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Cashless Kids

Harnessing data to protect
young consumers, empower
parents and understand
tomorrow's consumers **today**

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Introduction

Cashless Kids: Harnessing data to protect young consumers, empower parents and understand tomorrow's consumers today.

The digital revolution has reached into every aspect of our lives and societies, and **children's pocket-money is no exception.**

The days of filling the piggy bank with coins or being handed a £5 note each week appear a long way behind us. Not only have the amounts children been receiving increased but as use of digital wallets for kids increases we can now see more detail than ever around both pocket money received and spending habits.

Increasingly, children and young consumers are following older cohorts towards **cashless consumption and digital payments.** In fact, according to UK Finance, in the decade between 2012 and 2022, **cash payments across all age groups fell from 54% to 14%¹ in the UK.**

Just as digital payments generate insights around other market segments, so too are these cashless kids also generating a wealth of spending data. This data can empower parents and carers to **guide spending decisions** while also giving retailers unique insights into a growing market and **potential product personalisation.**

An analysis of more than **33.5 million individual income and spend records** worth a combined total of more than **£250 million** was generated via payments made on **nimbl, The children's prepaid debit card** from payment provider, **Caxton.** Payments were made over the period **2017 to 2024**, giving rich insights into how pocket-money received and spending is evolving and what this says about contemporary childhood.

The data reveals that the volume of digital payments being undertaken by young consumers is growing steadily and above the rate of inflation. Over the course of our time series, **average spending per child has grown from £164 in 2017 to £367 by 2023** with 2024's data expected to take this figure even higher. This represents an **increase in digital pocket-money of around 123% per annum** and, as more families and children embrace digital payments, this trend is likely to accelerate.

¹ <https://www.ukfinance.org.uk/news-and-insight/press-release/half-all-payments-now-made-using-debit-cards>



The digitalisation of pocket-money represents a significant change for parents, businesses and policymakers and presents both opportunities and challenges.

On the one hand, spending pocket-money online **exposes children to dangers** that previous generations might not have faced. From scams and fraud to identity theft, money being spent online always has the potential to attract criminals. On the other hand, going cash free **reduces the risk** of being exposed to other kinds of physical crime and financial loss.

Likewise, as our paper demonstrates, digital spending gives parents and guardians **transparency around where pocket-money is being spent**. This allows spending to be supervised and through built in tools managed and controlled by an adult ensuring an element of safety and oversight.

For businesses too, this data allows an ever more granular view of changing patterns of childhood **spending, consumption and preferences**. As the world moves away from the mass production and consumption that dominated the twentieth century, towards markets based on unique user experiences and bespoke products, **payments data and the preferences** it reveals will be a crucial force shaping the future of business. This data gives businesses powerful insights into the **childhood consumers of today and, by extension, the adult consumers of tomorrow**. This will allow for the hyper-personalisation of products, services and the building of long-lasting brand loyalty that grows with customers.

And just as this transparency gives parents greater means to steward children as they learn about finance and explore the world, so too it gives businesses the opportunity to steward their young consumers and act as responsible corporate citizens. **Digitalised pocket-money brings visibility and intelligence to childhood spending** that will empower guardians and businesses to teach **financial literacy**, a vital skill in today's world yet one many are lacking.

What the data we've gathered shows then is that we are quickly moving towards **cashless kids** being the new norm. They are more sophisticated in their spending habits than previous generations of children and increasingly interested in digital as well as analogue products. Guiding cashless kids through these digital and physical purchases, ensuring **online safety and fraud prevention and encouraging good financial habits** will be a significant responsibility for the parents and carers 'paying' these children, and the businesses selling to them.

We'll now look in greater detail at what the data tells us about some patterns of income and spending amongst the cashless kids.



Childhood Cash Flow

How the cashless kids are
getting 'paid'



Childhood Cash Flow

The data generated by nimbl over the course of our time period shows the ways in which pocket-money 'income' is changing. As we'll see, the picture is not uniform, with different age cohorts seeing different patterns of income growth but, the big picture is clear, there is a **growing shift** towards **digital payments** amongst **younger consumers** and they represent a **growing market share**.

As the graph shows, the digital spending power of children is on a long-term, **upward trajectory**. As mentioned previously average spending per child grew from **£164 to £367 between 2017 - 2023** with each of our cashless kids receiving, on average, **£286 per year** during this time. This represents a growth rate in childhood digital spending of around **123%**, well above the rate of inflation meaning that, while other cohorts might have been tightening their belts in recent years, **cashless kids have seen their spending power grow**.

A notable exception to this trend was 2019, when spending decreased possibly as a result of dampened consumer confidence reflecting weaker global growth and Brexit-related uncertainties. For those **aged 8 to 12** pocket-money fell by an **average of 7% during 2019**, while **8 year olds** took the biggest hit to their earnings, seeing income **fall by more than 16%**.

