of 4 young Europeans use cash on a daily basis. Most of them use it in places where no other forms of payment have been traditionally accepted, such as street stands, bars and for transactions among friends. Growing popularity and decreasing costs of electronic payment options, combined with their ease and availability through mobile devices are bound to remove those barriers.

Speed of payment and control over spending will then be the key remaining arguments in favour of cash payments – and the most important development areas for new solutions.

Although most young Europeans still use credit and debit cards, there is an important market for other electronic payment options, as normally more than one method of payment is used. Indeed, the rise of national electronic payment providers was seen in all of the analysed countries. Combined, emerging electronic payment options have already gained a user base of 74% of young Europeans – more than

any of the established payment options.

As Gen Z and Gen Y are unlikely to accept any compromises, new mobile electronic payments will need to become more agile, transparent and user-friendly than traditional electronic payment options, while still keeping their level of security.

In spite of the growing acceptance of emerging payment options, European youth are still conservative in terms of trade-offs between convenience and security, trusting their banks

with their finances more than anybody else. For this reason, it is unsurprising that the technologies they want to see developed and incorporated are encryption and biometric identification.

The future of electronic payments in Europe seems to belong to emerging technologies. The rate of adoption, however, will be largely dependent on the ability to gain young Europeans' trust rather than dazzle them with add-ons, premium offers and other benefits. It is down to safety and convenience.



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ANNEX I – DETAILED DEMOGRAPHICS

The study received 2,008 valid responses from 5 different EU countries – France, Germany, Italy, Poland and Spain. It was carried out among a diverse group of young people ranging from 18 to 29 years of age. For the purposes of the results, we have categorised the sample in two groups. Whenever we refer to

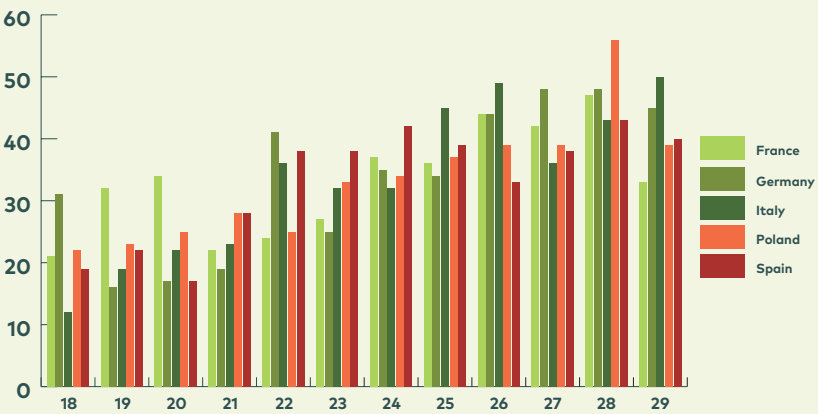
Generation Z (Gen Z), we mean young people ranging from 18 to 23 years of age. Whenever we refer to Generation Y (Gen Y), we mean young people ranging from 24 to 29 years of age.

The questions and structure of this survey was the same for both groups.

A) Age Structure

The age structure of the different age groups among the 2,008 total respondents can be seen in the table below.

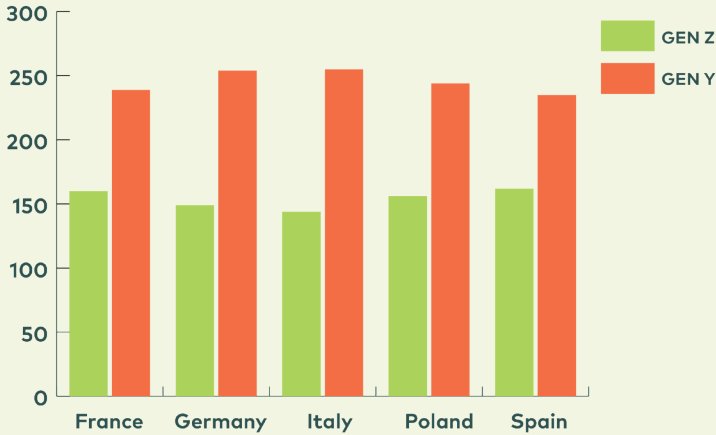
26. Distribution of age by country (total number)



The most responsive respondents were those aged 26 to 28, which slightly shifts the weight of the aggregated response towards the preferences of Generation Y.

