



Neobanks, Generation Z and the Transformation of Banking

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Dissertation written under the supervision of
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Dissertation submitted in partial fulfilment of requirements for the
MSc in Management with specialization in Strategy, Entrepreneurship & Impact,
at the **Universidade Católica Portuguesa**

May 31st, 2024

Abstract

Given the significant impact of FinTech on banking, this dissertation aims to explore how Generation Z is influencing this change and the pivotal role they play in the growth of neobanking in Europe. Despite existing research on digital banking, the specific impact of this demographic on the adoption of neobanking in the context of trust is still little explored.

A qualitative research methodology was applied, using semi-structured interviews with industry experts to gain in-depth insights into growth strategies and trust-building factors. The analysis indicates that Generation Z, with its digital-savvy and early adoption of technology, is a key driver of growth. This generation values transparency, fast and global access as well as user-centric digital solutions, leading neobanks to continuously innovate and tailor their services to meet these expectations. In addition, the findings have practical implications for neobanks aiming to attract and retain Generation Z customers, traditional banks seeking to compete in a digital-first market, and policymakers promoting financial inclusion and innovation.

The conclusion underscores the potential for neobanks to thrive by aligning their strategies with Generation Z's preferences and theoretical frameworks such as TAM, DCs, DIT, and SQM, and highlights areas for future research, including broader generational comparisons and regional differences.

Keywords: Neobanks, FinTech, Digital Banking, Generation Z, Digital Natives, TAM, DCs, DIT, SQM, Transformation of Banking

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Resumo

Dado o impacto significativo das FinTech na banca, esta dissertação tem como objetivo explorar a forma como a Geração Z está a influenciar esta mudança e o papel fundamental que desempenha no crescimento do neobanking na Europa. Apesar da existência de estudos sobre bancos digitais, o impacto específico deste grupo demográfico na adoção do neobanking no contexto da confiança é ainda pouco explorado.

Foi aplicada uma metodologia de investigação qualitativa, recorrendo a entrevistas semi-estruturadas com profissionais do sector para obter uma visão aprofundada das estratégias de crescimento e dos factores de criação de confiança. A análise indica que a Geração Z, com o seu conhecimento digital e a sua adoção precoce da tecnologia, é um motor fundamental do crescimento. Esta geração valoriza a transparência, o acesso rápido e global, bem como as soluções digitais centradas no utilizador, o que leva os neobancos a inovar continuamente e a adaptar os seus serviços para responder a estas expectativas. Além disso, as conclusões têm implicações práticas para os neobancos que pretendem atrair e reter os clientes da Geração Z, para os bancos tradicionais que procuram competir num mercado que dá prioridade ao digital e para os decisores políticos que promovem a inclusão e a inovação financeiras.

A conclusão enfatiza o potencial de sucesso dos neobancos ao alinharem as suas estratégias com as preferências da Geração Z e quadros teóricos como TAM, DCs, DIT e SQM, e destaca áreas para investigação futura, incluindo comparações geracionais mais alargadas e diferenças regionais.

Acknowledgments

Dear readers, esteemed colleagues, respected mentors,

My academic journey is coming to an end with the completion of this Master's thesis – I am entering the home straight. I would like to take this opportunity to thank my comrades-in-arms!

First of all, to my supervisor: Peter, you have sparked my interest in this topic and encouraged me to actually write about it. I couldn't have asked for a better, more supportive, knowledgeable and dedicated tutor. Thank you for being such an inspiration to me, your countless support has been invaluable to the success of this dissertation.

To the many experts who took time out of their busy schedules to participate in the interviews and made this work possible: I really appreciate your contribution and look forward to meeting you again, I'm sure we will. As we all know: You always see each other twice in life, and hopefully the next time will be in person.

I would also like to thank my dear friends who have stood by me in difficult and stressful moments, encouraging me to stay focused and never lose sight of the prize.

And finally, my family, who made it possible for me to pursue an international academic career. Going from Munich via Amsterdam to Lisbon to complete my degree at the Católica Lisbon School of Business and Economics was something I could never have dreamed of – what an adventure of a lifetime.

International contacts and relationships are essential in today's world, and so I am eternally grateful to have met and studied with so many interesting, bright fellow students and experts along the way. Some of the initial fleeting contacts have now become very good friends that I wouldn't want to miss out for the rest of in my life.

These diverse experiences have shaped me both professionally and personally. I am convinced that international awareness and cultural empathy are essential for a successful professional career. Knowledge creates understanding, and understanding helps to overcome problems and ultimately leads to solutions. And that is what I am here for, right?

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List of Abbreviations

FinTech	Financial Technology
IT	Information Technology
IB	Internet Banking
EB	Electronic Banking
OB	Online Banking
MB	Mobile Banking
DB	Digital Banking
VB	Virtual Banking
US	United States
UK	United Kingdom
EU	European Union
ECB	European Central Bank
SWIFT	Society for Worldwide Interbank Financial Telecommunication
BaFin	Federal Financial Supervisory Agency (Germany)
PDA	Personal Digital Assistant
ATM	Automated Teller Machine
UI	User Interface
CX	Customer Experience
AI	Artificial Intelligence
ETF	Exchange Traded Fund
ROA	Rate of Adoption
CAGR	Compound Annual Growth Rate
TAM	Technology Acceptance Model
DCs	Dynamic Capabilities
DIT	Diffusion of Innovation Theory
SQM	Service Quality Model
SERVQUAL	Service Quality
P2P	Peer-to-Peer
BNPL	Buy Now Pay Later
KYC	Know Your Customer
SME	Small and Mid-sized Enterprise
PSD2	Payment Services Directive 2

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1. Introduction

Technology today is a tool woven into the very fabric of our daily lives. In the financial industry, neobanking has emerged as a force in financial services and a magnet for investors. Its attractiveness lies in its promise of rapid adoption and the prospect of significant financial gains (Simon-Kucher & Partners 2023), leading to over 300 million customers worldwide and a proliferation of new entrants (Statista, 2024e). This is a testament to its central role in shaping an accessible, efficient and transparent financial future (Carbó-Valverde et al., 2020). According to the latest estimates by Simon-Kucher & Partners (2023), around 400 neobanks are currently competing on a global scale, combining for a total market size of \$98.4 billion (Fortune Business Insights, 2024).

As customers increasingly turn to financial services, global satisfaction and trust in FinTech has begun to catch up with established banks (McKinsey, 2023). But alongside the opportunities for growth and public reputation, there are risks and challenges associated with these developments. Critical reports that address cybersecurity and regulatory compliance issues provide a balanced view of the potential and impact of neobanks (Arun et al., 2023; Kapliar, 2023). According to Forbes (2023), neobanks are particularly vulnerable to fraud, which can cause considerable financial and reputational damage to the market. Although these challenges are significant, they have not deterred young customers from opting for neobanks. In fact it is quite the opposite: With their tech-savvy nature and digital mindset (S. F. Persada et al., 2021), Generation Z is navigating the digital banking landscape and represents an increasingly interesting target group for neobanking services, accounting for 28% of all customers (Kaabachi et al., 2022).

As a member of Generation Z, the author's expectations of banking services are closely aligned with the values that neobanks embody. This generational perspective provides insight into the broader trends of how digital natives are shaping the future of banking. Neobanking, an important secular trend in financial services, is reliant on Generation Z, where building trust in this cohort is needed to drive the digital banking transition.

1.1 Background and Research Objective

The banking industry has gone through a period of substantial disruption, leading to significant shifts in consumer behavior, the introduction of innovative technologies and the adoption of new business solutions (Baptista & Oliveira, 2016; Malaquias & Hwang, 2016). While the traditional banking model, centered on the physical provision of branches, has remained functionally consistent, the way in which these functions are performed and products are delivered to customers has changed drastically (Temelkov, 2020). In particular, the proliferation of electronic applications and artificial intelligence (AI) has paved the way for new branchless and mobile operations (Volberda et al., 2021), ultimately laying the foundations for the neobanking era (Harasim, 2021).

The aim of this dissertation is to investigate Generation Z as a driver for acceptance of neobanks in Europe, and trust, among other factors, as a dimension promoting acceptance. In other words, how are neobanks encouraging customers from this demographic to switch from traditional banking institutions to digital-only banking alternatives. To approach this, a systematic literature review serves as the basis for the research, which is evaluated through a qualitative analysis of expert interviews and discussions. The following research question (RQ) guides this dissertation:

RQ: How are neobanks increasing acceptance among Generation Z?

Neobanks are the dependent variable and Generation Z is the independent causal variable, which is interrogated to ascertain the extent to which this demographic is the driver of growth. In this respect, we also consider whether trust is a significant moderating variable in the relationship between Generation Z and the rise of neobanks. Likewise, the fact that Generation Z's are Digital Natives is a mediator in this situation.

As we reach a new frontier of technological advancement, this research seeks to investigate how and whether Gen Z is a driver of the neobanking revolution. Neobanks are not just banking-as-a-platform, but add a new dimension to the world of modern banking. The findings of this dissertation should provide future academic researchers, as well as founders and investors, with insights into the potential and challenges of dealing with Generation Z. It also seeks to demonstrate that neobanks are leveraging a tech-savvy user group in the rapidly evolving financial industry as a driver of growth.

2. Literature Review

The first section of the literature review looks at the key technological upheavals that the industry has faced and discusses the changes that came along with these new implementations. Next, the emergence of neobanks is explained by briefly analyzing their business model, challenges, growth strategies and target market segments, before taking a closer look at the characteristics of Generation Z. Finally, the adoption of neobanks within the FinTech industry is examined through an exploration of several management theories.

2.1 Digital Revolution in Banking

For many years, the banking landscape in developed countries was dominated by a small number of established institutions that followed a traditional banking business model (Hopkinson et al. 2019). According to Chiorazzo et al. (2018), this has historically been characterized by four main features:

- Relationship loans (i.e. loans granted to individuals or companies that are not securitized but held in the portfolio),
- core deposits (i.e. funding through transactions, savings and small-time deposits instead of purchased funds),
- revenue streams from traditional banking services (i.e. investment banking, net interest margins, deposit charges), and
- physical bank branches (i.e. personal customer contact instead of the usual virtual means of communication such as telephone, mail or other online support).

The accumulated advantages in terms of capital, network and infrastructure made it difficult for new entrants to challenge incumbents (PwC, 2016), leading to a lack of healthy market competition (Temelkov, 2020). The global financial crisis in 2008 marked a turning point in this dominance. Not only did the weaknesses of traditional banking operations become apparent, but the associated government bailouts and public scandals resulted in a massive loss of trust in society. However, extensive changes in regulations and customers' behavior restored competitiveness of the industry (Hopkinson & Klarova, 2019), and enabled the creation of technologically advanced business models (Temelkov, 2020). With the advent of globalization and constantly advancing development of financial technology (FinTech) in areas such as mobile internet, cloud computing, big data, search engines, and blockchain, the financial

industry have ushered in a new era of e-commerce (Ibrahim et al., 2013; Ramayah & Ignatius, 2005). The way customers interacted with banks changed drastically (Karjaluoto et al., 2002). Traditional banks have been forced to adapt to this rapidly evolving environment and have developed new IT strategies to attract customers in order to keep pace with increasing competition (Temelkov, 2020).

As the Financial Times noted back in 1996: “Banking is essential to a modern economy, banks are not”. Customers began to value convenience and flexibility as well as powerful and easy-to-use financial management tools, such as Online Banking (OB) (Birch & Young, 1997; Karjaluoto et al., 2002; Lagoutte, 1996; Ternullo, 1997). Also known as Internet Banking (IB) or Electronic Banking (EB), OB is defined as “the automated delivery of new and traditional banking products and services directly to customers through electronic, interactive communication channels” (Jalil et al., 2014; Mobarek, 2007, p. 1). The adoption of these electronic delivery channels in private banking led to a notable shift from traditional branch- to more stand-alone-banking (Karjaluoto et al., 2002).

This marked a major breakthrough for users, who were now able to carry out electronic payment transactions without having to visit a branch (Osunmuyiwa, 2013). In 2020, 88.7% of the population used the internet. The number of people who performed financial transactions online has grown from 54.2% in 2018 to 63.8% in 2020 (Salahudin & Joo, 2022). This radical shift in user behavior was also confirmed by the investigations from European Central Bank (ECB). While there were still 186,000 bank branches in 2008, the number reached a record low of 109,000 in 2022, which corresponds to a decline of almost 42% in the whole EU area. This trend goes hand in hand with the general decline in the number of bank employees, dropping from around 2.24 million in 2008 to around 1.75 million in 2022. Main reason cited for the decline in physical branches is the increase in OB activities, with many customers managing their financial transactions remotely (ECB, 2023).

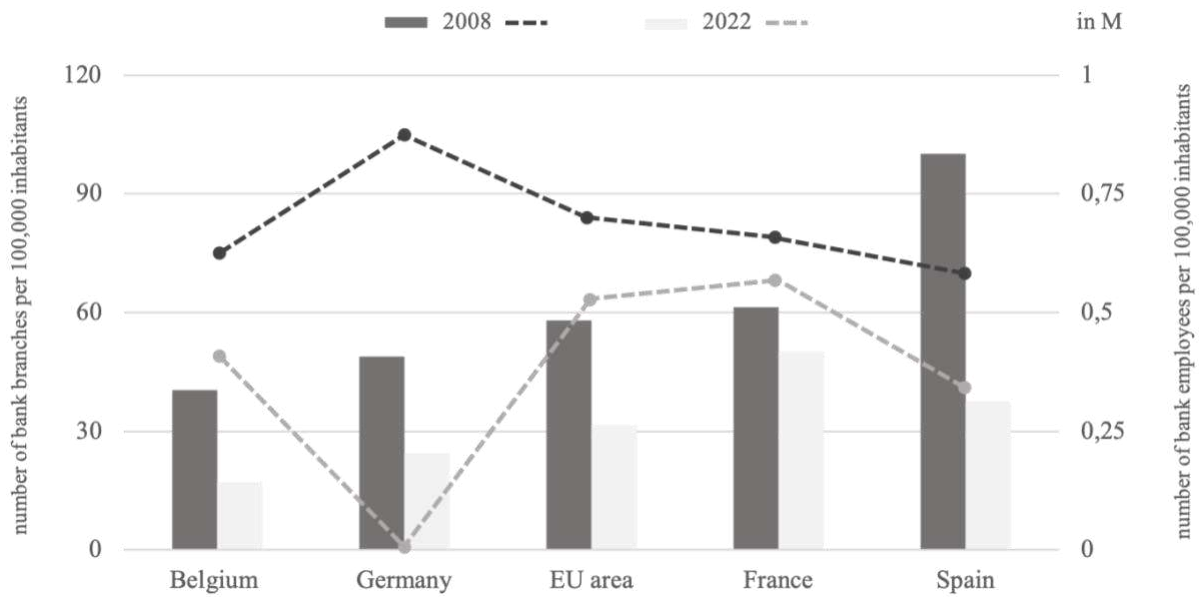


Figure 1: Number of bank branches and number of employees per 100,000 each in the EU area by country, according to ECB (2023)

Both the number of bank branches and the number of employees fell in each of the five regions shown between 2008 and 2022. Spain recorded the largest gap in branch closures, and France the smallest. In terms of the number of branches closed, Spain, together with Belgium, lost the most employees. Both countries, together with Germany, were forced to close more than 50% of their branches. It should be noted that no data on the number of employees were available for Germany in 2022.

Another event that transformed the banking industry was advancement of mobile technologies, largely characterized by the introduction of the smartphone and other portable devices (Alalwan et al., 2017; Cheah et al., 2011; Laukkanen, 2016). According to Statista (2024), the number of smartphone users estimated in 2023 was around 4.25 billion. In the early days, banks were prompted to offer innovative delivery channels that meet the mobility-oriented market demands, defined and established as Mobile Banking (MB) (Shaikh & Karjaluto, 2015). From then on, customers were able to interact with their bank provider regardless of where they lived, simply by using a mobile device (e.g. a cell phone or a personal digital assistant (PDA) (Barnes & Corbitt, 2003). Compared to traditional banking channels such as ATMs and non-mobile banking, this new way of engaging offered benefits such as ubiquity, flexibility, interactivity and better accessibility (Cheah et al., 2011). With an expected reach of over 2.5 billion users in

2024 (Statista, 2021), MB has become one of the most relevant technological delivery channels in modern banking (Alalwan et al., 2017; Laukkanen, 2016; S. K. Sharma & Sharma, 2019).