Average Annual Pocket Money Received by Children/Year (Ages 6-18)



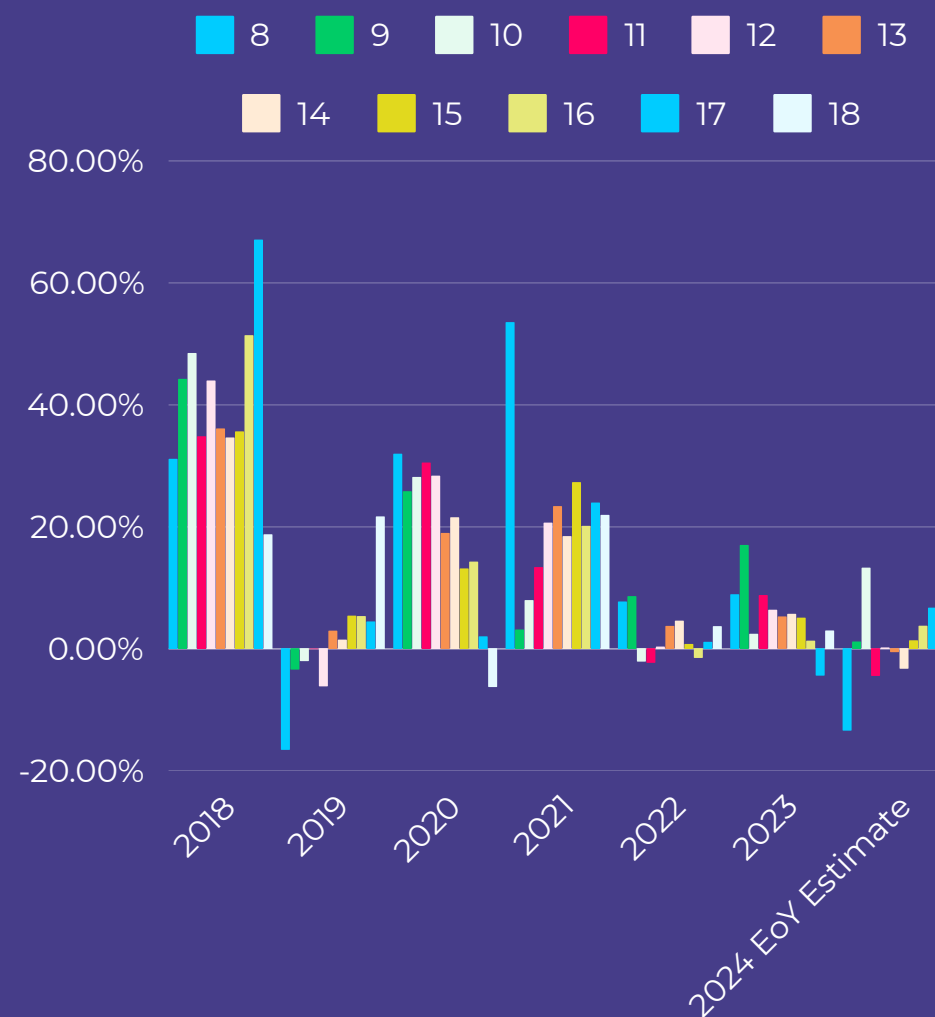
Growth rate in childhood digital spending of around **14% per annum**, well above the rate of inflation.

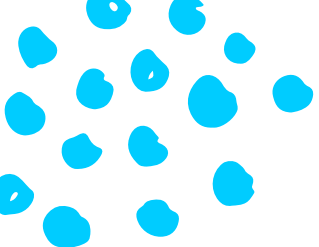
Childhood Cash Flow

The growth trend is not uniform. While seven year olds saw their digital spending power grow by on **average 28% per year**, older spenders **age 18 saw less growth, at 9.95%**. This reveals how, as children grow older, income earned from joining the workforce may replace income from pocket-money. Our data also reveals how longer term patterns of consumer behaviour can be impacted by short-term economic conditions. Those who were **eight years old in 2017** for example, have seen their pocket-money rise from **£66 per annum in 2017, to more than £527 per annum now**. This cohort then, now fifteen years old, saw an **eight-fold income increase** between 2017 and 2024.

Those who were **eight years old in 2019** on the other hand, just two years later, have seen their annual income grow from **£72 to £362**, a **five fold increase**. While this cohort will likely see further income inflation over the next two years as they approach their fifteenth birthdays, it seems unlikely to catch up with their younger counterparts. The income hit experienced by this group coincides with the drop in overall income in 2019 mentioned above and is indicative of how the expectations that cashless kids and their parents had in 2017 v those they had in 2019 have set the tone for **longer-term behaviour** of these groups.