Nevertheless, a comparison is shown between the two groups whenever needed.

27. Generation structure (total number)

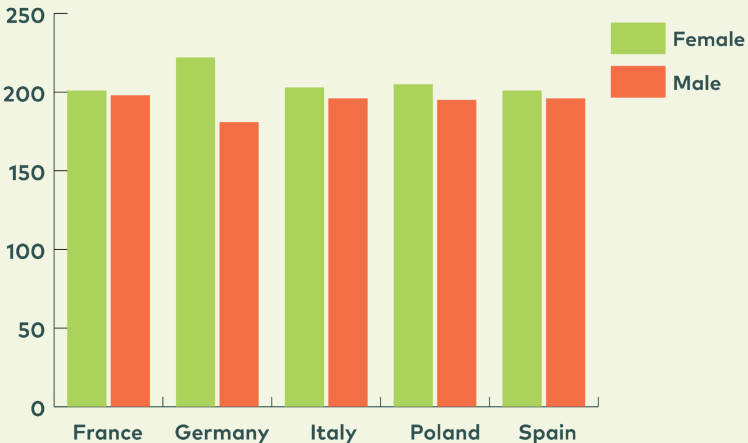


A total of 777 responses were received from Gen Z representatives and a total of 1,231 responses came from Gen Y. In terms of country distribution, the sample is very representa-

tive with 400 answers received from France, 405 answers from Germany, 401 answers from Italy, 402 answers from Poland and 400 answers from Spain.

B) Gender Structure

28. Gender distribution (total number)

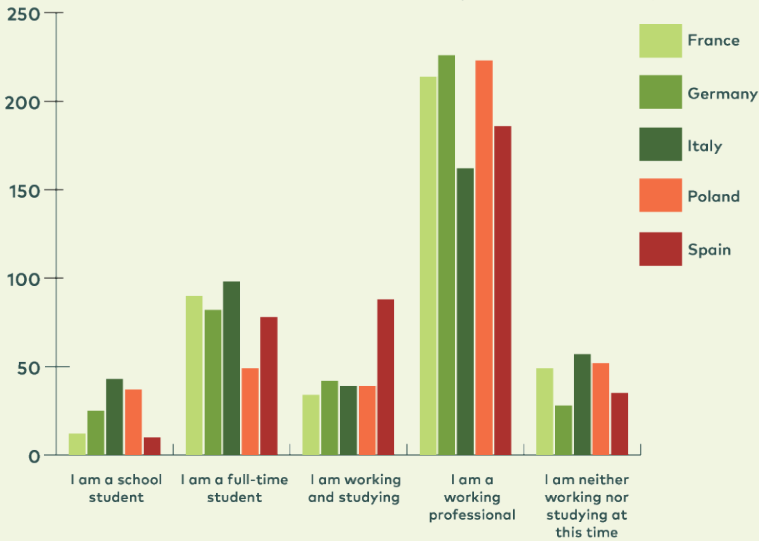


In terms of gender parity, we have received consistently equal results with the exception of Germany, where young females were significantly more active providing 222 responses to the survey, as opposed to 181 responses pro-

vided by German males. For the remaining countries both genders provided around 200 responses to our survey.

C) Professional Situation

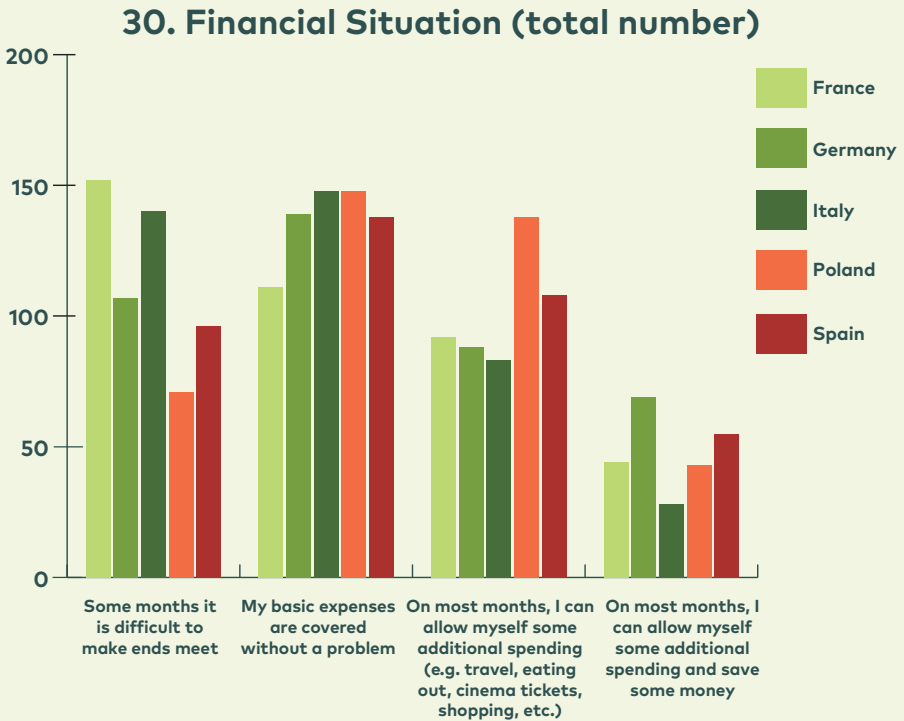
29. Professional Situation (total number)