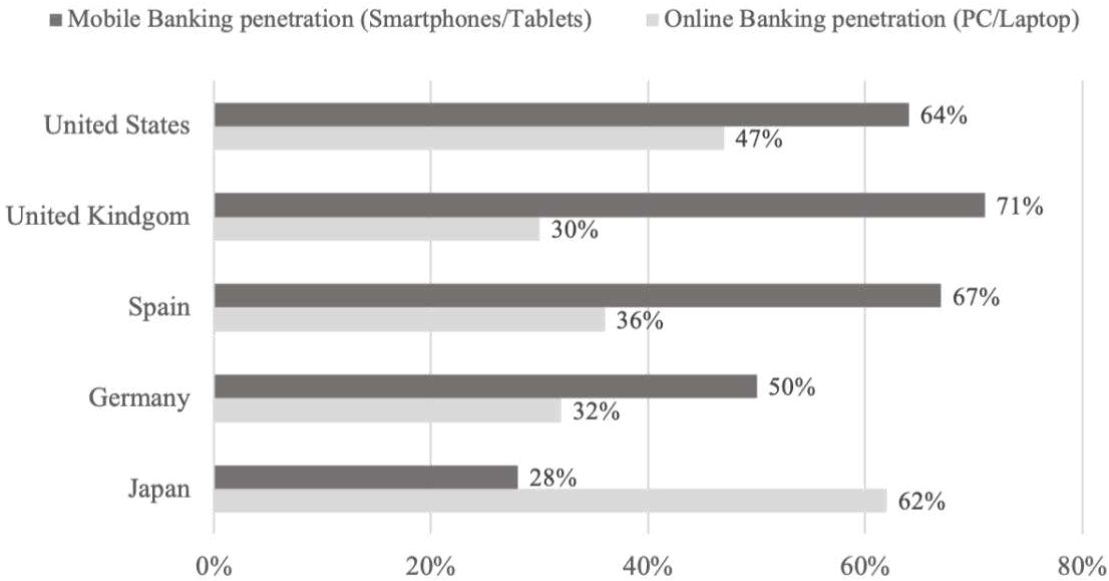


Figure 2: Share of bank account holders processing banking matters via MB or OB worldwide by country in 2023, according to Statista (2024)

As shown in Figure 2, the United Kingdom achieved the highest MB penetration rate among the observed countries with 71% in 2023. Japan, on the other hand, had both the highest OB penetration rate (62%) and the lowest MB penetration rate (28%). OB penetration in European countries was generally fairly stable. Overall, it can be seen that in four of the five regions, the majority of banking transactions were carried out via mobile delivery channels such as smartphones or tablets (Statista, 2024d).

As the banking industry enters the digital age, the shift to Digital Banking (DB) platforms, such as mobile apps and websites, have become the primary means for customers to access financial services (Koont, 2023). DB, also known as Virtual Banking (VB), describes “the digitization of all traditional banking operations and services that were previously available to consumers when they visited a branch” (Salahudin & Joo, 2022, p. 1). As indicated in Figure 3, the rise of digital platforms is associated with a slowdown in banking industry consolidation, which is an indication that the competitive landscape has evolved (Koont, 2023). In 2017, the estimated size of the DB market alone was over \$7 trillion with an expected growth of over \$9 trillion by 2024 (Bhutani & Wadhvani, 2018). Factors such as OB, self-service machines, financial

integration and 24-hour customer service have transformed the perception of DB necessity (Chauhan, 2018). As a result, banking providers began progressively moving towards more advanced applications based solely on digital delivery (Windasari et al., 2022).

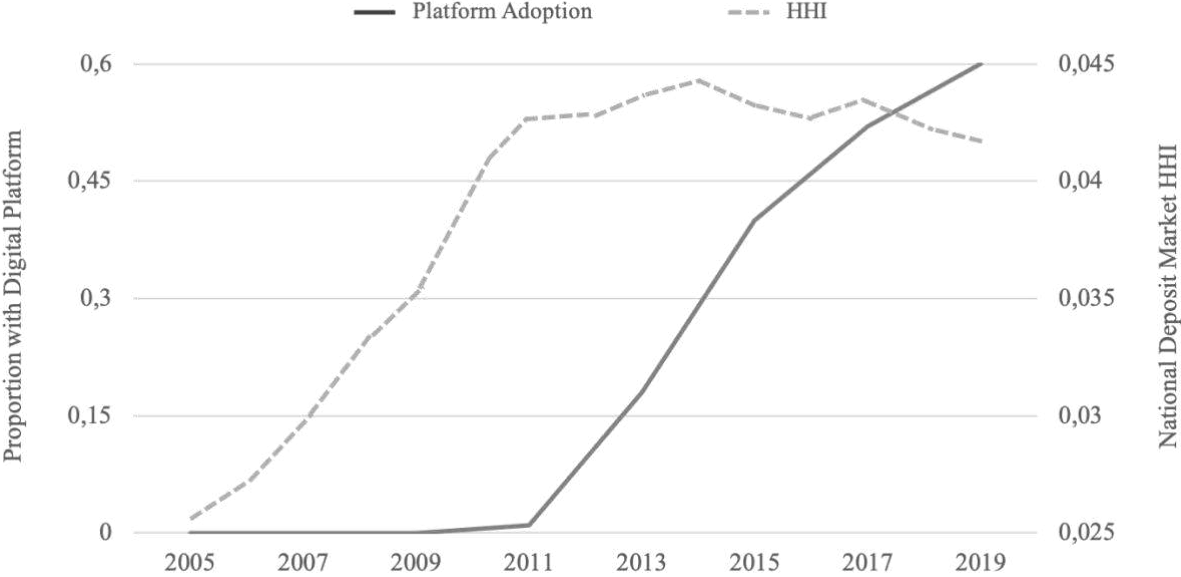


Figure 3: Digital Platform Adoption and Market Concentration in the US banking industry, according to Koont (2023)

The absence of direct human contact in a digital-only business model makes it difficult for FinTech to transfer trust across the digital sphere, as described by Smith (2012). Following this logic, neobanks operate at an inherent disadvantage. Although, the adoption rate of DB platform providers has increased steadily in recent years, this is not synonymous with an associated increase in customer trust (EY, 2017; 2019). Despite regulatory approval of FinTech, customers remain skeptical about whether new digital-only banking providers can offer the same level of security as incumbents (Arslanian & Fischer, 2019; Nel & Boshoff, 2021). With regard to this, Rana et al. (2019) pointed out that digital financial services are considered riskier and therefore less trustworthy due to their lack of physical availability. Hence, digital-only banking platforms, such as neobanks, are required to generate a high level of trust in order to be accepted by a broad customer base (Hopkinson & Klarova, 2019; Melnyk, 2023; Ray et al., 2023).

2.2 Neobanks

The following chapter discusses neobanks – their business model, the challenges they face, specific growth strategies and trends of the leading European players, as well as the target market and segment of this dissertation.

2.2.1 Business Model

The increasing focus on customer experience (CX) and satisfaction in the financial industry has created a gap between what the average bank offers and what customers expect (Sharma & Patil, 2023). This growth-related uncertainty has allowed niche markets to emerge and helped revolutionary business models to break through (Bradford, 2020). According to Hopkinson et al. (2019), neobanks are defined as “a form of bank which is entirely online and provides its products solely through online channels without owning physical branches” (Temelkov, 2020, p. 4). Unlike traditional banks that use a mix of physical branches and digital presence, the service offering is less diversified, but highly customizable through the adoption of advanced technologies such as AI (J. Sharma & Patil, 2023). As shown in Table 1, the two models can be compared based on factors such as focus, distribution channels and growth strategy (Finnovate, 2018).

Declared as FinTech entities that leverage cutting-edge technologies and customer-centric banking services, neobanks aim to facilitate a seamless and user-friendly banking experience (Borges et al., 2020; Sardar & Anjaria, 2023). Other notable characteristics include high adaptability, pure reliance on cloud-based software, and the ability to effectively leverage data-driven innovation (Bradford, 2020; Kline, 2015). They offer their customers similar services to traditional banks, such as checking, savings, payment services and loans through digital platforms, such as mobile apps or online websites (Martinčević et al., 2020; Ziouache & Bouteraa, 2023), with the difference that they often do not operate independently and must rely on partner banks (Monis & Pai, 2023).

Utilizing technological developments, neobanks are not only disrupting the banking landscape but are also becoming particularly popular with tech-savvy consumers who value convenience, simplicity and innovation in their financial transactions (Sardar & Anjaria, 2023). This growth in user numbers is linked to operational conditions, such as high interest rates on deposits,

simplified credit rating assessments through automated verification, low service fees and advanced financial analysis tools (Koibichuk et al., 2021).

Traditional Banks (Product-centric)	Neobanks (Platform-centric)
Branches	Marketplace Community
<ul style="list-style-type: none"> – High verticalization of products – No strong communities around the brand/product – Large branch/network – High customer acquisition costs 	<ul style="list-style-type: none"> – High community engagement with the product – Horizontalization of products with best-in-class apps – Open banking through APIs – Mobile only (low customer acquisition cost)
Tech Infrastructure	Tech Infrastructure
<ul style="list-style-type: none"> – Outsourced technology – Rigid legacy platforms of 1970s–1980s – Non-modular architecture with limited scalability – Hard to integrate data from 3rd party providers 	<ul style="list-style-type: none"> – Open architecture technology stack – Ability to ‘plug and play’ best-in-class tools/services – Low dependency on 3rd party providers – Open ecosystem allowing access to external developers
Product-centric Business	Data-driven Business
<ul style="list-style-type: none"> – Banking data divided into silos – Mix of paper-based and online data – Difficulties in reconciling, monitoring data 	<ul style="list-style-type: none"> – Real-time data integration and management – Current accounts generate key data for 3rd parties – Data powers business model through 3rd party affiliation fees
Organizational Design	Organizational Design
<ul style="list-style-type: none"> – Product-centric organizational design – Products and verticals drive organization structure 	<ul style="list-style-type: none"> – Customer-centric organizational design – Customer needs drive data architecture

Table 1: Main differences between the business models of traditional banks and neobanks, according to Finnovate (2018)

2.2.2 Challenges

While neobanks have many advantages over traditional banks, they also face several difficulties and constraints (Stobdan & Kumar, 2023). For many customers, experience and reputation are decisive factors when choosing a bank. As new entrants to the market, neobanks often find it difficult to convince customers to accept them as their primary bank because they are unable to meet these requirements. Gaining their trust is therefore crucial to successfully driving growth and achieving long-term sustainability (Hopkinson & Klarova, 2019).

Despite the growing number of online purchases and transactions, many customers still prefer to pay cash on delivery. This poses a challenge for neobanks, as they need to meet the demand for physical cash while developing additional revenue streams beyond payment gateway fees (Sardar & Anjaria, 2023; Shabu & Ramankutty, 2022). Moreover, the fact that many neobanks are not fully licensed and therefore have to operate under the management of other registered banks forces them to limit their range of financial products. Many credit and deposit schemes

are not yet available and will need to be developed as the sector matures and achieves wider acceptance and transparency (Chekima et al., 2023; Sardar & Anjaria, 2023).

In addition, customers are often concerned about the security of their funds in online and mobile transactions (George, 2023; Shabu & Ramankutty, 2022). Although neobanking platforms are regulated by national authorities, this assurance is not always apparent. To change this perception, neobanks need to set up incentives that increase customer understanding and confidence in the measures taken (Bouteraa, 2020). While the disappearance of bricks-and-mortar branches reduces administrative overheads and costs, the move to an all-digital operating model also means sacrificing the opportunity for physical, face-to-face interaction (Ziouache & Bouteraa, 2023).

2.2.3 Growth Strategies and Trends of European Players

Neobanking adoption shows no signs of slowing: By 2028, (Statista, 2024e) the predicted number of users worldwide will exceed 386 million. That's a tenfold increase from the 33 million users in 2018. The significant upside potential lies primarily in the low-cost model for end consumers, where they incur no or only very low monthly fees for banking services such as minimum balance maintenance, deposits and withdrawals. Key factors driving this growth include faster loan approval and funding processes compared to traditional banks as well as lower interest rates offered through banking applications (Stobdan & Kumar, 2023). But who are the dominant players on the European market? And how do they set themselves apart from the competition? The following section provides a brief overview of the strategic choices and objectives that Revolut, N26 and Wise are pursuing to engage with their customers and secure future revenues.

Since its launch in 2015, London-based neobank Revolut has quickly become a household name: it has 35 million active users and 500,000 business customers, with services offered in 36 in-app currencies. The company's mission is clear: by 'simplifying all things money', it aims to revolutionize the way individuals manage and maximize their financial affairs by providing an easy-to-use interface with innovative services. These include smart budgeting, on-demand payments, bill splitting and investment opportunities in equities, cryptocurrencies and commodities (Revolut, 2024). Following the introduction of an open banking concept, which allowed the linking of the mobile application to primary bank accounts in multiple countries,

and several investment rounds of up to \$1.7 billion (Revolut, 2024), Revolut is currently valued at around \$25.7 billion (Bloomberg, 2024). With this expansion, the company has established itself not only as the number one in Europe, but also as a major competitor to the global neo-banking giants such as WeBank, Rakuten or Nubank (Statista, 2024c).

Wise, founded in 2011 and also headquartered in London, is committed to making money transfers cheap, fair and simple. Harnessing a cross-border payment network, they facilitate high-speed, low-cost transactions across the globe. The neobank is guided by responsibility, transparency, honesty, and has over 5,000 employees and who helped 16 million customers save £495 million in the fourth quarter of 2023 alone (Wise, 2024). Wise has only half as many customers as Revolut, but has been recognized as the “Best Place to Work in FinTech 2023” for the second year running (Wise, 2024). It has customer ratings of 4.3 out of 5 from over 200.000 Trustpilot reviews (Trustpilot, 2024), and also has numerous partnerships. The most prominent of these is probably the recently announced cooperation with SWIFT, a leading provider of banking communication networks (Forbes, 2024).

N26 is Germany's flagship in the digital banking industry and the largest non-UK neobank in Europe (Statista, 2024c). Founded in 2013 and introducing its first mobile bank accounts in 2025, the company has nearly 1,500 employees in 24 countries providing a seamless banking experience to 8 million customers. However, due to several crises such as the war in Ukraine, inflation and the turnaround in interest rates, profits will not be realized until the end of 2024 at the earliest (Handelsblatt, 2023). Another setback for the company could be the withdrawal of insurance giant Allianz. In the event of an exit, the total valuation of the company could drop to an estimated €3 billion, which would make the search for new investors considerably more difficult (FAZ, 2023). But all of this hasn't changed N26's bold ambition to expand beyond banking in the future: With the launch of N26 Crypto (N26, 2024), and the recent announcement to start trading in shares and ETFs, the company sealed its entry into the brokerage business. Unlike competitors such as Trade Republic, which charge separate fees, a single premium-account will continue to cover all of the customer's financial costs (Handelsblatt, 2024).

2.2.4 Target Market and Segment

According to recent data, Europe was one of the leading distribution areas, dominating the global market with more than 30% of global sales in 2023 (Market.us, 2023). Driven by factors

such as innovative solutions, partnerships with large incumbent institutions and extensive FinTech investment, the European neobanking market size peaked at \$37.7 billion (Fortune Business Insights, 2024). Between 2024 and 2032, it is expected to grow rapidly at a compound annual growth rate (CAGR) of 51.4% to reach a total valuation of \$1.04 trillion (Polaris Market Search, 2023). With a current user penetration of around 11.8% in Europe, the total transaction value of the market is expected to exceed \$3.1 trillion by 2024. Appendix A shows how user penetration varies between continents and countries, with Ireland, the UK and Denmark leading the field globally (Statista, 2024b).

Due to their tech-savvy nature, Generation Z is often seen as a primary target group for digital banking services. (Lipton et al., 2016). Compared to older generations, this age group tends to consume more, especially via digital platforms (Eastman et al., 2013; Obal & Kunz, 2013). However, previous research on the relationship between neobanking characteristics and trust in Generation Z is extremely limited.

As the offering of digital banks is very similar to that of traditional banks, alternative promotions strategies had to be developed to attract the attention of the target market (Windasari et al., 2022). Especially among younger customers who favor monetary rewards, short-term incentives such as discounts on third-party items, extra points from partnered merchants, cashback, vouchers, and coupons have proven highly effective (Smith, 2012). Another factor that has been increasingly important in the targeting of young age groups is social influence (Venkatesh et al., 2003). This is because they are more socially connected, have a strong social conscience and prioritize the opinions of friends and peers when making usage decisions (Purani et al., 2019). Building on these findings, the following chapter uncovers the characteristics and behavioral patterns of Generation Z and sheds light on their profound significance for FinTech and neobanking.

2.3 Generation Z: The real Digital Natives

As mentioned above, Generation Z is a very compelling target for digital businesses. According to Appendix B, this age group includes all individuals born between approximately 1997 and 2012. Growing up in the digital age has made them skilled multitaskers who are quick to adopt technology (Schwieger & Ladwig, 2018). Due to this digital-centric mindset, they are often referred to as Generation I, Gen Tech, Gen Wii or Digital Natives (Gaidhani et al., 2019).