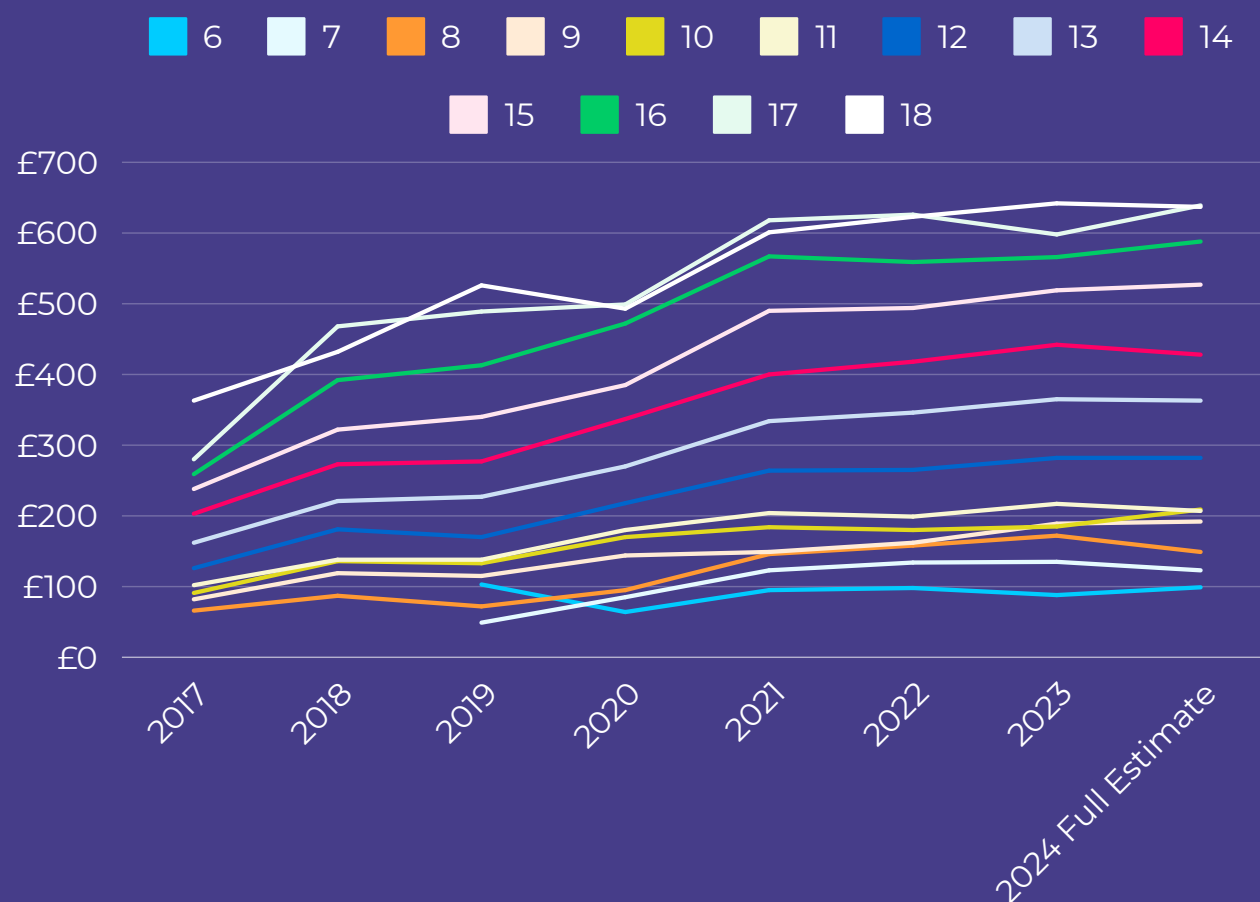
% Change of Average Monthly Pocket Money Received





Our data also reveals the differential rates of income inflation between different age cohorts. An **eight year old in 2017** for example received **£66 per annum**, compared to **£172 per annum** for **eight year olds in 2023**. This means the digital spending capacity of this group has **grown around 160%**. A **17 year old in 2017** meanwhile received **£280 per annum**, compared to **£598 for a 17 year old in 2023** - representing growth of **113%**. Perhaps expectedly, **eighteen year olds** are the **highest earners** amongst all age groups. This group has received on average **£540 per annum since 2017** and in **2023 received £642 per annum**, though our data does seem to forecast a **slight drop off in income in 2024** for this group.

Average Annual Pocket Money Received by Age with Annual Comparison

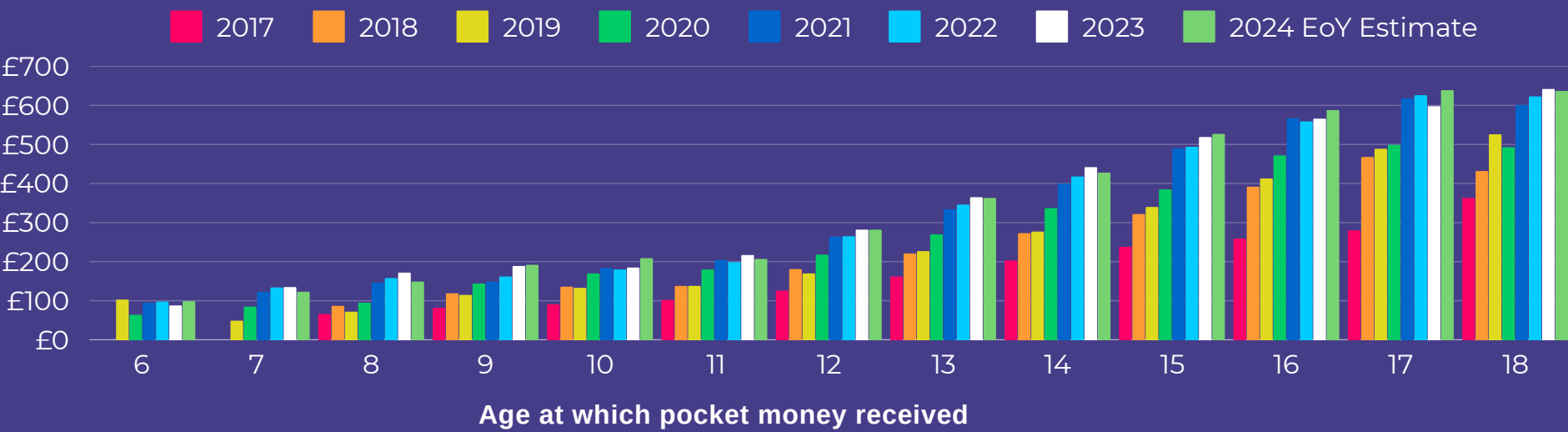


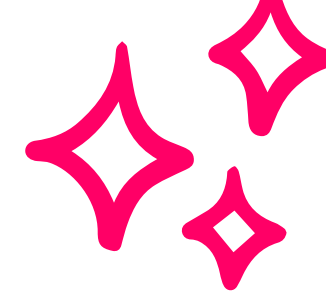
Childhood Cash Flow

Average Annual Pocket Money Received by Age Since 2017



Average Annual Pocket Money Received by Age Over the Years





Average Annual Pocket Money 17 & 18yr old's Comparison



What this data shows is that **cashless kids are a growing market segment**. While the growth is differential across different age groups and cohorts, income and digital spending power has been on an **upward trajectory since 2017**. This market, like any, is subject to headwinds from the broader economy and these headwinds can have **long-lasting impacts on behaviour**.

