Capstone project public summary

MS Finance 2021/2022

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Name of the project: How retail investors educate themselves in the era of TikTok?

Capstone project introduction

The main goal for the capstone project was to gather information and provide insights into how younger traders/investors consume financial information/education nowadays. This research would help the project sponsor in taking first steps in its educational content experimentation.

The focus of the project are two distinct generations: Gen Y (millennials) and Gen Z. On top of that, the project covers the United States and United Kingdom, as these markets represent the two biggest when it comes to the project sponsor's customer residency.

The goal was to map the shift in education channels in the world of investments, identify the main influencers and discover how investment service providers harness this media shift in their customer acquisition model.

Given that the final deliverable of the project was a written analyst report with key insights, the research was mainly of qualitative nature. The structure of the project was organized in three sections.

First part of the project focuses on rise of retail investing, and the impact younger generations of investors, led by Millennials and Gen Z, have in this. Some of the questions that were answered in this part of the report are for example: how important role do social media play in education of Gen Z and Millennials, what are the main differences in their information discovery and self-education in the financial field, are their goals different in their personal finances, and what motivates these generations to invest and what preferences do they have?

Some of the key insights discovered here are:

- Rise in retail trading activity led by the introduction of newly popularized platforms and investment apps was additionally spurred by a perfect storm of events that followed one another – pandemic environment, more spare time, government stimulus payments.
- Generational shift is underway, and more investors come from Millennial and Generation Z now - 70% of new investors in the pandemic era, of which:
  - 51% are Millennials (29% pre-pandemic data)
  - 16% are Gen Z (3% pre-pandemic data)

- The new generations of investors will have more economic power than any other generation before, they save more, and they start to save earlier
- There's no doubt social media ranks very high on the list of learning resources new generations of investors utilize. That is because it is more relatable for them, more compelling and engaging, easily accessible, and due to the shorter attention spans younger people have in general.
- Gen Z is five times as likely to get financial advice from social media than adults aged 31 and over.
- YouTube is the social media platform that is most used for education by Millennials and Gen Z.
- Among other educational resources they use, Millennials prefer visiting traditional investing websites, while Gen Z members would rather seek advice from friends and family.
- Overall, the best sign of reputability of sources for Millennials and Gen Z is proof of historical performance, and the worst sign is follower count, despite 21% of Gen Z ranking it as the most important.
- Millennials and Gen Z have similar preferences when it comes to traditional investments such as stocks, bonds, and real estate, but not when it comes to mutual funds, and in-game video items for example.
- Millennials and Gen Z comprise the majority of crypto asset buyers, and half of them have cryptocurrency in mind when planning for retirement.
- Through investing, younger investors want to increase their savings, make an additional source of income, and save for retirement.
- When investing, Millennial and Gen Z investors are particularly keen to consider ESG factors.

Second section of the research project includes mapping and research on the most popular channels of communication and education, as well as mapping of the most popular influencers in the world of investments. The aim was to find answers to questions such as what are the emerging channels, and what are the typical formats and content types on these channels, what kind of content do these influencers specialise in, what types of investments they talk about, how they reach out to their audience?

Some of the key insights discovered here are:

- YouTube, Reddit, Facebook, Twitter, Instagram and TikTok are the most popular social media used for financial education.
- Another interesting and emerging educational channel are podcasts
- So called 'fin-fluencers' engage with their customers across multiple channels at a time.
- Some of the most popular 'fin-fluencers' across the mentioned platforms are:
  o Graham Stephan (3.86 million followers and 387 million views on YouTube)
  o Humphrey Yang (3.3 million followers and 45.2 million likes on TikTok)
  o John Eringman (1.1 million followers and 21.9 million likes on TikTok)
- The most followed subreddit (subforum) on Reddit is r/wallstreetbets with 12.3 million members.

Finally, the last section of the project focuses on researching new customer acquisition strategies investment service providers and the project sponsor's competitors utilize when communicating with their target audiences. Here we need to find answers to questions such as: do the biggest brokers approach these new platforms and their audiences, in what way they do it, and are project sponsor's competitors present on these new platforms?

Some of the key insights discovered here are:

- Identifying target audience, choosing appropriate social media, and creating the right type of content are the most important considerations for customer acquisition through social media.
- Among investor service providers, eToro rank high when measuring social media presence, while Degiro are on the opposite side of the spectrum.
- Among the project sponsor's competitors, Investopedia have the strongest social media presence, while the same cannot be said for StockBrokers and Brokernotes.