As the first generation to experience the potential of the internet and open networks from a very early age, Generation Z has developed an affective relationship with digital media devices such as laptops and smartphones (Singh & Dangmei, 2016). Weinswig (2016) highlighted three notable characteristics of Generation Z: first, they care about their self-image; second, they expect immediate gratification of their consumption needs; and third, they have a high regard for leisure services. They are also seen as a do-it-yourself generation with strong social networking skills that tend to be more entrepreneurial, trustworthy, tolerant and less concerned about money than others (Schawbel, 2014; Singh & Dangmei, 2016). On the other hand, Generation Z is more demanding than its predecessors, with a wide range of choices and access to almost limitless knowledge (S. Persada et al., 2020; Weinswig, 2016).

Another characteristic of Generation Z is that they often share their opinions and values by participating in online communities (Dobrowolski et al., 2022; Slavin, 2015). Researchers have found that when consumers identify and communicate within these brand communities, it increases their participation and commitment. Such behavior tends to build trust and influences purchase decisions (Goh et al., 2013). These insights have prompted marketers to treat Generation Z as active participants rather than just consumers (Southgate, 2017). Consequently, engaging with younger consumers on social media, is an opportunity for companies to capitalize and build trust (Ebrahim, 2020). In addition, Generation Z is very environmentally conscious, so they value sustainability and are motivated to make eco-friendly purchasing decisions (Kabaja et al., 2023).

In terms of financial behavior, many studies have shown that Generation Z, among others, are also key influencers in the early adoption of FinTech services (Faridi et al., 2024). Their significant presence and the urgency for digital solutions underscore the need for banks to rapidly integrate these technologies. In particular, they are driving the evolution of banks and FinTechs by pushing for financial services to be digitized and made accessible on primary digital devices such as smartphones (Abu Daqar et al., 2021; Meola, 2017).

2.4 Management Theories

The following chapter is a description of the management theories used in this dissertation. These include the Technology Acceptance Model (TAM), Dynamic Capabilities (DCs), Diffusion of Innovation Theory (DIT) and Service Quality Model (SQM).

2.4.1 Technology Acceptance Model

First introduced by Davis (1985), the TAM examines the factors that shape the process of acceptance formation, in order to understand the reasons behind people's decisions to accept or reject information technology (IT), in this case neobanks (Davis et al., 1989). There are essentially two main factors that have a significant impact on computer acceptance behavior: Perceived Usefulness (indicated with U) refers to “the prospective user's subjective probability that using a specific application system will increase his or her job performance within an organizational context”, and Perceived Ease of Use (indicated with E), which is defined as “the degree to which the prospective user expects the target system to be free of effort” (p. 985). The model implies that E influences U and the Attitude Toward Using the System (indicated with A), while U and A in turn have a significant influence on the Behavioral Intention to Use (indicated with BI). Once BI is obtained, the Actual System Use can be determined (Davis et al., 1989). An illustration of the TAM is shown below, with boxes representing the theoretical constructs and arrows between them indicating the causal relationships.

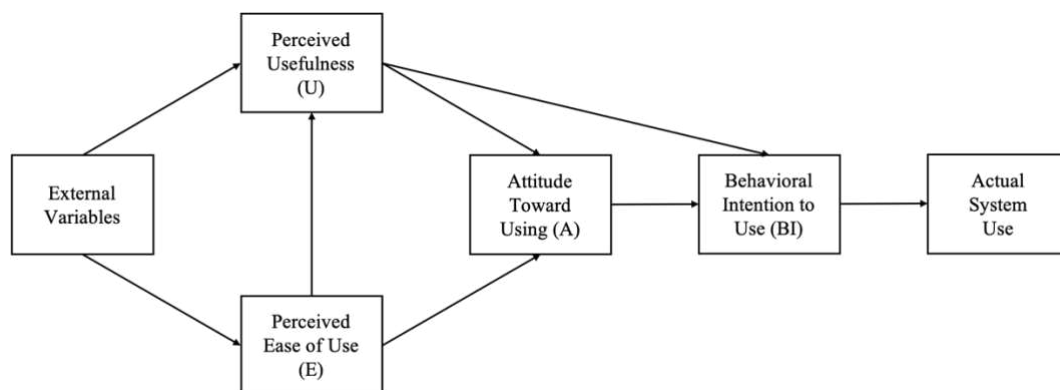


Figure 4: TAM, according to Davis et al. (1989)

A number of research studies in the broader FinTech field applied the TAM to understand what influences the adoption by specific user groups, such as Generation Z, and to guide them on how to tailor their services (Ananda et al., 2020; Hu et al., 2019; Riza & Hafizi, 2019). This dissertation utilizes Hu et al's (2019) definition of U as guiding principle: it refers to the fact “that users choose to adopt the service if they believe that using FinTech can have a positive impact” (p. 4).

2.4.2. Dynamic Capabilities

Dynamic capabilities (DCs) are unique processes associated with a firm’s individual history that give it the ability to adapt external and internal proficiencies to fast-transforming environments (Teece et al., 1997). It is “the firm's potential to systematically solve problems, formed by its propensity to sense opportunities and threats, to make timely and market-oriented decisions, and to change its resource base” (Barreto, 2010, p. 271). Helfat & Peteraf (2009), define DCs “as the capacity of the organization to purposefully generate, extend, or modify its capability and resource bases to address the changing environmental conditions” (p. 4). In the wake of the financial crisis, organizations around the world have had to re-evaluate long-standing practices and business standards in response to volatile markets, public demands and extensive new regulation (Safeena et al., 2013). The DCs framework explains how developments in the global financial sector, particularly the rise of FinTech, have led banks to identify market disruptions and adopt strategies to create a growth trajectory and maintain competitive advantage (Cockburn & Henderson, 1994; Safeena et al., 2013).

The ability to effectively combine different capabilities in a coordinated manner helps ensure strategic alignment, minimizes redundancy and provides the basis for efficient resource utilization (Zahra & Nielsen, 2002). For enhanced clarity and conceptual coherence, it is crucial to consider DCs independently from their antecedents and outcomes (Zahra et al., 2006). From a banking perspective, the development of DCs can offer several benefits, including greater efficiency through straight-through processing, flexibility in reporting and multi-bank access. To realize these benefits, banks need to establish the DCs presented in Table 2 (Muthukannan & Gozman, 2019).

Concept	Description
Sensing Capability	Analytical Systems to learn and to sense, filter, shape, and calibrate opportunities
Seizing Capability	Enable the establishment of decision-making protocols and knowledge assimilation
Reconfiguring Capability	Enable firms to recombine their knowledge and resources to create competitive advantage
Adaptive Capability	Organization’s ability to identify and capitalize on emerging business opportunities with a more emphasis on the balancing act of exploitation and exploration strategies
Absorptive Capability	Organization’s ability to recognize the value of new, external information assimilate and apply to commercial ends
Innovative Capability	Organization’s ability to develop new products through aligning strategic innovative orientation with innovative processes and behaviors

Table 2: Key DCs relevant to Banks, according to Muthukannan & Gozman (2019)

2.4.3. Diffusion of Innovation Theory

According to Al-Jabri & Sohail (2012), the Diffusion of Innovation Theory (DIT) is one of the most promising theories for understanding technology adoption because it explores not only how and why, but also at what rate new innovations spread across cultures. The process of developing an innovation typically begins with the identification of a certain problem and ends with the users adoption (Albastaki et al., 2020). As Figure 5 illustrates, the rate of adoption (ROA) increases exponentially when a certain point in diffusion is reached, typically around 10 to 25% adoption. Rogers (1995) identified five key attributes of innovation that determine the user's decision process leading to either acceptance or rejection: relative advantage, computability, complexity, trialability and observability. ROA is defined as “the number of members using innovation in a social system during a specified time interval”, and ultimately determines the success of the DIT strategies applied (see Appendix C) (Albastaki et al., 2020, p. 49).

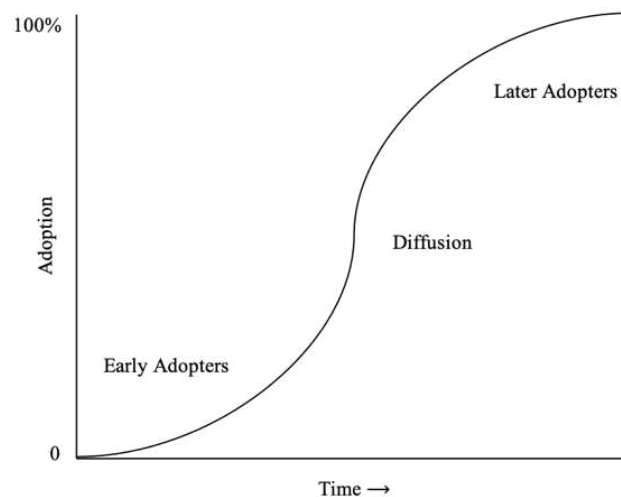


Figure 5: The process of diffusion, according to Rogers (1995)

With regard to FinTech implementation, innovations in money transfers and payments have emerged as traditional mobile and e-commerce products have failed to meet the needs of consumers and merchants (EY, 2016). One of the resulting trends was the proliferation of payments via mobile phones or cryptocurrencies initiated by non-banks. Another important development has been the emergence of crowdfunding. Following the financial crisis, many banks were reluctant to finance projects. Consequently, entrepreneurs began to seek funding through other channels, such as social networks and personal contacts (Albastaki et al., 2020).

2.4.4. Service Quality Model

Introduced by Grönroos (1984), the first Service Quality Model (SQM) measures perceived service quality by testing qualitative methods. For this, the author three dimensions as guiding principles: Technical quality refers to customer evaluations of what has been delivered, whereas functional quality focuses more on how consumers perceive the service and the way it is delivered. Both have an impact on corporate image, which in turn positively influences customer perception. (Yarimoglu, 2014). The creation of a loyal customer base ensures competitive advantage (Harahap et al., 2021). In addition to the quality of a service, this also requires a certain degree of innovation, as customers are attracted to new and progressive developments (Kusumadewi & Karyono, 2019).

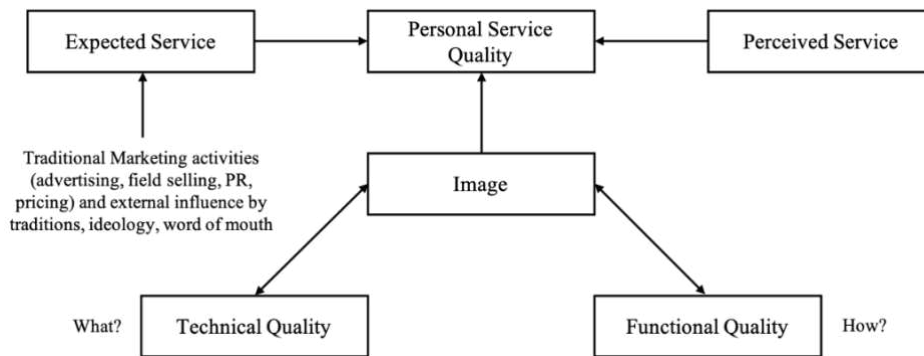


Figure 6: SQM, according to Grönroos (1984)

Parasuraman et al. (1985) reviewed the SQM developed by Grönroos and created a model based on GAP analysis (see Appendix D) to measure service quality along the dimensions of tangibles, reliability, responsiveness, assurance and empathy (Sangeetha & Mahalingam, 2011). In order to measure service quality, they developed a general management tool called SERVQUAL, which can be used in the entire service industry, including banking (Sangeetha & Mahalingam, 2011; Utami & Supriadi, 2023). It is based on the assumption that customers evaluate the service quality of an organization by comparing their perception of the service with their own expectations (Theresia & Tan, 2021). Accordingly, service quality is perceived as poor when the perceived performance is below expectations and, conversely, as good when it is in line with expectations (Utami & Supriadi, 2023).

3. Methodology

The following chapter outlines the research methodology of the dissertation. This includes the research design and data collection.

3.1 Research Design

The dissertation is based on a review of existing literature and expert interviews, with the former including academic publications and consulting studies, as well as specialist banking websites and portals. A qualitative approach was applied to explore the potential of attracting digital natives and analyze their acceptance of neobanks and trust-building factors. (Edwards & Holland, 2013). This approach was chosen due to the explorative and complex nature of the topic (Azungah, 2018).

The primary research methodology used in this dissertation is semi-structured interviews. With the help of experts from the neobanking, consulting and FinTech industry, this method was chosen to address the necessary questions in accordance with the qualitative research design and the underlying research objectives (Barrett & Younas, 2024). The research objective here was to gain comprehensive insights into the attitudes, behaviors and factors influencing the Generation Z demographic's engagement with digital-only banking platforms (Rowley, 2012). The research followed a mixed approach of inductive and deductive reasoning, with open-ended questions designed to identify trends and patterns emerging from the responses, while providing a structured framework for developing a comprehensive understanding of the research question (Sekaran & Bougie, 2016).

3.2 Data Collection

The collection of data through semi-structured expert interviews was the central element of this dissertation, “tailored to the research question, the characteristics of the participants and the preferences of the researcher” (Barrett & Twycross, 2018, p. 1). The benefits of this approach are twofold: On the one hand, open questions provide wide-ranging insights, as they give Interviewees enough space to express themselves in detail (Hoffmann, 2007), and on the other hand, the researcher can use variations in the interview guide to obtain comprehensive answers from the experts depending on the situational context (Qu & Dumay, 2011).

In total, over 250 people were contacted from which 12 were available for interviews. In order to adequately answer the research question, the interviews were designed to reflect as many perspectives as possible by including experts from a range of backgrounds, including journalism, consultancy and market research. Participants were recruited through personal networks or found on LinkedIn. As shown in Table 2, the selected participants were either active in neobanking or are involved in the wider FinTech industry. The selection process ensured that all participants had worked in or with a neobank at least once. To identify the right candidates, criteria included job titles such as sales, strategic partnerships and customer success. A questionnaire was developed for all industry groups, with minor adjustments to the wording depending on the professional area. As the content of the interviews is confidential, all participants were guaranteed anonymity. The interviews were conducted in German or English, and lasted on average around 42 minutes.

#	Industry	Position	Age	Gender	Industry Experience
A	Strategy Consulting	Senior Consultant	31	Female	5 years
B	Neobanking	Sales Teamlead	28	Male	3 years
C	FinTech	Senior Vice President Merge & Acceptance	51	Male	>10 years
D	Technology Consulting	Strategy Consultant	29	Male	3 years
E	FinTech	Product Owner/ Co-Founder	36	Male	7 years
F	Neobanking	Vice President Merchant Products	46	Male	>10 years
G	FinTech	Senior Solution Sales Consultant	38	Female	7 years
H	Neobanking	Business Development & Innovation Manager	31	Female	8 years
I	Neobanking	Director Strategic Partnerships	37	Male	6 years
J	FinTech	Vice President Sales & Business Development	42	Male	8 years
K	Neobanking	Director of Growth	48	Female	>10 years
L	Technology Consulting	Senior Manager (FinTech Lead Austria)	42	Female	>10 years

Table 3: List of Interviews with experts from the Neobanking, FinTech and Consulting industry

4. Data Analysis and Findings

In this dissertation, the results of the expert interviews were examined using qualitative content analysis. In order to draw conclusions, the experts' responses to the interview questions were grouped into eight categories derived from the qualitative data (Mayring, 2010). With reference to the individual interview transcripts (A - L), frequently mentioned statements with a similar context were identified and included in the analysis as sub-categories. An overview can be found in the Appendix F.

Category 1: Generation Z's importance for the growth of neobanks

As shown in Figure 7, all experts interviewed universally acknowledged that Generation Z is a cornerstone in the growth strategies of neobanks, rating its overall relevance at an average of 9.2 out of 10. The main reasons given were that they are early adopters (D, I, K), digitally savvy (B, E, I, L), influencing other age groups (A, I, G) and driving FinTech as their core target group (A, F, H, J). As they are about to enter the labor market, they are the generation that will shape the economy of the future (C, F, I).

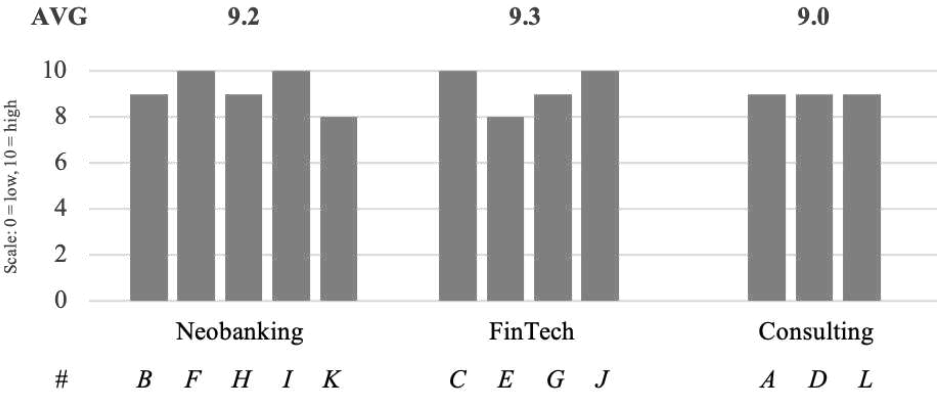


Figure 7: The importance of Generation Z for the growth strategies of neobanks, assessed by grouped industry experts

Almost all interviewees cited an affinity for digital solutions as the most common characteristic of Generation Z. This doesn't necessarily mean that they understand technology or can code better than others, but it does entail that they spend more time in the technology environment (L). While this generation is generally more trusting of mobile and branchless banking than older generations, they automatically pay much more attention to security and cyber-attacks (A, C). According to interviewees A and D, Generation Z has developed an early understanding of money due to the use of social media, but also due to critical life events such as the coronavirus pandemic, which in turn has increased interest in financial literacy. Instant and global gratification (D, E, J), via digital channels such as X, TikTok, YouTube and Instagram (A, H, I, L) is extremely important to this generation, as is constant access to the key features (D, E, F, I). In addition, several interviewees (B, G, H, J) highlighted the fact that Generation Z has become increasingly financially independent and self-reliant thanks to the digital availability of information from tools such as ChatGPT.