Nevertheless, the long-term trend is clear, and as the UK as a whole continues the journey towards increased digital spending, we are likely to see **spending by the cashless kids continuing to outpace inflation**. This represents a huge market opportunity for businesses looking to sell to this market and, as we'll see when we explore how cashless kids are spending their money, an opportunity to **foster positive financial habits and spending patterns**.

Childhood Consumers

How cashless kids spend



Childhood Consumers

Just as the digital income of cashless kids has grown over the period 2017 - 2023, so the nimbl data reveals, has digital spending. In fact, the headline figure shows that **average annual spend per child has grown from £157 in 2018 to £343 in 2023, a 118% increase.**

If we compare this to income figures of **£164 in 2017 to £367 in 2023**, we can quickly see that children at present are more **enthusiastic about spending than saving**, but perhaps not by choice. In fact, our cashless kids are spending on **average 88%** of their pocket-money, **every year**. While this is not unexpected, delayed gratification being a skill that develops as we mature, it does perhaps represent a gap in the market for **further financial education**.

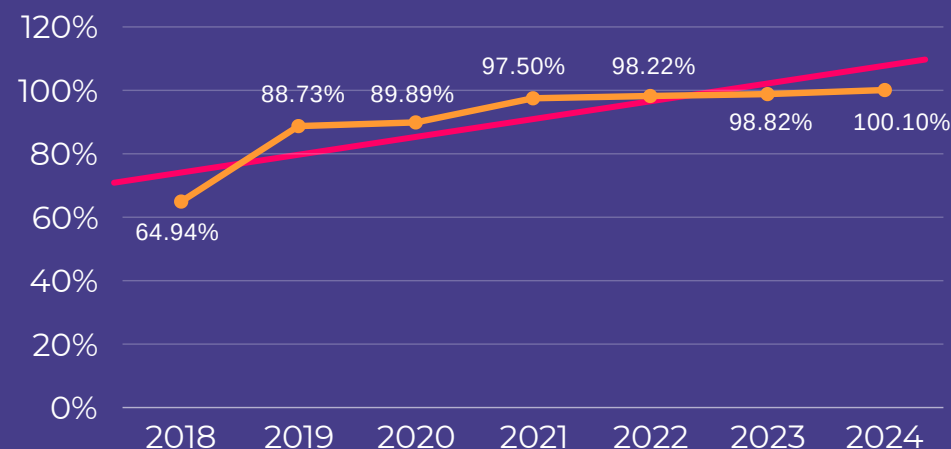
This will come from both parents and guardians but financial service providers might too discover that, with the right marketing and offer, **new generations of savers are more open to saving their money and watching it grow** than we might assume.

Just as the cashless kids want digital pocket-money, they might also want a **digital piggybank**.

Average Spend per Year



% of Pocket Money Spent



Childhood Consumers

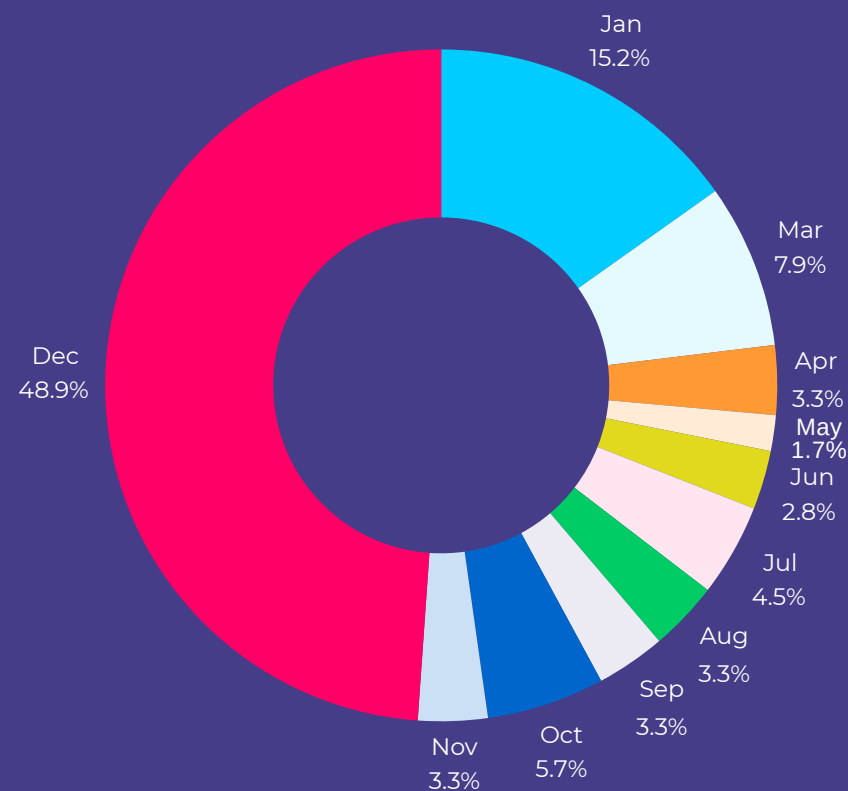
As it stands however, the vast majority of digital pocket-money is being spent in the short term. **So, where are kids spending it?**

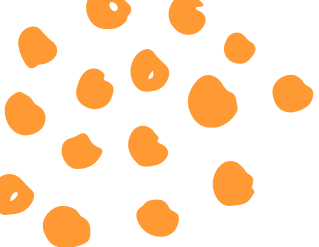
Analysis of nimbl data suggests that, as might be expected, our cashless kids' spending is heavily concentrated annually around the **Christmas period**.