Given the age distribution in the group, the largest represented professional situation is full time employment, with 1,013 respondents, or over 50% of the entire sample. The second largest group are full-time university students with 400 respondents. Following this group are working students with 244 responses, unemployed and not studying with 222 and school students with 129 responses.

Italy and Poland have shown the highest proportion of both working professionals and unemployed respondents that do not study. The highest number of full-time employed professionals came from France and Germany. Spain has the highest proportion of individuals that combine their studies with salaried work.

D) Financial Situation



In terms of total numbers, there are three major represented groups in the study. Respondents with a sub-optimal financial situation gave 574 answers. Respondents that cover their basic needs with major problems are the most represented group with 684 responses. Respondents that consider their financial situation to be fairly good and can allow themselves some additional spending each month gave us 511 responses. The least represented group are the respondents with a very good

financial situation – there are 239 responses from this group.

There are significant differences by country, with the largest proportion of the underprivileged group in France and the highest number of the wealthiest in Germany. Poland displays the highest number of young Europeans that can afford some additional spending on most months, while covering their basic needs.

E) Relation to Banking and Technology

In the study we asked our respondents to state their relation to traditional banking in terms of the ownership and use of a banking account. We have also investigated their level of interest and

adoption of new technologies in terms of how likely they are to be early adopters in their own social circles.

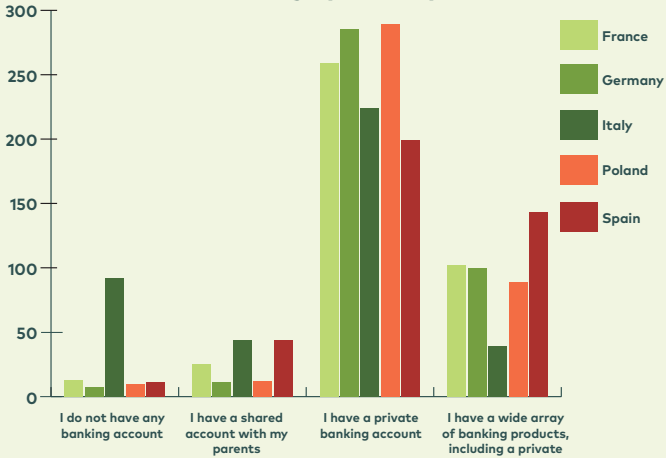
31. Relation to banking (total number)



In total terms, a large majority of the respondents own a private banking account but do not have access to additional, more sophisticated financial instruments, such as credit cards or saving accounts. The largest group of sophisticated banking users are Gen Y, most likely due to their age and professional activity. Nevertheless, there is also a significant group of Gen Z members that are already in that bracket.

On the other side of the scale, about 6.5% of the total group shares their account with their parent(s) and the same number of respondents do not have any banking account. Although the total numbers are similar for these two categories between Gen Z and Gen Y, it implies that the percentage is higher for Gen Z, where about 10% of the total group fits into each of the two categories, meanwhile it is about 5% for Gen Y.