Generation Z is also concerned with value-based consumption, conscious investment and social responsibility. It is no longer just about high salaries and returns at any price, but also about how value is created and the extent to which ethical and sustainable aspects are practiced (A, B, F H, I). Moreover, Interviewees H, I and J described that there is a general skepticism and mistrust among Generation Z towards traditional banks. This is due to several reasons: First, traditional banks have been rocked by scandals over the past 20 years, all of which have resulted in negative media headlines (J). Second, FinTechs and neobanks are hip and innovative, whereas retail banks are often seen as a bit hesitant. (I). Third, Generation Z is more attracted to customer-centric neobanks that focus on personal needs rather than the purely profit-driven approach of legacy banks and their generally poor public reputation (H, J).

Category 2: Consumer trends

Generation Z is more likely to have multiple accounts with different providers as a result of the attractive pricing and flexible account options offered by neobanks (C, D, G). Interviewees A, B, D, G, I, J, K, and L highlighted that digital payment methods (e.g. Apple Pay or Google Pay) are growing in popularity among Generation Z consumers. In fact, there is a certain aversion to cash in this generation. According to Interviewee L, latest estimates showed an overall 70% decline in cash payments. Instead, they use P2P transfers for the advantage of being able to manage the flow of money between different users, friends and groups easily, directly and without delay (C, E, I). In terms of long-term security, Interviewee I added that there is a growing awareness of conscious, responsible and sustainable investments among Generation Z. The generation is increasingly aware that they have to provide for their own retirement, so they need to invest much earlier. In addition, people are much better informed about compounding, which motivates even more people to invest (E). Another trend that is becoming more prevalent on the consumer side is the use of BNPL services (A, I, J), which allows people to buy things that they would not normally be able to afford at this time. Generation Z in particular is very much in awe of these services. However, according to Interviewee I, this only reinforces the idea of debt and should therefore be treated with caution.

As depicted in Figure 8, the majority of the experts answered in the affirmative when asked to what extent recent technological advances, such as AI, blockchain or big data, have influenced the adoption of neobanking services among Generation Z (with an average score of 7.1 out of

10). However, they pointed out that blockchain should be taken out of the equation as it has no application in the neobanking environment so far (D, I).

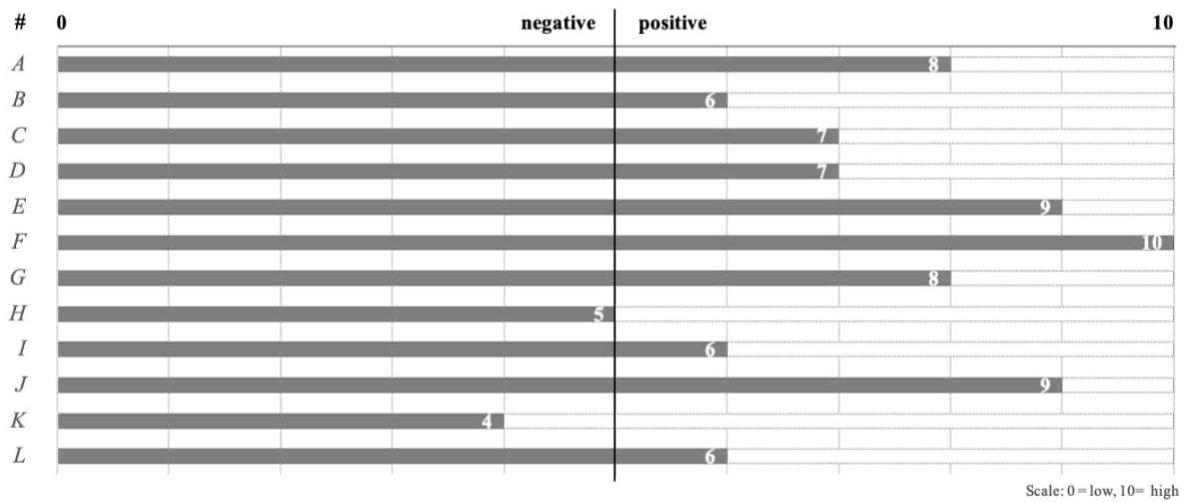


Figure 8: Influence of technological advances on Generation Z's adoption of neobanking, assessed by industry experts

Category 3: Trust building factors in the attraction

The most common factors mentioned by all the experts for building trust with Generation Z was making the product and its CX as simple as possible, so that it can be communicated directly to the customer in an honest, transparent and understandable way. Another key driver was user-centricity and personalization (H, J). Interviewee I further stated, that the days of one-size-fits-all are over, and that neobanks need to be much more responsive to the individual needs of their customers. As mentioned above, media coverage has played a crucial role in how Generation Z perceives neobanks. As long as there is no negative publicity and neobanks are proactive in meeting customer needs, they are likely to be successful with Generation Z (B, D, H, J). In addition, Interviewees A and H observed a difference in whether neobanks are fully licensed or have to rely on banking partners. In terms of data protection and privacy, implementing a KYC process with FaceID and verification pins via SMS increase the perceived security and professionalism of providers (C, G, L).

Word-of-mouth was a powerful layer of social influence and adoption of neobanks, highlighted by practically all experts. Interviewees A, C, I, E and J explained that the high level of activity on social media is an accelerator for Generation Z to reach and interact with other users,

influencers or even neobanks themselves in their network. This is where they make recommendations, but also where they receive information (B, H, K). In general, comparison sites and professional reviews are very important ways for tech-savvy Generation Z to assess a product's value proposition and functionality (B, D, H).

Category 4: Challenges of harnessing Generation Z as a driver for growth

According to Interviewees A, E, G, H, I, and J, the biggest challenge for all neobanks is to create an environment of trust and confidence for their customers by offering them secure products and services. As Generation Z has become more educated, especially through word of mouth and social media, their demands on the online market have increased significantly. Therefore, questions such as “*How transparent are they really? How secure are they really? How sustainable are they really?*” are becoming more and more apparent (A, L). Consequently, as Interviewees A, H, I and J unanimously confirmed, if neobanks want to attract and retain customers, they need to appeal to these characteristics and demonstrate that they are a place that cares about their money. Having grown up in the digital age, Generation Z is familiar with the potentials of technologies, but also knows their dangers and downsides (I). In this regard, Interviewee G noted that security and trust in FinTech is underpinned by EU regulations and BaFin, leading many to initially rely on partner banks (e.g. N26 with Wirecard). However, as neobanks grow and obtain full banking licenses, there is a risk that customers will have to consider whether they trust neobanks to manage and secure their funds themselves. After the financial crisis of 2008, when many people lost their fortunes, Generation Z is eager to make sure that doesn't happen to them (C, G).

Another major problem neobanks have to face is competitive pressure and saturation of the market (A, D, H, I, E, K). Due to the highly competitive nature of this environment, it is a challenge to capture the attention of Generation Z. According to Interviewees H and E, neobanks are forced to differentiate themselves with value-added services towards an ecosystem or other lifestyle services that go beyond banking. A wave of new FinTechs have had to leave the market because their business model is not sustainable enough (I), which links to another issue highlighted by several Interviewees – high acquisition costs (C, D, H, I, J, L). Many neobanks offered attractive packages with upfront payments for account openings and friend referrals in order to stay relevant. This included all marketing and promotional activities, such as social media campaigns, which are considered to be very resource-intensive (D, K).

Given the intense market mechanisms, neobanks have no choice but to operate in this way, otherwise the cost-conscious Generation Z customers will turn to another, trendier and cheaper provider (C, I). Interviewees C and D explain that measures such as PSD2 have greatly simplified the barriers to switching between neobanks. As a result, young customers today do not show the same level of loyalty as previous generations (C, D, G, I, J). This also affects the actual use of accounts, as many Generation Z customers do not rely on neobanks as their main bank (B, C, D, L). Interviewee H also mentioned that these so-called consumer banks are often used only occasionally for foreign transactions. For this reason, it is advisable to take advantage of customer engagement tools such as gamification, which encourage Generation Z to use them on a regular basis (C). Interviewees B, E, H and J identified existing lock-in effects as an additional challenge. Since many young customers are often with the same bank as their parents, it is difficult to convince them to transfer to a new ecosystem as the dependency on the other service is too great. There are also risks for banks in attracting target groups such as Generation Z. Due to their young age, they have relatively low incomes and credit scores compared to older generations, which makes it difficult to rate them accordingly (D, F, J).

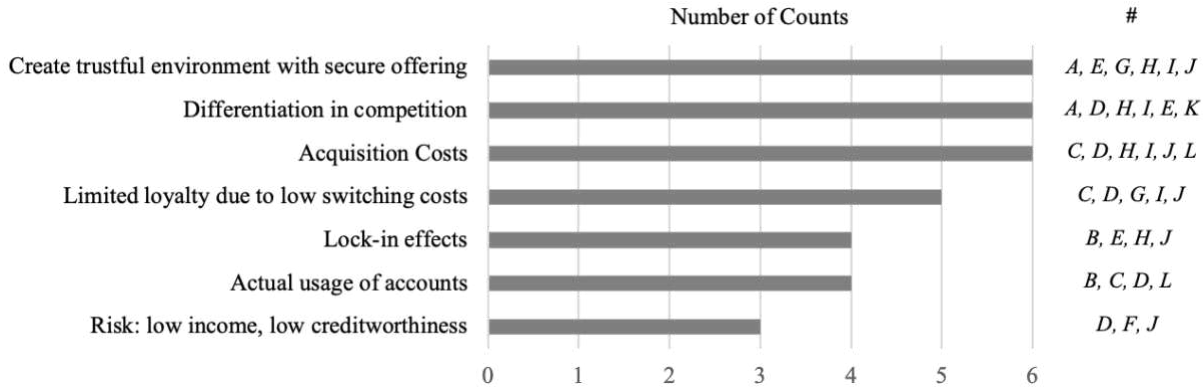


Figure 9: Frequency of challenges identified by industry experts

Category 5: Customer engagement strategies

Interviewees A, C, G, H and K emphasized that neobanks have put a lot of effort into educating users on a wide range of financial topics such as savings or foreign transaction. Whether through social media, newspaper articles, tutorials or educational videos, they try to add value, especially for the younger generation, and promote financial literacy from an early age, as they have not learned it at school. This includes giving them the opportunity to build up assets and to budget better. In other words, teaching them how to manage money and finances in general

(J). Alongside the usual social media communication channels, Interviewees D, H, I and L mentioned simple product marketing, partnerships and collaborations as valuable alternatives for generating customer interest. Smaller neobanks are leveraging the name and recognition of well-known players, which do not necessarily have to be representative brands for their own purposes, in order to attract the attention of their target audience (H). This goes hand in hand with another popular marketing tool used to capture customer attention. Through influencer partnerships and celebrity endorsements, and all experts confirmed this, neobanks promote their brand and build a relationship with their users. In addition, an excellent customer service that is easily accessible 24/7 through the app, is crucial for neobanks. With no physical branches, customers need to know they can always reach someone if they have a problem (D, G, K).

Category 6: Service offering and value creation

Neobanks originally built their business model around user-friendly banking services through digital channels with low fees, high-interest savings, budgeting tools with virtual and one-off credit cards for flexible online payments (A, C, F, G). Interviewees H and L noted that customers are particularly attracted to the free basic accounts with various upgrade options and customizable lifestyle services that they can tailor to their needs with global access (e.g. Revolut's premium account Travel Insurance). According to several Interviewees (A, B, C, D, E, G, H), there is a trend in neobanking whereby many providers nowadays are broadening their product portfolios more and more towards investment opportunities, offering ETFs and crypto products (e.g. N26 Crypto) alongside stock trading and savings products. This one-stop-shop approach is increasingly popular with customers, offering all products in a bundle, accessible through a single point of contact (D, H, J, L). It should be noted, that there are also some players going in the opposite direction by focusing on specific niche areas, such as InstantPay in SMEs or Trade Republic in crypto (Interviewees A, L).

Category 7: Achieving long-term acceptance and loyalty

“Get your message right. If you build trust early on, you will have loyal, long-term customers” (Interview I).

According to the Interviewees C, D, G, H, I, J, K, and L, a very effective and proven way to keep customers coming back and not losing touch with is agile product development. An online

banking application is not finished once it has been launched and other projects can be pursued. Through constant user feedback, UI optimization, but also early implementation of trends and additional features, neobanks prevent its Generation Z users from migrating to the next new trendy provider (G). In this context, Interviewee I highlighted Revolut's Smart Broker, where AI decides which investments are suitable for you personally before executing them. The success of introducing such innovations depends above all on whether the innovation is visible and not hidden in the background, as with AI chatbots, otherwise it is difficult to measure whether it really has an impact on the adoption of neobanks. Interviewee D mentioned another, perhaps more dramatic, form of continuous innovation: With its rebranding strategy, N26 not only demonstrated the company's ongoing evolution, but also clarified its newly established core values and code of conduct. In general, Generation Z must be able to identify with the brand in order to communicate it in the long term (E). Particularly in today's world, where digital channels are readily available to promote a firm, the creation of a strong brand awareness has to be seen as a matter of survival (e.g. Green Neobanks like Tomorrow plant trees for every euro spent) (A, D, G, H).

In addition, Interviewee J expressed that neobanks should also pursue the financial health of their customers, implying that they have a responsibility to ensure that they also do well in the long term. *“What's the point of me having somehow winning over millions of 20-year olds who are all broke and bankrupt by the time they're 23?”*. Interviewee I further pointed out, that neobanks have to be able to respond to the different needs of their customers. To this end, Interviewee H recommended an ecosystem approach that really tries to go beyond traditional banking activities. Serving as a personal assistant across a wide range of lifecycle stages, neobanks offer tailored services through digital therapy sessions to keep customers involved (e.g. Generation Z moving out of the parental home and starting their first job, leading to a change in banking requirements) (D, H, I, J, K).

Community building is critical to the rapid growth of neobanks, as the example of Vivid Money showed (L). It fosters a strong sense of social loyalty and trust, ensuring that customers stay connected, informed, and invested in the brand (C, D, E I, J, L). A very effective strategy in this regard are loyalty programs, often leveraged in combination with gamification tools (C, D, G, H, I, K). For young customers in particular, the ability to earn points to move up the rankings and receive cash back, rewards or discounts, while being introduced to new topics, is an important reason to visit the platform regularly (C, D, G, H, I, K).

Category 8: Improvement potential regarding attractiveness

When Interviewees were asked about the trustworthiness of neobanks, the average score was 7.7 out of 10. It was often pointed out that a meaningful answer to this question is only possible if certain aspects of the neobank are known, such as the existence of a banking license (A, K, L), an operating partner in the background (A, G, L), secured funding (B, C, D, F), the level of perceived security (E, G, I), the geographical origin (D, H, J, L), or market experience (H, I). It is worth mentioning here: The participants selected for the interviews were not only neobank employees, but also Consulting and FinTech industry experts. Otherwise, the result of this question would have been distorted by biases such as social desirability and confirmation bias, as some of the employees surveyed had a professional relationship with neobanks and might therefore be inclined to give positive assessments and ratings of their own institution (Grimm, 2010; Guiney et al., 2020). However, as demonstrated in Figure 10, it is worth noting that consulting and FinTech experts rate the trustworthiness of neobanks higher overall than the neobank employees themselves. In other words, there is still room for improvement.