Nearly half of all transactions take place in **December**, with a further **15%** taking place in **January**. Spending **decreases in the summer** meanwhile, with the summer months between them accounting for just **10.5% of spending**. This reflects the fact that children are more likely to be out and about during the summer, whether with friends and family in their neighbourhood or perhaps on holiday with family. This is especially the case as more and more cashless kids spend their money on digital products which are likely to be used less frequently during the summer months.

The relationship between gaming and time of year, for example, is well documented so it is **unsurprising to see this reflected in seasonal spending patterns**.

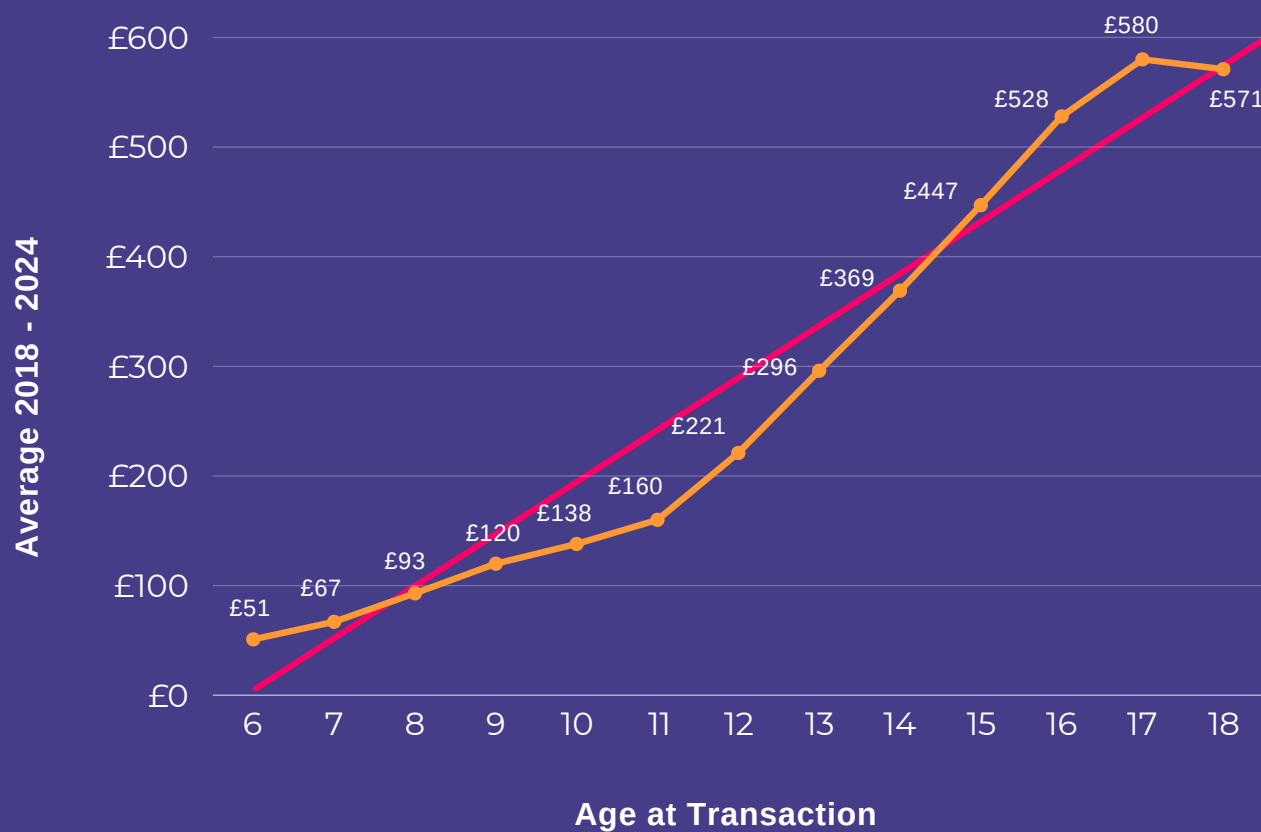
Count of Month of Transaction





As expected we see that **spend increases by age**, in line with expectation and the **growth of incoming pocket money**.