32. Relation to banking by country (total number)

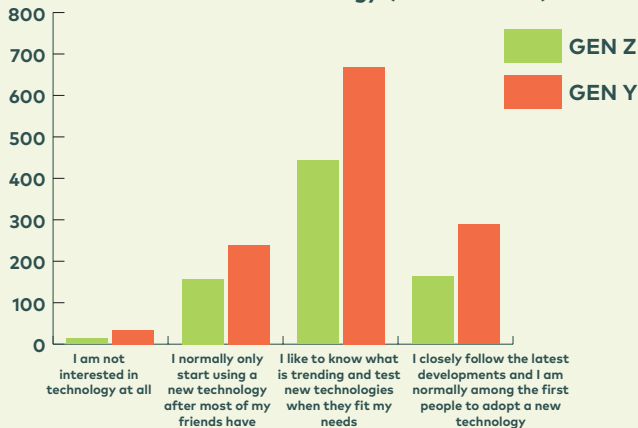


There are significant differences visible on a country level. While the overall structure remains similar, there are two interesting outliers. Spanish youth appear to be significantly more interested in sophisticated banking products – about 35% of Spanish respondents have access to additional products on top of their ordinary private account, as

opposed to about 20-25% for other countries (and 10% for Italy).

Inversely, Italy has the least interest in banking services among young Europeans. About 22% of young Italians do not have access to any bank account, compared to between 2 and 3% in the other analysed countries.

33. Relation to technology (total number)

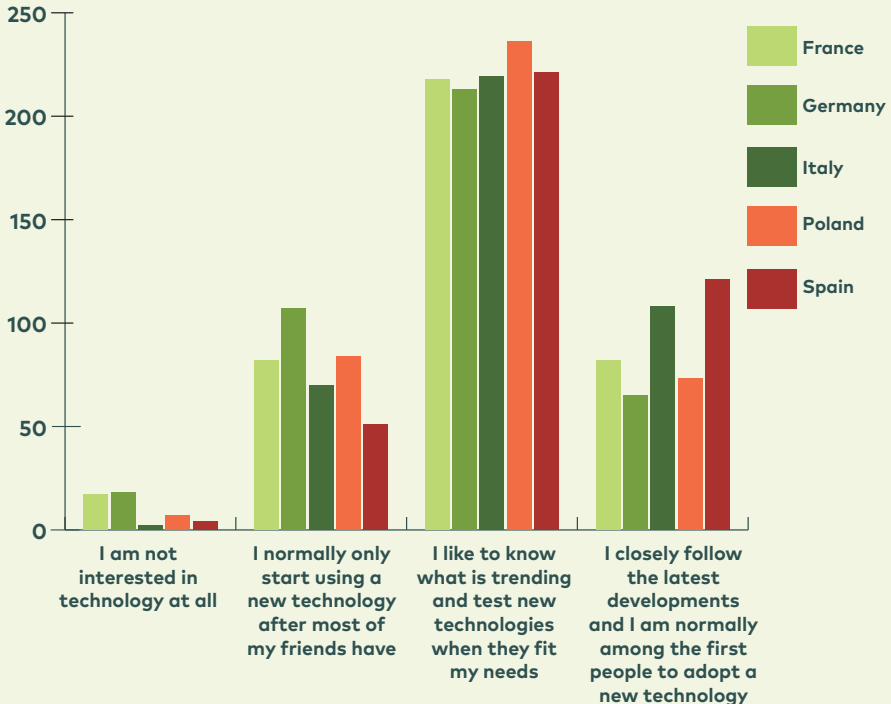


In terms of technology adoption, the two Generations show very similar patterns. On average, over 50% of each group declares that they like to know about the latest technologies, and they tend to adopt them quickly when they fit their needs. Almost one quarter of all surveyed young Europeans are technology-savvy and they consider themselves to be early adopters. The percentage of those that are not inter-

ested in technology at all is very low – below 3% for both groups.

In relative terms, Gen Y is about 10% more likely to be early adopters than Gen Z. However, the percentage of Gen Y members that consider themselves not to be interested in technology at all is over 50% higher than in Gen Z, where there are almost no such individuals.

34. Relation to technology by country (total number)



On a country level, there are visible differences between southern Europe (Italy and Spain) and the rest of the countries. Both Italy and Spain show a very high level of early adopters with about 27 and 30% respectively.

Inversely, France and Germany show an unusually high level of young people that declare themselves not to be interested in technology at all – just above 4% for each country.

The group of people who are interested in technology and actively follow the latest trends in the fields of their interest is consistently predominant in all five countries and ranges from 53% of respondents in Germany to 59% in Poland.