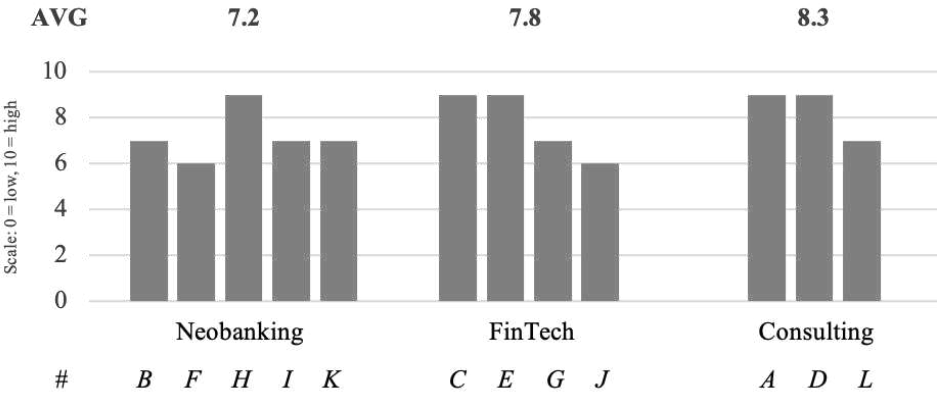


Figure 10: Trustworthiness of neobanks, assessed by grouped industry experts

A key area of improvement identified by several Interviewees (A, C, F, G, H, I, L) is continuous and active engagement with Generation Z via digital interaction channels, such as in-app chatbots, news pop-ups, feedback ratings, in-app blogs or digital newsletters. While it may have been different for older generations, where customers had to go to the bank for information, today it is important to stay relevant and reach out to Generation Z as they constantly seek knowledge. Interviewee C was particularly critical of the front-heavy business model for failing to reactivate inactive customers, suggesting that neobanks give up on churn too quickly due to the perceived difficulty in the reactivation process. Instead of the indirect communication tools

listed above, Interviewees B, D, J, and, K recommended using consultation formats with in-app video chats or regular financial health check-ups (e.g. Starling Bank initiative).

Establishing a feedback culture in which suggestions are actively incorporated into product development is critical to maintaining customer satisfaction (G, I, K, L). Moreover, responding directly to customer problems can positively impact loyalty. *“There's nothing more satisfying than being annoyed about something that doesn't work with your service provider. Then you write to them and they actually help you within a very short time. The loyalty effect you create is much stronger than if the thing had worked in the first place”* (Interview I).

As already mentioned, gamification and cashback are popular means of generating customer acceptance and loyalty mostly through playful interactions. However, Interviewees D, H and I emphasized that these tools can only be fully effective if the offering is data-driven and tailored to the needs of the respective customer groups. The same applies to loyalty platforms in general. Interviewee I went on to explain that it is very difficult to make a one-size-fits-all approach attractive to the masses, as each target group is different in terms of age and persona. For example, many people try to earn miles even though they get nothing in return. This may be useful for business people, but it's not important for graduates. Instead, they need some other kind of reward for using the system, such as credits toward their first car insurance policy.

5. Discussion

The following discussion links the findings obtained from the interviews with the existing literature and compares them. In addition, this section emphasizes the most significant implications for practice and theoretical frameworks in relation to the guiding research question of this dissertation: *“How are neobanks increasing acceptance among Generation Z?”*.

5.1 Generation Z as a Growth Driver

Across all interviews, Generation Z was universally recognized as an essential cornerstone of neobanks' growth strategies. This finding is consistent with the literature that emphasized the tech-savvy nature and digital-centric mindset of this generation (Schwieger & Ladwig, 2018; Singh & Dangmei, 2016). In addition, Interviewees noted that Generation Z is influential for

other age groups and shows a strong interest in financial literacy. Both the interviews and the literature revealed the pivotal role of Generation Z in the early adoption of FinTech services (Abu Daqar et al., 2021; Meola, 2017). With Generation Z about to enter the workforce, they are expected to shape the future of business, further underscoring their importance in neobanks' growth strategies.

As mentioned previously, the majority of experts observed that Generation Z has a natural affinity for digital solutions, spending more time in technological settings than other generations. The literature shared a similar view. It emphasized the preference of this generation to use digital platforms for financial transactions (Barnes & Corbitt, 2003; Karjaluo et al., 2002). Interviewees added that this increased usage has also raised Generation Z's awareness of security and cyber-attacks. The literature acknowledges this as well, discussing the inherent challenges for neobanks in building trust in an all-digital environment (Arslanian & Fischer, 2019; Smith, 2012). The corresponding emphasis on transparency, user-centricity and ease of use in CX is reflected in both the interviews and the research (Hopkinson & Klarova, 2019; Ray et al., 2023). Interviewees particularly underlined here the importance of KYC processes and data protection measures. The literature confirmed this and even described these measures as essential to the perception of safety (Bouteraa, 2020; George, 2023). Media coverage was highlighted as critical by Interviewees, who added that negative publicity can significantly impact trust among Generation Z.

The role of social media has been strongly emphasized by both the experts and the literature, documenting its influence on this generation's financial behavior and decision-making (Purani et al., 2019; Venkatesh et al., 2003). Another important factor that strengthened Generation Z's trust in neobanks was word-of-mouth, according to Interviewees. Through a constant exchange via social media channels, comparison sites, but also through personal referrals and recommendations, Generation Z is in a lively exchange with its network, influencers and friends. This generally high level of social media activity symbolized their availability and engagement with neobanks.

One of the biggest challenges in leveraging Generation Z as a growth driver is to stand out from the competition in a saturated market, according to the Interviewees. In particular, high acquisition costs were perceived as a major burden in meeting increasing competitive pressures. These issues were also reflected in the literature, which discussed in detail the competitive

nature of the neobanking environment and the challenges it presents (Sardar & Anjaria, 2023; Stobdan & Kumar, 2023). Interviewees further explained that measures such as PSD2 have greatly simplified the barriers to switching between neobanks. This ease of switching contributes to low levels of loyalty, which was again supported by the literature (Windasari et al., 2022).

Both the literature and the interviews highlighted the growing popularity of digital payment methods among Generation Z (Cheah et al., 2011). While services like BNPL are becoming increasingly relevant in this demographic, the interviews even discovered a general aversion to cash payments. The growing financial independence and self-reliance of this generation, as noted by Interviewees, is consistent with the author's findings, which again emphasized their entrepreneurial spirit and focus on financial literacy (Schawbel, 2014; Singh & Dangmei, 2016).

The importance of customer engagement strategies has been at the center of expert opinion and in the literature. Interviewees pointed out that neobanks make significant efforts to educate users on financial topics. Moreover, they cited innovative product marketing, influencer partnerships, and collaborations as valuable alternatives for generating customer interest.

The Interviewees referred to the wide range of services offered by neobanks, which include investment opportunities and customer-oriented lifestyle services. This trend of offering bundled financial products through a one-super-app approach has also been discussed in the literature (Bradford, 2020; Kline, 2015; Windasari et al., 2022). In accordance with this, Interviewees noted that customers are particularly attracted to the freemium business model, where they can upgrade at will depending on their current circumstances and preferences.

Strategies for achieving long-term adoption and loyalty, such as agile product development, community building, constant user feedback, a lifecycle product ecosystem, and an early adoption of trends to prevent Generation Z users from migrating to other vendors, were also highlighted by Interviewees. Some of these issues were supported by the literature, which reinforced the importance of continuous innovation and responsiveness to customer feedback (Barrett & Younas, 2024; Helfat & Peteraf, 2009).

Another strategy adopted by both sides is the role of loyalty programs and gamification. These tools are not only relevant to maintaining customer interaction and satisfaction, but also play a critical role in retaining and reactivating churned customers (Goh et al., 2013). In order to realize their full potential, it was mentioned that these strategies must be data-driven and personalized. For this, Interviewees emphasized the need for continuous and active engagement with Generation Z through the known digital interaction channels. These recommendations were consistent with literature findings on the challenges of maintaining customer loyalty in a digital banking environment (Chekima et al., 2023). Interviewees also recommended using consultative formats with in-app video chats or regular customer-centric financial health checks to increase customer engagement. The need to customize digital banking to meet the diverse needs of Generation Z was also highlighted in the literature (Shaikh & Karjaluo, 2015).

5.2 Managerial Implications

In order to facilitate a meaningful discussion, the management theories described in Chapter 2.4 are treated separately from the other topics in the literature review.

Technology Acceptance Model

The findings of this dissertation strongly support the TAM framework. Generation Z's acceptance of neobanks is largely driven by the perceived usefulness and ease of use of these digital-only banking platforms (Davis et al., 1989). The focus on transparency and simplicity directly aligns with the TAM constructs and promotes a positive attitude toward their services. In addition, the intuitive user-friendly interfaces, fast transaction capabilities, customizable account options and innovative financial tools of neobanking platforms increase the perceived usefulness and make them more attractive to this tech-savvy generation. As a result, Generation Z's behavioral intentions to use neobanks and their actual usage are significantly influenced by these factors, confirming the TAM in the context of neobanking. Going forward, neobanks must continue to emphasize these attributes in their service offerings. For example, communicating regularly with customers about updates and providing a seamless digital experience can further increase perceived ease of use. In addition, involving customers in the product development process through feedback loops can provide unique benefits and increase the perceived usefulness of the product. By aligning their services with the principles of TAM, neobanks will strengthen their appeal to Generation Z.

Dynamic Capabilities

Neobanks operate in a rapidly evolving financial landscape where technological advancements and changing consumer preferences necessitate agility and innovation. The DCs framework focuses on the ability to adapt and reconfigure resources in response to changing market environments (Helfat & Peteraf, 2009). According to all experts interviewed, neobanks demonstrate a strong ability to identify market opportunities, such as the growing demand for digital banking solutions among Generation Z. They capitalize on these opportunities by offering innovative, user-centric services and continuously reconfiguring their resources to maintain a competitive edge. Agile product development, repeatedly cited by Interviewees as a key strategy for neobanks, is one example of how they are responding to the ever-changing needs of their Generation Z customers. This includes not only technological advancements, but also strategic initiatives such as partnerships, proactive user education, or integration of customer feedback. For example, neobanks that are quick to adopt emerging technologies in the future, whether it's AI for personalized financial advice or blockchain for enhanced security, will be better positioned to meet the evolutionary requirements of Generation Z. To effectively leverage DCs and sustain their growth and relevance in this highly competitive market environment, neobanks must continue to invest in the continuous improvement of their service offering.

Diffusion of Innovation Theory

To understand the rapid adoption of neobanking services, it was necessary to apply the DIT framework with the innovation characteristics identified by Rogers (1995). The interviews conducted in this dissertation suggested that Generation Z sees neobanks as having a relative advantage over traditional banks in terms of convenience, cost efficiency, and innovative features. The high degree of compatibility with the digital lifestyle of this demographic contributes to their acceptance. Furthermore, neobanks have to focus on reducing complexity and improving traceability (e.g. free, flexible basic accounts) in order to promote acceptance. Simplifying the onboarding process and providing transparent communication about services with user-friendly interfaces reduces perceived complexity. In addition, the use of social proof and testimonials from early adopters improve observability and further drive adoption among Generation Z.

Service Quality Model

The emphasis of Generation Z on user-centricity, transparency, and personalized experiences in neobanking is consistent with the SQM's focus on technical and functional quality (Grönroos, 1984). Neobanks are committed to exceed customer expectations by providing high-quality digital services that are reliable, responsive and tailored to each individual's needs. According to the findings of this dissertation, Generation Z value these aspects highly when choosing a banking service. Ensuring robust security measures with seamless transaction processes and innovative financial tools lead to a strong corporate image and, in turn, to assurance and trust. In addition, the needs and preferences of Generation Z are being addressed by offering customized financial products through intuitive UI with responsive customer service, which also improve the overall service experience and satisfaction. This focus not only meets the high expectations of this demographic, but also differentiate neobanks from traditional banks by positioning them as more innovative, trustworthy, and user-friendly financial service providers. The SQM dimensions are particularly relevant in the context of neobanking, where the lack of physical interaction necessitates an even greater focus on delivering superior service quality through digital engagement channels.

5.3 Research Implications

Policy makers can draw insights from this dissertation to better understand the impact of digital banking solutions on the financial inclusion and economic participation of Generation Z. From this, they can derive future regulatory frameworks that facilitate the digital transformation of the banking sector (e.g. the upcoming EU Financial Data Access Regulation). On a practical level, the findings can help neobanks optimize their customer engagement strategies, service offerings and personalization efforts to better meet the needs and preferences of Generation Z. Meanwhile, for traditional banks, the findings provide a clearer understanding of the competitive advantages of neobanks and highlight areas for potential improvement in their own digital services. From a theoretical perspective, the findings contribute to the discourse on how digital innovation, customer-centric approaches and service quality influence neobank customer adoption and loyalty at the micro level.

6. Conclusion

This dissertation explored the relationship between Generation Z and the emerging prominence of neobanking, revealing the significant role this demographic plays in the adoption and growth of digital banking solutions in Europe. Considering the evolving banking landscape, especially in the FinTech industry, this study attempted to answer the research question of trust building factors and related strategies for customer attraction in a technology-driven environment.

Empirical evidence from the interviews underscored that Generation Z, characterized by its tech-savvy nature and preference for digital-first solutions, is a decisive market segment and driver of growth. Their digital-centric mindset and demand for seamless banking experiences are forcing neobanks to constantly innovate and adapt their services to meet these expectations, which, in turn, makes neobanks attractive to Generation Z. This reflexive feedback loop places neobanks and Generation Z in an interesting symbiotic relationship.

The findings further suggest that to successfully engage with this demographic, neobanks need to integrate easy-to-use digital platforms with customizable financial tools, maintain transparent communications, demonstrate social and ethical responsibility, actively engage through social media, and offer attractive, targeted incentives and rewards. However, the research also revealed certain areas for improvement in the way neobanks approach customers: Ongoing and active engagement, reactivation strategies, data-driven personalization, and a greater emphasis on feedback cultures are among the opportunities they could use to strengthen their value proposition. In terms of managerial implications, the interview data supported the relevance of all four management theories described – the Technology Acceptance Model, Dynamic Capabilities, Diffusion of Innovation Theory, and the Service Quality Model – and emphasized particularly the importance of agility, customer-centric innovation, and robust service quality. Once these factors are in place, neobanks can effectively tap this demographic as a core customer base.

The combination of neobanks and Generation Z represents a significant shift in the banking industry. With the strategies discussed, neobanks will successfully meet the needs of this demographic, increasing acceptance, stickiness, and ultimately gaining an edge in the highly competitive digital banking landscape. The ability to identify market trends, sometimes beyond banking, and serve the unique preferences of this naturally digital generation is seen as a differentiator for building trust and the foundation for further growth.

7. Limitations and Further Research

Although this dissertation has provided insights into the adoption of neobanks among Generation Z and the fact that this demographic is a driver of growth, there are a number of limitations that need to be considered in future research.

The use of online interviews as a primary research method has some inherent restrictions. First, the requirement of a social media account narrowed the sample size of the study. Due to this limitation, the generalizability of the results can be questioned and further representativeness may be affected. As already mentioned in Chapter 5.1, asking performance-related questions to neobanking employees about their own industry carries the possibility of biased answers, as many of them may have a vested interest in casting the industry in a positive light. Therefore, a careful and diverse selection of experts from the consulting and broader FinTech industry was used to prevent homogeneity in responses.

Future research should further aim to mitigate this bias by including other stakeholders, such as customers and regulators, to increase the robustness of the findings. Second, the calls needed a stable internet connection. This limited the accessibility and scope of the dissertation, as people who could not fulfill these requirements had to be excluded. Third, if the questionnaire does not provide a generally understandable response framework, there is a risk that questions would be interpreted differently. These diverse interpretations sometimes led to inconsistent and inaccurate responses, compromising the validity and reliability of the research data.

Next, the geographical scope of this dissertation was largely limited to the European market, using neobanks like Revolut, N26 and Wise as prominent examples. Due to factors such as local regulatory policies, cultural diversity or market maturity, the dynamics of the neobanking landscape differ significantly by region. This emphasizes that the results obtained may not be fully applicable to other regions of the world and that benchmarking through comparative studies is recommended.

While Generation Z has been shown to play a key role in the growth strategies of neobanks, it is important to consider other generations such as Millennials, Generation X or Boomers in this context as well. As this research focused exclusively on Generation Z, it does not consider the potential outcomes of these generations in terms of attraction and relevance to growth. In addition, Generation Z was expected to inherit a high level of understanding and embracing

technology. However, there may be differences within this demographic in terms of access to technology and digital competencies. Future research should examine these inter- and intra-generational differences in order to better tailor neobanking services to all segments and achieve an appropriate level of comparability.

In summary, the literature on Generation Z's perceptions of acceptance and trust in relation to neobanks is limited. This opens up the possibility of formulating advanced hypotheses that could be tested on larger sample sizes using quantitative studies with objective data sources and focus groups (e.g. customer surveys). New insights could be gained, which in turn could lead to important recommendations for both neobank providers and traditional banks. However, given its extensive scope, this dissertation has provided a comprehensive analysis that not only confirms many of the findings from the literature review, but also draws valuable conclusions for further investigation.