Average Spent by Age Across the Years

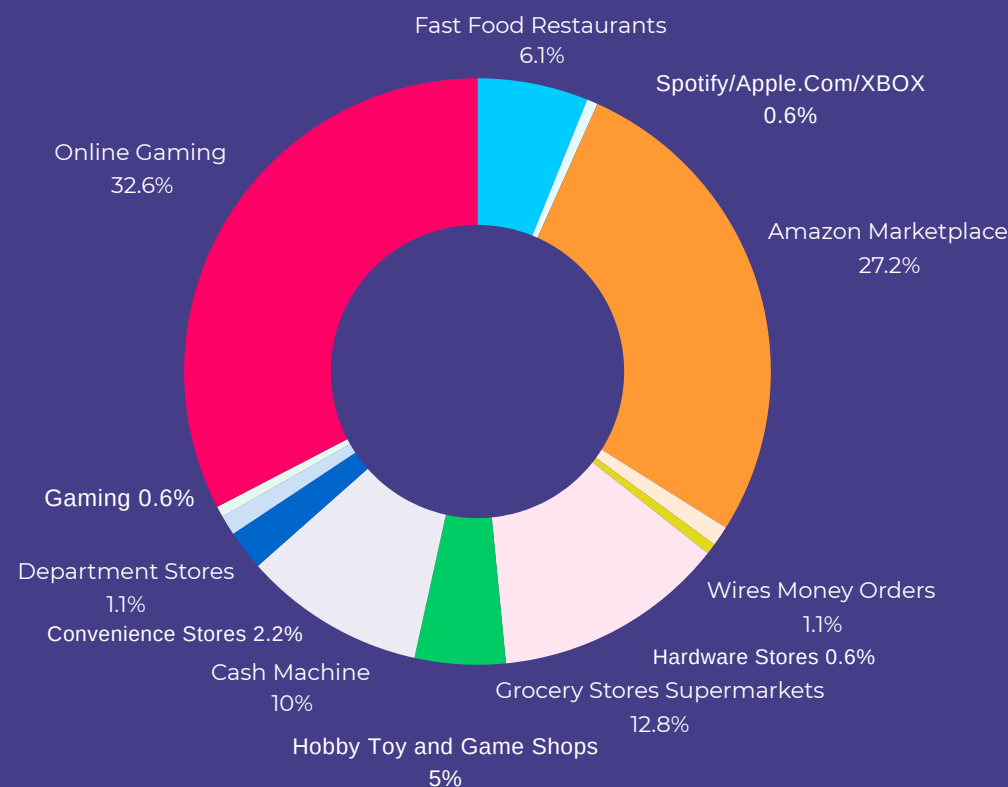


Reflecting changing patterns of behaviour in contemporary childhood, our data also reveals, as one would expect, a **growing share** of childhood spending going to **digital first products** such as **gaming** and also **digital retailers**, including **Amazon Marketplace**.

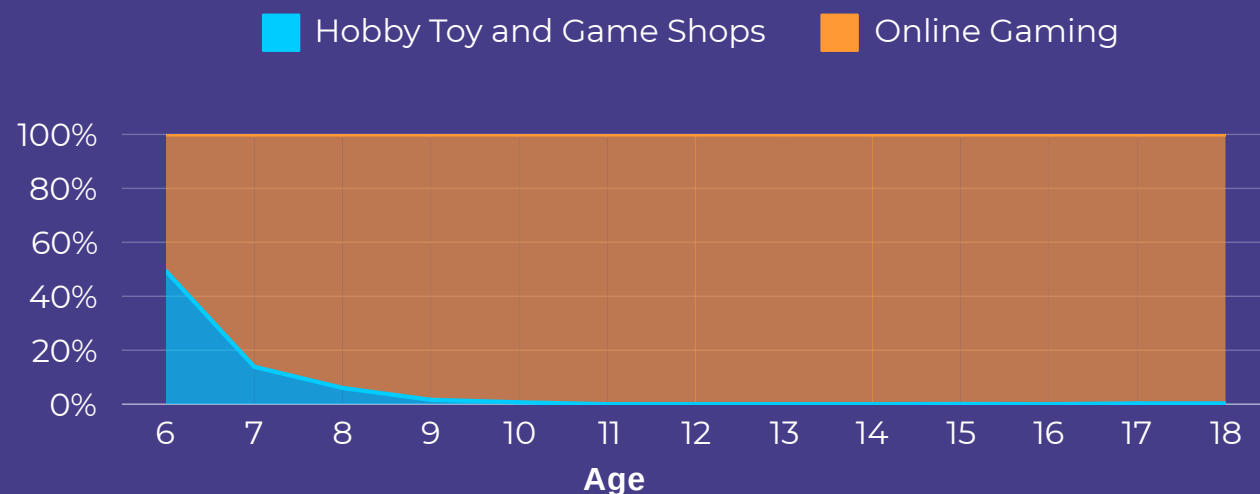
Gaming accounts for nearly a **third of all spending**, while **online shopping via Amazon accounts** for a further **27.2%**. Our cashless kids are still getting out and socialising however, with trips to **grocery stores and fast food restaurants** accounting for nearly a **fifth of all spending**.

Reflecting the changing nature of play however, spending in **hobby, craft and toy stores** is just a fraction of what is spent on gaming, at **5%**.

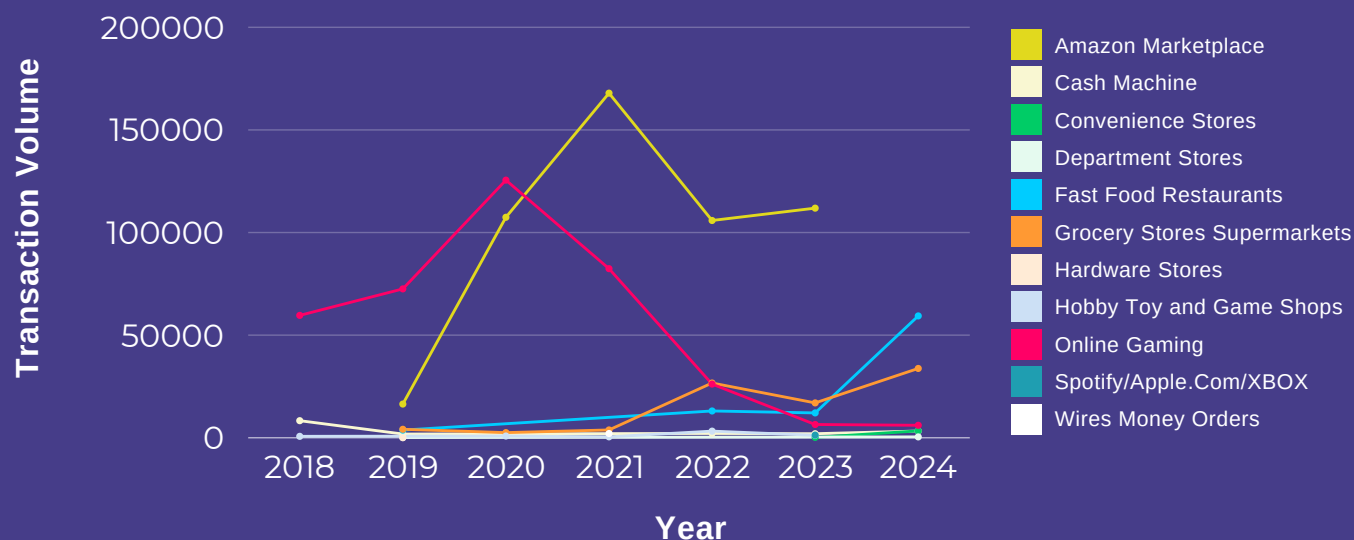
Spending Categories for All Ages



Online vs Physical Gaming Share



Transaction Volume by Year and Merchant Category



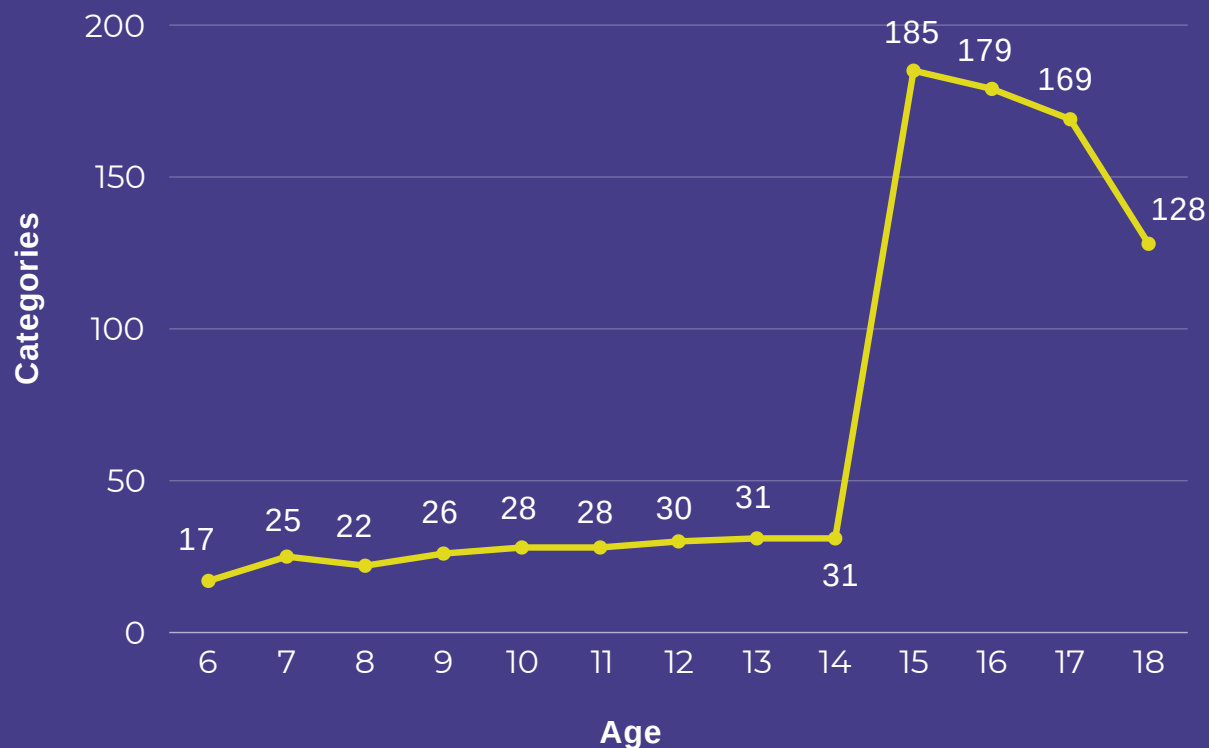
Childhood Consumers

The **volume** of transactions around online gaming however has **decreased** and steadies off over the course of our data set.

This perhaps represents a shift towards **generalised subscription service models** in gaming and away from one-off payments. It might also indicate the growing prevalence of **free-to-play games**, with **Diablo** being a particularly notable example with on average **3.8 million unique players per month**.

What these charts also reveal are that spending on online gaming is **steadying off** after reaching a **significant peak** during the **years of the Covid Pandemic**, when many children were confined to their homes for long-periods of time, socialising in person much less often.

Number of Merchant Categories vs Age



Spending on gaming peaks around **age 15** according to our data, before falling back somewhat. As we look at the older end of our cashless kids cohort, we can see **gaming falling away** as a result of competition from a much more diverse range of products and services.

Whereas our **6 year olds** channeled their digital spending into retailers falling within just **17 categories**, our **15 year olds** spent across **185 categories** and **18 year olds** spent across a total of **130 categories** ranging from beauticians and barbers to record stores and country clubs.