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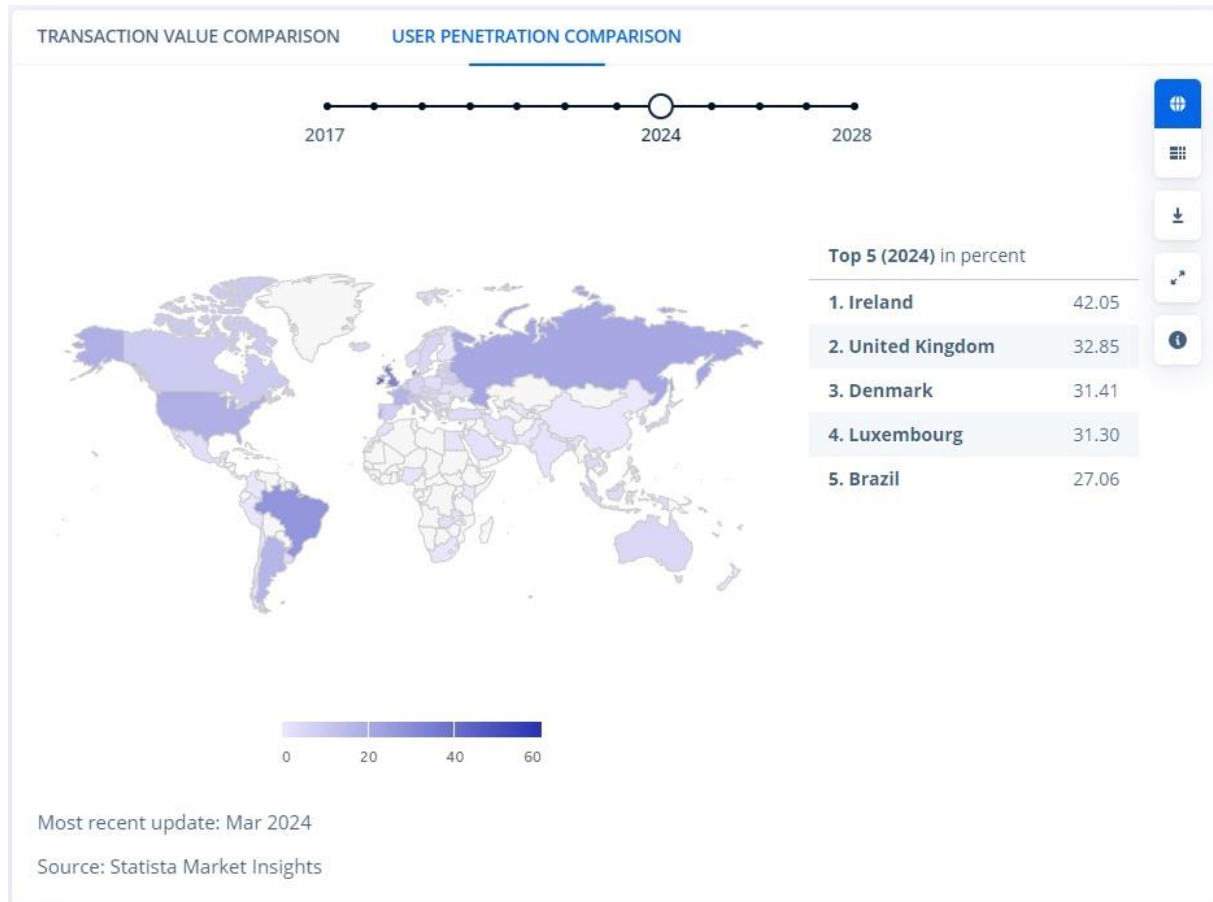
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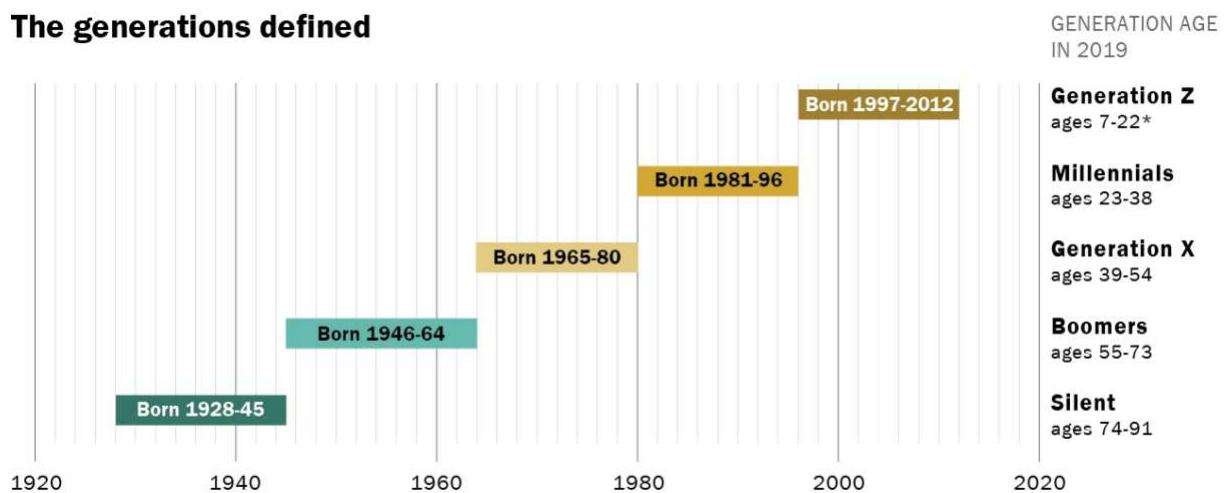
Appendices

Appendix A: Neobanking User Penetration Comparison, according to Statista (2024b)



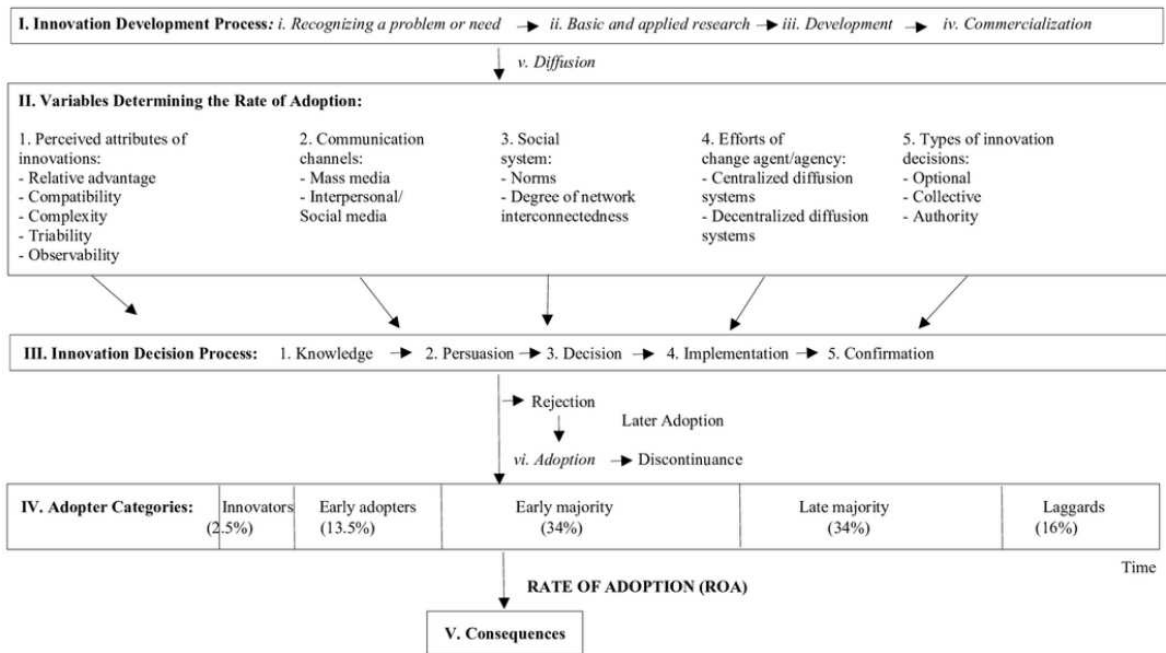
Appendix B: The Generations defined, according to Pew Research Center (2019)

The generations defined

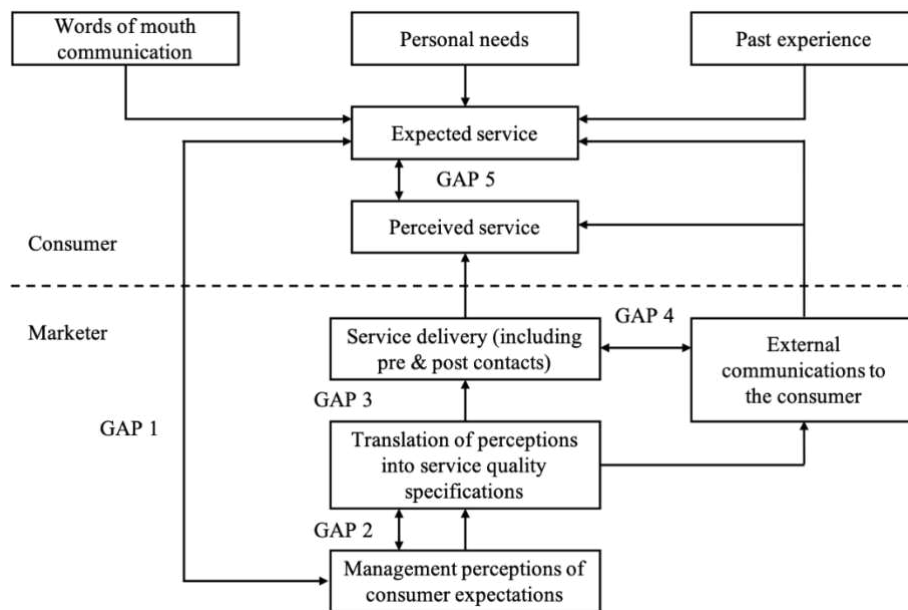


*No chronological endpoint has been set for this group. For this analysis, Generation Z is defined as those ages 7 to 22 in 2019.

Appendix C: Diffusion of Innovation Theory (DIT), adapted from Rogers (1995)



Appendix D: GAP Service Quality Model, according to Parasuraman et al. (1985)



Appendix E: Interview Questionnaire

"How are neobanks increasing acceptance among Generation Z?"

1. How long have you been working in the FinTech sector, particularly in neobanking, and what's your current role?
2. How do you perceive the unique characteristics of Generation Z as compared to previous generations, particularly in terms of financial behaviors and attitudes toward banking?
3. What are the three factors which you believe contribute most to Generation Z adoption?
4. On a scale of 1 to 10, how much have recent technological advancements such as AI, Blockchain and Big Data, influenced the adoption of neobanking services among Generation Z, and why?
5. What are the top three trends in consumer behavior that have emerged with the growth of neobanking among Generation Z?
6. On a scale of 1 to 10, how much does Generation Z play a role in the growth strategy of neobanks, and why?
7. What are the top three challenges neobanks face in attracting Generation Z, and how are they addressing them?
8. How can neobanks effectively engage with Generation Z to foster stronger relationships?
9. What are the top three measures neobanks are taking to build trust with Generation Z?
10. What are the top three types of products/services in neobanking that are most appealing to Generation Z?
11. On a scale of 1 to 10, how trustworthy do you consider neobanks, and why?
12. What are the three strategies which you believe contribute most to building long-term acceptance and loyalty between neobanks and Generation Z?

Appendix F: Interview Response Categories with assigned experts

No.	Category	Sub-Category	#
1.	Generation Z's importance for the growth of neobanks	<ul style="list-style-type: none"> - Affinity for digital solutions - Raising awareness of security and cyber risks - Financial literacy - Instant and global gratification - Use of social media channels - Continuous access to banking platform - Independence and self-employment - Over-indebtedness - Value-based consumerism - Skepticism towards traditional banks 	<p>A – L A, C A, D D, E, J A, H, I, L D, E, F, I B, G, H, J I, J A, B, F, H, I H, I, J</p>
2.	Consumer trends	<ul style="list-style-type: none"> - Multiple accounts with different neobanking providers - Digital payment methods (Apple/Google Pay) - Cash aversion - P2P-Transfers - Long-term investments for financial security - BNPL 	<p>C, D, G A, B, D, G, I, J, K, L L C, E, I I A, I, J</p>
3.	Trust building factors in the attraction	<ul style="list-style-type: none"> - Transparency, communication, simplicity, and convenience - User-friendly technology/CX - Individualization of the product, tailored to respective needs - Media coverage and publicity - KYC Process - Word-of-mouth effect 	<p>A – L C, D, H, I, J, K H, J B, D, H, J C, G, L A – E, H, I, J, K</p>
4.	Challenges of harnessing Generation Z as a driver for growth	<ul style="list-style-type: none"> - Creation of trustful environment with secure offering - Differentiation in competition (market saturation) - Acquisition costs - Limited loyalty due to low switching costs - Actual usage of accounts - Lock-in effects - Risks for banks: Generation Z low income, creditworthiness 	<p>A, E, G, H, I, J A, D, H, I, E, K C, D, H, I, J, L C, D, G, I, J B, C, D, L B, E, H, J D, F, J</p>
5.	Customer engagement strategies	<ul style="list-style-type: none"> - User education - Partnerships - Influencer partnerships/Celebrity endorsements - Digital customer service 	<p>A, C, G, H, K D, H, I, L A – L D, G, K</p>
6.	Service offering and value creation	<ul style="list-style-type: none"> - Business Model - Freemium - Broad range of customizable services - Investment opportunities (Stocks Trading, ETFs, Crypto) - One-Super-App/ One-Stop-Shop (Product bundling) - Niche strategy 	<p>A, C, F, G H, L A – L A – E, G, H D, H, J, L A, L</p>
7.	Achieving long-term acceptance and loyalty	<ul style="list-style-type: none"> - Agile product development/Continuous innovation - Rebranding - Brand Awareness, Identification - Financial Health - Ecosystem for Customer-Lifecycle products - Loyalty programs with Gamification - Community building 	<p>C, D, G – L D A, D, E, G, H I D, H, I, J, K C, D, G, H, I, K C, D, E, I, J, L</p>
8.	Improvement potentials in the attraction	<ul style="list-style-type: none"> - Feedback culture - Follow-up: customer retention, reactivation of churners - Personalized Loyalty programs/Gamification (target groups) - Communication (VideoID/ DM PIN) 	<p>G, I, K, L A, C, F, G, H, I, L D, H, I B, D, J, K</p>

Appendix I: Interview A

#A: Senior Consultant, Strategy Consulting/ Ex-Neobanking

The interview sheds light on several important aspects of the neobanking sector, particularly in relation to Generation Z. The interviewee, who has five years of experience working with N26 and Oliver Wyman, provides valuable insights into the unique characteristics and behaviors of this younger generation. This shift in information consumption highlights the digital-native nature of Gen Z, who are more likely to engage with financial topics through online channels rather than traditional bank advisors.

Building trust with Gen Z is critical for neobanks, and three key factors are identified: transparency, security and sustainability. Transparency is highlighted as essential, with clear communication and the absence of hidden fees being particularly important. Security is another critical aspect, with fully licensed banks being preferred due to the deposit protection they offer, which guarantees funds up to €100,000. In addition, sustainability is becoming increasingly important, with young consumers preferring banks that are committed to sustainable practices.

Technological advancements such as AI, blockchain and big data have had a significant impact on the acceptance of neobanking services among Generation Z, which is rated at 8 out of 10. The respondent notes the growing popularity of digital payments, with increasing acceptance of services such as Apple Pay and Google Pay. This trend toward cashless transactions coincides with the reduced presence of traditional bank branches, as more consumers prefer the convenience of digital banking.

Financial literacy has also become more prominent, driven in part by the experience of the pandemic. Generation Z has developed an early understanding of financial management and recognizes the importance of managing money during challenging times. This generation is critical to the growth strategies of new banks, ranking 8 to 9 out of 10 in importance. Their influence extends beyond their own cohort, shaping the behavior of future generations.

Neobanks face several challenges in attracting Gen Z, including the need to build trust through transparency, security and sustainability. Regulation is another key challenge, with increased scrutiny on digital banking and AI to prevent fraud. In addition, the sustainability and profitability of neobanks are critical to their long-term success.

Effectively engaging Generation Z requires the use of social media platforms such as Facebook, Instagram, TikTok, and YouTube. Providing educational content on financial management and savings is also essential to building trust and loyalty. Popular products and services among Gen Z include ETFs, cryptocurrencies, and a wide range of financial services that break the traditional banking model.

Respondents express a high level of trust in neobanks, rating them 9 out of 10, with a particular preference for fully licensed institutions. To ensure the long-term acceptance and loyalty of Gen Z, neobanks must focus on maintaining transparency, security and sustainability. Ongoing engagement with this generation through innovation, community building and loyalty programs is also essential.

In conclusion, the insights from the interview highlight the importance of understanding and addressing the unique characteristics and preferences of Gen Z. By focusing on transparency, security, sustainability and active engagement, new banks can build strong relationships with this influential demographic and ensure their continued growth and success.

Appendix II: Interview B

#B: Sales Teamlead, Neobanking

The interview provides insightful perspectives on the neobanking sector, with a particular focus on Generation Z. The interviewee, with three years' experience at Bunq and previous consulting experience, is currently a Sales Team Lead, managing a team of Account Executives.

Generation Z is very different from previous generations in terms of financial behavior and attitudes towards banking. They are well informed through participation in social media and are more likely to evaluate multiple solutions before making a decision. Unlike older generations who prefer face-to-face interactions, Gen Z relies heavily on digital solutions and is more confident about wealth accumulation and retirement planning, familiar with platforms such as Trade Republic and Scalable Capital.

Building trust with Gen Z involves several critical factors. First, testimonials from user-generated content or influencers play an important role. Second, positive references from friends and family are critical. Third, comparison sites with positive reviews are influential. In addition, offering customer service in video format enhances personal interaction, and simplified processes, as seen with Moss compared to traditional banks, are essential.

Technological advancements such as AI, blockchain, and big data have a moderate impact on Generation Z's adoption of neobanking services, with a score of 6 out of 10. AI, particularly in the form of chatbots, improves usability, while big data enables personalization and deep analytics, as exemplified by features such as N26's Spaces.

With the growth of neobanking among younger demographics, three key consumer trends have emerged. These include a preference for digital payment methods such as Apple Pay and Google Pay; investment in asset classes such as equities, ETFs and cryptocurrencies; and a shift towards paperless solutions driven by sustainability and a preference for self-managed, product-driven growth.

Gen Z is extremely important to neobanks' growth strategy, with a rating of 9 out of 10. However, neobanks face several challenges in attracting this demographic. These challenges include liberating young people from their parents' banking structures, building trust, ensuring long-term viability through reliance on venture capital, and regulatory compliance. Neobanks are addressing these challenges by providing unique offerings and ensuring compliance with regulatory standards.

Effective engagement with Gen Z requires meeting them in environments they frequent, such as universities or festivals, where traditional banks typically do not participate. Confidence-building measures include robust online marketing across all channels, user-generated content, and influencer marketing.

Popular products and services for Gen Z include trading products such as stocks, ETFs, and cryptocurrencies; credit cards with features such as earning miles and cash back; and convenient payment methods such as Google Pay and Apple Pay.

In terms of trustworthiness, neobanks are rated a 7 out of 10, with trust heavily dependent on how the bank is funded and its compliance with regulations. To build long-term adoption and loyalty with Gen Z, three key strategies are recommended. These include leveraging word-of-mouth from satisfied friends and family, attracting attention through positive media coverage, and differentiating from traditional banks.

The paper concludes by highlighting the unique characteristics and preferences of Generation Z and the importance of digital solutions, trust building and strategic engagement to secure their loyalty and drive the growth of neobanks.

Appendix III: Interview C

#C: Senior Vice President Merge & Acceptance, FinTech

The interview provides valuable insights into the neobanking sector and Generation Z, with contributions from an experienced professional who has spent eleven years in the FinTech industry. The interviewee recently held the position of Senior Vice President of Merge & Acceptance, focusing on the B2B side of the product.

Gen Z differs from previous generations in terms of financial behavior and attitudes toward banking. They are app-heavy and prefer online banking solutions, unlike older generations who regularly visited bank branches. Gen Z is more opportunistic, frequently switching providers when a better app comes along. As digital natives, they are highly informed and influenced by social media.

Building trust with Gen Z involves several key factors. Unlike older generations, Gen Z has a high level of initial trust in digital providers, relying heavily on social media and recommendations from friends. Trust is also reinforced by comparison sites and positive reviews. Cost transparency and affordability are critical, with Gen Z preferring cheaper or free services.

Technological advancements such as AI, blockchain, and big data have a moderate impact on Generation Z's acceptance of neobanking services, with a score of 7 out of 10. Interviewees emphasized the importance of user experience and convenience, noting that the ability to perform tasks quickly and easily, such as ordering a Tesla in seconds, is highly appealing to this demographic.

Three key consumer trends have emerged with the growth of neobanking among younger demographics: a focus on cost and price transparency, an emphasis on customer experience and convenience, and the adoption of digital payment methods. Financial literacy and educational content provided by neobanks also play an important role in attracting younger users.

With a score of 10 out of 10, Generation Z is critical to the growth strategy of neobanks. This generation's behaviors and preferences provide insight into future trends, making them a critical demographic for neobanks.

However, neobanks face several challenges in attracting Gen Z. High acquisition costs, loyalty issues, and stringent regulatory requirements pose significant hurdles. To address these issues, neobanks must invest in user acquisition and retention strategies, simplify their user interfaces, and comply with regulatory standards without compromising the user experience.

Effective engagement with Gen Z requires the use of social media platforms such as TikTok, user-generated content, and influencer marketing. Trust is built through transparency, educational content, and innovative partnerships.

Popular products and services for Gen Z include person-to-person remittances, low-limit investment options, and travel-friendly credit cards with low foreign exchange fees. These offerings meet the needs and preferences of younger users while providing convenience and cost savings.

In terms of trustworthiness, neobanks are rated 9 out of 10. The respondent notes that while the top neobanks are generally trustworthy, there are also many newcomers to the market that may not be sustainable in the long run.

To ensure long-term acceptance and loyalty from Gen Z, neobanks must focus on continuous innovation and developing meaningful use cases. Providing value that justifies a small fee can strengthen customer engagement. Building communities through loyalty programs and incorporating gamification can also increase user engagement and retention.

In conclusion, the interview highlights the unique characteristics and needs of Generation Z, emphasizing the importance of digital solutions, trust building, and strategic engagement. By focusing on user experience, transparency, and continuous innovation, new banks can build strong relationships with this influential demographic and ensure their long-term growth and success.

Appendix IV: Interview D

#D: Strategy Consultant, Technology Consulting

The interview offers insightful perspectives on the interaction between neobanks and Generation Z, featuring an expert with three years of experience in the banking strategy department, focusing on payments and card issuing.

Generation Z is distinct in its financial behavior and attitudes towards banking. As digital natives, they demand that financial products be available digitally, enabling access from anywhere. This generation switches products easily due to lower barriers, resulting in a highly competitive environment where products must be strongly customer-focused. Generation Z values a seamless, intuitive digital customer experience and tends to be more financially literate compared to previous generations, partly due to easier access to information and education through digital platforms.

Building trust between neobanks and Generation Z involves three critical factors. Firstly, transparency is essential, with products being clearly communicated and devoid of hidden costs. Simplification of product offerings enhances trust, allowing customers to easily understand and engage with financial products. Secondly, customer service and communication are crucial, ensuring customers feel supported and informed. Thirdly, reputation, bolstered by positive reviews on comparison sites and ratings on app stores, plays a significant role in building trust.

Technological advancements such as AI, blockchain, and big data have moderately influenced the acceptance of neobanking services among Generation Z, rated at a 7 out of 10. While blockchain is more associated with neo-brokers, AI is seen as a future competitive advantage for neobanks due to its potential to enhance customer service and personalization.

Three main consumer trends have emerged with the growth of neobanking among younger demographics. Firstly, the preference for a one-app or super-app approach, where banking products serve as a platform for additional services such as travel booking and investments. Secondly, the widespread adoption of digital payment methods like contactless payments and digital wallets. Thirdly, the demand for global and instant banking services, reflecting Generation Z's desire for financial products that work seamlessly across borders.

Generation Z is highly important to the growth strategy of neobanks, rated at a 9 out of 10. This generation is beginning to explore margin-heavy financial products like mortgages, making them a critical demographic for future growth and business model expansion.

Neobanks face several challenges in attracting Generation Z. High customer acquisition costs due to intense competition require substantial investments in marketing and incentives. Additionally, gaining customer loyalty is challenging as users might not adopt neobanks as their primary financial institution. Regulatory constraints and ensuring security are also significant hurdles.

Effective engagement with Generation Z involves innovative marketing strategies, including influencer partnerships and creative advertising. Communication is key, with channels such as video consultations and in-app video chats enhancing customer interaction and trust. Gamification and proactive communication also play crucial roles in building and maintaining engagement.

Popular products and services for Generation Z include loyalty programs offering rewards and discounts, customizable accounts, and investment opportunities in areas like crypto and ETFs. Continuous innovation and the ability to adapt to changing customer needs are essential for retaining this demographic.

In terms of trustworthiness, neobanks are rated at 9 out of 10. The interviewee highlights the importance of regulatory compliance and transparency in building trust, noting that the rigorous requirements in the DACH region contribute to a high level of confidence in neobanks. To ensure long-term acceptance and loyalty from Generation Z, neobanks should focus on continuous innovation, loyalty programs, and community building. Developing products that evolve with the customer's life stages and maintaining brand awareness through rebranding and adapting the business model are crucial strategies.

In conclusion, the interview underscores the unique characteristics and needs of Generation Z, emphasizing the importance of digital solutions, transparency, and strategic engagement. By focusing on user experience, innovation, and effective communication, neobanks can build strong relationships with this influential demographic and drive sustained growth.

Appendix V: Interview E

#E: Product Owner/ Co-Founder, FinTech

The interview provides insightful perspectives on the neobanking sector and Generation Z, with contributions from an expert who has been working in the FinTech sector for three years and has extensive experience with cryptocurrencies since 2017, having completed several freelance projects.

Generation Z, as digital natives, predominantly interacts with financial institutions digitally. They rely heavily on mobile devices and expect instant access to information and services. The wide availability of information allows them to have a comprehensive view of financial topics, with social media playing a significant role in shaping their financial behavior.

Building trust between neobanks and Generation Z involves three crucial factors. Firstly, transparency is essential, particularly regarding hidden or additional costs. Secondly, ensuring 100% uptime of services is critical, as Generation Z is highly skeptical of extended downtimes. Thirdly, leveraging network effects to enhance the product through a larger user base is vital for building trust.

Technological advancements such as AI, blockchain, and big data have significantly influenced the adoption of neobanking services among Generation Z, rated at a 9 out of 10. These technologies offer personalized, efficient services, making them highly attractive to this demographic.

Three main trends in consumer behavior have emerged with the growth of neobanking among younger demographics. Firstly, there is a general aversion to cash, with a strong preference for digital transactions. Secondly, increased competition offers various ways to manage and invest money, making user preference key. Thirdly, there is a heightened awareness of the need for early retirement planning and investing, with more people understanding the benefits of compounding.

Generation Z is highly important to the growth strategy of neobanks, rated at an 8 out of 10. Their demand for good usability and minimal hassle significantly impacts growth strategies.

Neobanks face several challenges in attracting Generation Z. These include intense competition with many homogeneous service offerings, lock-in effects where users are part of an ecosystem and find it difficult to switch, and fear of asset diversification leading users to spread their assets across multiple institutions. Neobanks are addressing these challenges by differentiating their offerings, simplifying the switching process, and driving investment behavior towards their applications.

Effective engagement with Generation Z involves establishing a personal connection, best achieved through influencer campaigns that introduce and consolidate the community to the fintech.

To build trust with Generation Z, neobanks focus on three main actions: transparency of costs and processes, celebrity endorsements through influencers, and referral or marketing contests.

Popular products and services for Generation Z include current accounts with 24/7 access, investment opportunities with low fees across a range of assets, and savings plans that leverage average cost effectiveness.

In terms of trustworthiness, neobanks are rated at 9 out of 10. The interviewee expresses high confidence in neobanking, noting that new companies are at least as well structured, if not better, than traditional banks. The traditional trust associated with conventional banks is no longer as significant for the new generation.

To ensure long-term acceptance and loyalty from Generation Z, neobanks should focus on three main strategies: implementing loyalty programs to retain users, creating networks that facilitate easy and instant money management between groups, and fostering strong brand identification so that the generation can resonate with the brand and communicate it long term.

In conclusion, the interview highlights the unique characteristics and needs of Generation Z, emphasizing the importance of digital solutions, transparency, and strategic engagement. By focusing on user experience, innovation, and effective communication, neobanks can build strong relationships with this influential demographic and drive sustained growth.

Appendix VI: Interview F

#F: Vice President Merchant Products, Neobanking

The interview provides valuable insights into the neobanking sector and Generation Z from an expert with 12 years of experience in FinTech, currently serving as the Director VP of Merchant Products.

Generation Z stands out due to their preference for managing financial affairs electronically, without feeling the need for interactions with bank advisors. They rely on the vast amount of information available through new media channels, which shapes their financial behavior and attitudes towards banking.

Building trust between neobanks and Generation Z involves three critical factors. Firstly, full cost transparency is essential. Secondly, offering a variety of options and products helps create a sense of control and trust among Generation Z users. These elements are crucial in establishing a trustworthy relationship with this demographic.

Technological advancements such as AI, blockchain, and big data have significantly influenced the adoption of neobanking services among Generation Z, rated at a 10 out of 10. These technologies have driven advancements in FinTech, making services more efficient and personalized, which is highly appealing to Generation Z.

Three major trends in consumer behavior have emerged with the growth of neobanking among younger demographics. Firstly, ease of payment is a significant trend, with an expectation for fast and seamless transactions. Secondly, social media profoundly impacts consumer behavior and financial decisions. Finally, the ability to buy anything from anywhere is a growing expectation among younger users.

Generation Z is extremely important to the growth strategy of neobanks, rated at a 10 out of 10. This tech-savvy generation is the driving force behind FinTechs, representing the future generation with the financial power to drive deposits and growth.

Neobanks face several challenges in attracting Generation Z. Compliance is a significant issue, as is ensuring creditworthiness later in the process. Additionally, Generation Z is very mobile, requiring neobanks to ensure a global presence to effectively serve this demographic.

Effective engagement with Generation Z can be achieved through social media, online advertising, and influencer partnerships. These methods are essential for reaching and connecting with this generation. To build trust with Generation Z, neobanks focus on three main actions: social engagement, transparency, and environmental responsibility. These measures resonate well with the values and expectations of Generation Z.

The most attractive products and services for Generation Z include card products, savings accounts, and investment accounts. These align well with their financial goals and behaviors, providing essential tools for managing their finances.

In terms of trustworthiness, neobanks are rated a 6 out of 10. Trustworthiness is impacted by the transparency of their funding. Some neobanks are not always clear about this and have exited the market due to financial instability, affecting overall trust.

To ensure long-term acceptance and loyalty from Generation Z, neobanks should focus on three main strategies: transparency in account management, offering a wide range of products, and ensuring digital interaction. Consistent engagement is key to keeping Generation Z users connected and aware of the bank's presence.

In conclusion, the interview highlights the unique characteristics and needs of Generation Z, emphasizing the importance of digital solutions, transparency, and strategic engagement. By focusing on user experience, innovation, and effective communication, neobanks can build strong relationships with this influential demographic and drive sustained growth.

Appendix VII: Interview G

#G: Senior Solution Sales Consultant, FinTech

The interview offers insightful perspectives on the neobanking sector and Generation Z, featuring an expert with seven years of experience in the FinTech sector, currently working as a Senior Solution Sales Consultant for a German payment service provider.

Generation Z, as digital natives, exhibits a greater affinity for digital solutions compared to previous generations. They demand intuitive and modern financial services, placing a high value on transparency and trust due to the financial uncertainties they've experienced, such as during the coronavirus crisis. This generation is open to modern technologies like cryptocurrencies and prefers banks that offer comprehensive digital and global solutions.

Building trust between neobanks and Generation Z involves three critical factors. Firstly, transparency and clear communication on fees and processes are essential. Secondly, flexibility in cost structures, product offerings, and terms is important. Finally, a digital-first approach is crucial, as reliance on manual processes or limited support options can lead to mistrust.

Technological advancements such as AI, blockchain, and big data have significantly influenced the adoption of neobanking services among Generation Z, rated at an 8 out of 10. Generation Z is more exposed to the latest technologies due to their studies and social media, making them quicker to adopt digital solutions like cryptocurrencies. They also appreciate the insights provided by big data analytics, which influence their banking choices.

Three main trends in consumer behavior have emerged with the growth of neobanking among younger demographics. Firstly, there is a growing acceptance of cashless payments through physical or virtual cards like Apple Pay. Secondly, there is a strong interest in investing in ETFs, equities, and cryptocurrencies. Thirdly, Generation Z is willing to switch banks based on their experiences and the influence of social media.

Generation Z is highly important to the growth strategy of neobanks, rated at a 9 out of 10. Their acceptance or rejection of neobanks sets trends that influence not only their peers but also older generations, contributing significantly to the growth of these banks.

Neobanks face several challenges in attracting Generation Z. Security and trust are key challenges, as neobanks often rely initially on technology partners for licenses. Education and financial literacy are also critical, requiring neobanks to educate Generation Z about financial products and models. Additionally, continuous adaptation and optimization of digital solutions are necessary to prevent users from switching to newer, trendier banks.

Effective engagement with Generation Z can be achieved through influencer collaborations and events, in-app interactions such as chatbots and feedback mechanisms, and active marketing at trade shows and conferences targeting Generation Z audiences.