All of which indicates that as children age, their **tastes diversify**, become more sophisticated and **competition** for their **spending power becomes more intense**.

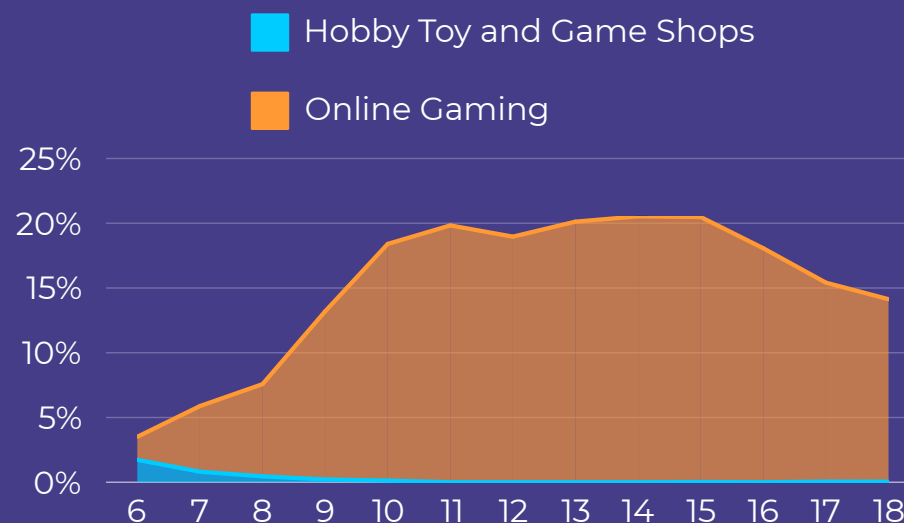
Childhood Consumers

So, while the cliché about kids spending all their time online is true to an extent, in that cashless kids are spending money with online gaming, it is also somewhat reductive. What our data in the round reveals is that **most children have a healthy relationship with gaming** and expenditure on this **begins to decrease into the teen years**, as expenditure on many other things increases.

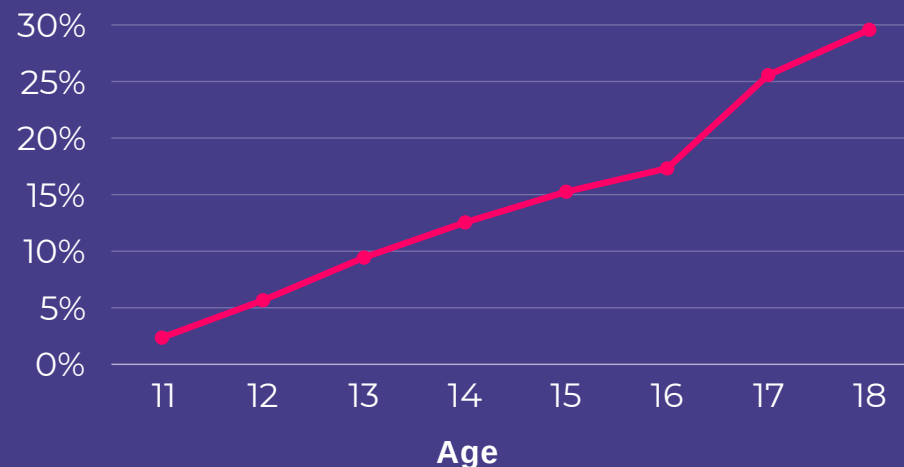
Conversely, while kids love of fast food might be the bane of many parents across the country, our data reveals that the relationship cashless kids have with fast food steadily increases with age but is a relatively **small percentage of their total spend**. This is approximately **£30/month on average** for **18 year olds** (**5%** of their **monthly spend**) but **peaking** in **13 year olds** at **£10/month** on average and **7.5%** of their total outgoings.

This data empowers both retailers and parents to ensure these **trends remain healthy**, and this is a welcome consequence of **cashless childhoods**.

Online vs Physical Gaming



Fast Food Expenditure by Age as % of Total Spend



Conclusion

This data, even though just a small snapshot of what's available to us, allows us to observe in real time the ways in which children are **choosing to spend their money** and the way those choices and the tastes behind them **evolve as they age**.

Digital payments have impacted every market segment and are increasingly leading to a generation of **cashless kids** also. For perhaps the first time in history brands now have data previously impossible to define and with this data a responsibility to ensure **safe use**.

The data being generated by this cohort of consumers is incredibly powerful and offers a means of **guiding young consumers** through childhood and into an adulthood of **sustainable choices and sound financial habits**.

Parents and guardians now have the chance to educate their kids on **safe digital habits, online spending responsibilities** and offer their kids a **safer way** to spend in a world increasingly concerned about **financial fraud**.

Likewise, businesses embracing these possibilities have an opportunity to not just build responsible businesses that bring benefits to cashless kids, they also have an opportunity to **lean into the customisation** that twenty-first century consumers of all ages **increasingly demand**.

Children are becoming increasingly sophisticated consumers as patterns change and cashless society empowers them with **security and freedom**. Data is empowering parents, businesses and policymakers to **steward children** through the digital age and toward **healthy, safe spending patterns** that will shape the **next generation of adult consumers** too but expect to see **hyper-personalisation** creep into products, services and experiences in a huge way.

More resources from nimbl:

Download our **FREE**, kids money-smart worksheets

Suitable for ages 6 - 18

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