To build trust with Generation Z, neobanks focus on three main actions: providing customer service that is easily accessible through apps, ensuring transparent pricing including comparisons, and actively presenting privacy measures such as using VideoID or FaceID for verification.

The most attractive products and services for Generation Z include flexible accounts that allow for individual sub-accounts, investment opportunities in ETFs, cryptocurrencies, and equities, and virtual credit cards for flexible online payments.

In terms of trustworthiness, neobanks are rated a 7 out of 10. While strict regulations in Germany make neobanking trustworthy, rapid growth and reliance on technology partners can sometimes lead to compliance and stability issues.

To ensure long-term acceptance and loyalty from Generation Z, neobanks should focus on three main strategies: creating brand awareness and trust, implementing the latest technological trends in payment methods and investment opportunities, and offering cashback and rewards programs to engage users through gamification.

In conclusion, the interview emphasizes the unique characteristics and needs of Generation Z, highlighting the importance of digital solutions, transparency, and strategic engagement. By focusing on user experience, innovation, and effective communication, neobanks can build strong relationships with this influential demographic and drive sustained growth

Appendix VIII: Interview H

#H: Business Development & Innovation Manager, Neobanking

The interview provides valuable insights into the neobanking sector and Generation Z from an expert with experience in both consulting and banking. Currently, they are working in the strategy and innovation department at a regional bank, focusing on beyond banking initiatives.

Generation Z stands out due to their status as digital natives, showing a significant preference for digital solutions. They are characterized by their independence and self-reliance in financial matters, often using tools like YouTube and TikTok to educate themselves. Convenience, transparency, and speed are crucial to them, as is a general distrust of traditional bank advisors, whom they perceive as having conflicting interests. Neobanks, with their customer-centric approach, appeal more to this generation. Building trust between neobanks and Generation Z involves three critical factors. Firstly, convenience and a well-designed application are essential. Secondly, data confidentiality and transparency are crucial. Finally, comparison portals and testimonials help build trust, as Generation Z relies on these sources to make informed decisions. Technological advancements such as AI, blockchain, and big data have had a moderate influence on the adoption of neobanking services among Generation Z, rated at 5 out of 10. While Generation Z is generally aware of technological trends, they may not fully understand the specific use cases behind these technologies. However, the general awareness of technological trends has opened up acceptance of neobanking. Three main trends in consumer behavior have emerged with the growth of neobanking among younger demographics. Firstly, there is a strong preference for digital platforms where everything can be managed conveniently. Secondly, customer experience is paramount, with a focus on transparency and ease of use. Thirdly, there is a demand for comprehensive digital solutions that can handle various financial needs without requiring physical branch visits.

Generation Z is highly important to the growth strategy of neobanks, rated at 9 out of 10. This demographic is the core target group for neobanks, who find it challenging to gain traction with older generations. Therefore, Generation Z's preferences and behaviors significantly shape the growth strategies of these digital banks. Neobanks face several challenges in attracting Generation Z. Differentiation from competitors is a significant challenge, as many neobanks offer similar functions and services. Profitability is another challenge, given the low-cost, transparent models that neobanks adopt. Acquisition costs are also high, with neobanks often offering incentives to attract new customers. Effective engagement with Generation Z involves the use of influencers and targeted marketing through platforms like TikTok. In-app features and personalized experiences are crucial, aiming to increase the frequency of user interactions with the app. Gamification and continuous innovation are also essential strategies to maintain user engagement and build stronger relationships.

To build trust with Generation Z, neobanks focus on providing transparent pricing, ensuring data confidentiality, and leveraging comparison sites and testimonials. Partnering with well-known, established brands also helps build credibility and trust. The most attractive products and services for Generation Z include self-service options, the integration of current accounts and credit cards with additional services like insurance and cashback offers, and a one-stop-shop approach where various financial needs can be managed from a single platform. Investment opportunities in ETFs, cryptocurrencies, and equities are also highly appealing to this demographic.

In terms of trustworthiness, neobanks are rated a 9 out of 10. While traditional banks have long-established trust, neobanks are subject to financial market supervision and regulatory requirements, ensuring a high level of trustworthiness. The expert notes that high-profile cases like Wirecard have not significantly dented the trust in neobanks.

To ensure long-term acceptance and loyalty from Generation Z, neobanks should focus on creating an ecosystem approach that offers value-added features beyond traditional banking. Tailoring services to specific customer life stages and offering targeted campaigns and cashback programs are also effective strategies. Continuous innovation is key to maintaining engagement and loyalty among Generation Z users. In conclusion, the interview highlights the unique characteristics and needs of Generation Z, emphasizing the importance of digital solutions, transparency, and strategic engagement. By focusing on user experience, innovation, and effective communication, neobanks can build strong relationships with this influential demographic and drive sustained growth.

Appendix IX: Interview I

#I: Director Strategic Partnerships, Neobanking

The interview provides valuable insights into the neobanking sector and Generation Z, featuring an expert with six years of experience, currently working as the Director of Strategic Partnerships and Business Development in the E-Cash division.

Generation Z, distinct from previous generations, exhibits a high reliance on digital media, utilizing online resources for financial knowledge and displaying skepticism towards traditional banks. They favor neobanks for their innovative and individualized offerings, and prioritize value-based consumerism, sustainability, and transparency.

Building trust between neobanks and Generation Z involves three critical factors. First, transparency and honesty are paramount, including clear communication about fees and processes. Second, security and privacy are crucial due to the digital nature of neobanks. Third, user-friendly technology and customization play significant roles in meeting Generation Z's expectations for intuitive and tailored financial services.

Technological advancements such as AI, blockchain, and big data have moderately influenced the adoption of neobanking services among Generation Z, rated at a 6 out of 10. While these technologies contribute to personalization and efficiency, their impact is still developing.

Three main trends in consumer behavior have emerged with the growth of neobanking among younger demographics. First, there is a strong preference for digital services and mobile-first solutions. Second, the need for personalized financial products tailored to individual lifestyles is evident. Third, value-based consumerism and the importance of ethical and sustainable investments are growing.

Generation Z is highly important to the growth strategy of neobanks, rated a 10 out of 10. This generation's early engagement with financial services and their digital affinity make them a crucial target group for neobanks aiming to establish long-term customer relationships.

Neobanks face several challenges in attracting Generation Z. Competitive pressure and market saturation pose significant hurdles, requiring neobanks to differentiate their offerings and maintain profitability. Building trust and addressing security concerns are also critical, necessitating transparent communication and robust privacy measures. Additionally, personalization and user-centric design are essential for appealing to this demographic.

Effective engagement with Generation Z can be achieved through social media, influencer collaborations, and meaningful interactions via gamification and community-building activities. Providing financial education and maintaining continuous communication are also vital strategies.

To build trust with Generation Z, neobanks focus on transparency, clear communication, and security. Additionally, partnerships and track records play a role in establishing credibility.

The most attractive products and services for Generation Z include digital accessibility, peer-to-peer transfers, FX services, and personalized investment tools. These offerings align with their preferences for convenience, efficiency, and financial literacy.

In terms of trustworthiness, neobanks are rated between 7 and 8 out of 10. Trust varies depending on the provider's security technologies, market presence, and customer service quality. Continuous innovation and adaptation to emerging technologies are crucial for maintaining trust and relevance.

To ensure long-term acceptance and loyalty from Generation Z, neobanks should focus on personalization, continuous innovation, and community engagement. Financial literacy and guiding customers through different life stages are also key strategies for building lasting relationships.

In conclusion, the interview highlights the unique characteristics and needs of Generation Z, emphasizing the importance of digital solutions, transparency, and strategic engagement. By focusing on user experience, innovation, and effective communication, neobanks can build strong relationships with this influential demographic and drive sustained growth.

Appendix X: Interview J

#J: Vice President Sales & Business Development, FinTech

The interview offers insightful perspectives on the neobanking sector and Generation Z, featuring an expert with experience since 2016, currently serving as VP Sales & Business Development.

Generation Z, as digital natives, exhibits a unique relationship with digital media compared to previous generations. They are heavily influenced by social media, which creates both opportunities and challenges. This generation demonstrates a greater willingness to incur debt, influenced by BNPL (Buy Now, Pay Later) schemes, and their financial behavior is characterized by a need for instant gratification and self-reliance. The ease of access to information and the influence of social media significantly shape their financial decisions.

Building trust between neobanks and Generation Z involves three critical factors. Firstly, simplicity and ease of access are paramount; opening an account must be quick and straightforward. Secondly, the fresh image of neobanks, free from the scandals associated with traditional banks, helps them position themselves as trustworthy alternatives. Thirdly, transparency and a state-of-the-art customer experience are essential in gaining the trust of Generation Z.

Technological advancements such as AI, blockchain, and big data significantly influence the adoption of neobanking services among Generation Z, rated a strong 9 out of 10. While AI is still relatively new, blockchain has notably attracted younger consumers to financial issues, encouraging financial literacy despite the prevalence of scams in the market.

Three main trends in consumer behavior have emerged with the growth of neobanking among younger demographics. Firstly, there is a trend towards products that facilitate consumption rather than saving, driven by a 'YOLO' (You Only Live Once) mentality. Secondly, the demand for speed and global availability in transactions is crucial. Thirdly, the expectation for a seamless, bundled experience in a single platform, similar to the 'super app' approach seen in Asia, is growing.

Generation Z is vital to the growth strategy of neobanks, rated a 10 out of 10 in importance. As the upcoming generation with significant spending power, attracting them early ensures long-term customer loyalty and growth.

Neobanks face several challenges in attracting Generation Z. Security is a fundamental concern, and convincing young consumers of a secure offering is crucial. The competition and market saturation pose another challenge, making differentiation essential. Additionally, neobanks need to manage the risk of attracting a demographic prone to over-indebtedness, ensuring a balanced customer portfolio.

Effective engagement with Generation Z can be achieved through social media, influencer partnerships, and maintaining a strong online presence. Despite regulatory constraints, innovative communication methods within apps and personalized interactions are crucial.

To build trust with Generation Z, neobanks focus on meeting the generation where they are—digitally. Providing a seamless user experience, reducing complexity, and proactive communication are key strategies. Simplifying financial jargon and processes helps in gaining their trust.

The most attractive products and services for Generation Z include BNPL options, digital payment methods like Apple Pay and Google Pay, and seamless global transaction capabilities. These services cater to their desire for instant gratification and convenience.

In terms of trustworthiness, neobanks are rated a 6 out of 10. Trust levels vary based on the bank's location, regulatory environment, and track record. Established neobanks with a solid customer base and regulatory backing are perceived as more trustworthy.

To ensure long-term acceptance and loyalty from Generation Z, neobanks should focus on financial health education, continuous innovation, and maintaining relevance through community building. Providing features that offer real value and supporting customers through various life stages are essential strategies for sustained growth.

In conclusion, the interview highlights the importance of understanding Generation Z's unique characteristics and needs. By leveraging digital solutions, transparency, and innovative engagement strategies, neobanks can build strong relationships with this influential demographic and drive sustained growth.

Appendix XI: Interview K

#K: Director of Growth, Neobanking

The interview provides an in-depth perspective on the neobanking sector and Generation Z, featuring JC, who has five years of experience in the FinTech sector and has held roles as digital and product marketing director at Starling Bank in the UK and growth director at Tomorrow Bank in Germany.

Generation Z, as digital natives, exhibits distinct financial behaviors and attitudes towards banking compared to previous generations. They tend to use multiple banks for different purposes, such as saving with one and spending with another. They are more likely to trust mobile-only or branchless banks due to their digital savvy. Additionally, Generation Z prioritizes sustainability and social responsibility, often choosing banks that align with their values.

Building trust between neobanks and Generation Z involves three critical factors. First, transparency is essential; neobanks must communicate in an open and straightforward manner, avoiding legal jargon. Second, providing financial education helps build rapport and trust. For example, Starling Bank offered quarterly financial health checks via video. Third, excellent customer service is vital, especially without physical branches, ensuring customers can easily access support when needed.

On a scale of 1 to 10, JC rates the influence of recent technological advancements such as AI, blockchain, and big data on the adoption of neobanking services among Generation Z as a 4. These technologies are still in the early stages of adoption by neobanks but are expected to become more influential in the coming years.

Three main trends in consumer behavior have emerged with the growth of neobanking among younger demographics. Firstly, the gamification of financial activities, such as saving and bill splitting, has become popular. Secondly, referrals play a significant role, with Generation Z often sharing good brands with their friends. Thirdly, there is an increase in the use of digital payment methods such as Apple Pay and Google Pay.

Generation Z is highly important to the growth strategy of neobanks, rated at a 7 or 8. They are early adopters and more likely to trust a neobank, making them critical in shaping the market despite not having the high balances of older generations.

Neobanks face several challenges in attracting Generation Z. The first challenge is fierce competition, with many neobanks in the market. Secondly, cutting through the noise to attract attention is difficult due to the variety of companies targeting Generation Z. Thirdly, a social media-first strategy requires significant content and creativity, which is resource-intensive. Neobanks address these challenges by leveraging influencer partnerships, creating strong referral programs, and maintaining a robust social media presence.

Effective engagement with Generation Z involves a social media-first strategy, including both organic and paid efforts and influencer partnerships. Referral and loyalty programs also help build engagement. Additionally, a strong content strategy that includes financial education, how-tos, and customer testimonials can foster stronger relationships.

To build trust with Generation Z, neobanks focus on strong customer service that is easily accessible, transparency around values and fees, and a content strategy that adds value beyond just selling products.

The most appealing products and services for Generation Z include customizable categories with a strong user experience in account analysis, easy payment options such as bill splitting, and gamified savings features such as round-ups and multiple savings pots.

In terms of trustworthiness, JC rates neobanks with a banking license at an 8, indicating they are generally quite trustworthy. Those without a banking license are rated a 5 due to being less regulated. To ensure long-term acceptance and loyalty from Generation Z, JC suggests three key strategies: transparency and clear communication, a customer feedback loop that feeds directly into the product roadmap, and continuously adding value through new products, services, loyalty programs, competitive fees, and financial education.

Appendix XII: Interview L

#L: Senior Manager, Technology Consulting

The interview provides valuable insights into the neobanking sector and Generation Z, featuring an expert with eight years of experience in the FinTech sector, currently serving as a Senior Manager and FinTech Lead in digitalization consulting at Accenture.

Generation Z, as digital natives, naturally spends more time in the technology environment, although this doesn't necessarily mean they understand technology better or can code. They prefer plain language and demand simplicity in products, marketing, and branding, expecting a high level of personalization. They handle information differently, often obtaining it through platforms and social media rather than traditional information pages or brochures.

Building trust between neobanks and Generation Z involves three critical factors. Firstly, simplicity in selling, marketing, and designing products is crucial. Secondly, the ease of using new services, such as seamless switching between different banking services, fosters trust. Finally, creating communities around the bank, as seen with Revolut and Vivid Money, can enhance trust and loyalty through emotional and social connections.

Technological advancements like AI, blockchain, and big data have influenced the adoption of neobanking services among Generation Z, but the impact varies. Blockchain is rated at a 7 out of 10, mainly due to the entry into crypto facilitated by neobanks and FinTechs. AI and big data are rated at a 4, as neobanks currently offer limited personalization based on these technologies.

Three main trends in consumer behavior have emerged with the growth of neobanking among younger demographics. Firstly, there's a significant reduction in cash usage, with digital payments becoming predominant. Secondly, the simplicity of the user experience is highly valued. Thirdly, bundling of services, where multiple products are offered together, is gaining popularity.

Generation Z is highly important to the growth strategy of neobanks, rated at a 9 out of 10. While the primary focus is on the younger generation, some niche neobanks target specific segments like SMEs or freelancers, which might not include Generation Z.

Neobanks face several challenges in attracting Generation Z. The cost of acquisition is high as they need to offer competitive products to lure customers from big banks. Building a profitable business model is challenging, especially in the retail sector. Stability and regulatory compliance are also critical issues, as any instability can erode trust among Generation Z.

Effective engagement with Generation Z can be achieved through marketing on social media, spreading financial knowledge, and creating unique experiences. For instance, Imagine Café by Kaiser Bank offers a physical space for events and interactions, enhancing brand understanding and customer engagement.

To build trust with Generation Z, neobanks should focus on three main actions: providing a simple and clear product offering, ensuring excellent customer experience from front to back, and maintaining stability and regulatory compliance.

In terms of trustworthiness, neobanks are rated a 7 out of 10. The need for regulation and having a banking license is crucial for trust, but profitability and stability remain concerns.

To ensure long-term acceptance and loyalty from Generation Z, neobanks should focus on three main strategies: building communities around their services, offering continuous innovation, and leveraging the upcoming open finance regulations to provide comprehensive service ecosystems.

In conclusion, the interview emphasizes the importance of simplicity, personalization, and effective communication in meeting the unique needs of Generation Z. By focusing on these aspects, neobanks can build strong relationships with this influential demographic and drive sustained growth.