

## Payments trends: Gen Z sets to work

*Visa Consulting & Analytics*

Generation Z – or Gen Z – comprised of people born between 1997 and 2012, is now the world’s largest age cohort, accounting for 32% of the world’s total population.<sup>1</sup> The first generation of true digital natives, they have just begun to enter financial maturity, reaching a time in their lives that is defined by change and financial decision-making (e.g., moving away from home, graduating from school, and entering the workforce).

The way Gen Z views employment is an interesting puzzle, and one that has significant benefits for businesses that can solve it. Typically, they are highly educated<sup>2</sup> but have shown that their compensation, while important, is not the be-all-and-end-all goal of their employment. For example, Gen Zers are more likely to pursue or consider gig work than previous generations.<sup>3</sup> The same sentiment applies to non-traditional streams of income (e.g., from streaming video games, creating, and monetizing digital content, or re-selling clothes).

Additionally, a recent LinkedIn analysis revealed that Gen Zers are more willing to job hop than older generations. In 2021, they switched jobs at a rate more than five-times higher than the next closest age cohort. When asked what factors were most important when seeking a new job, the top reasons can be categorized as:

1. *Personal Benefit*: Taking a job with increased competition or flexibility
2. *Personal Fulfillment*: Taking a job that aligns with their values<sup>4</sup>

These two themes are the cornerstone of what Gen Zers demand from the brands they engage with.

### What it means for payments and banking

As Gen Zers emerge from financial adolescence and into financial maturity, financial institutions should be in tune with their payment and banking preferences. They have

#### Personal Benefit

*New convenience*: Several Neobanks offer online banking platforms targeted at Gen Z users with an emphasis on convenience and value, typically including features such as no minimum balance, no hidden fees, and getting paid early with direct deposit.

*New ways to shop*: Social commerce offers a new avenue to reach a generation that is more deeply connected with online influencers.

*New ways to pay*: P2P apps are generating new partnerships which allow their predominantly young user bases to spend their points balances at popular merchants like they would with a bank account.

<sup>1</sup> What investors need to know about Gen Z, Schroders Wealth Management, August 2021:

<https://www.schroders.com/de/ch/wealth-management/insights/markte/what-investors-need-to-know-about-gen-z/>

<sup>2</sup> On the Cusp of Adulthood and Facing an Uncertain Future: What We Know About Gen Z So Far, Pew Research Center, May 2020: <https://www.pewresearch.org/social-trends/2020/05/14/on-the-cusp-of-adulthood-and-facing-an-uncertain-future-what-we-know-about-gen-z-so-far-2/>

<sup>3</sup> Generational Gap Grows: Work & Money Outlook Divided, Prudential, November 2022: <https://news.prudential.com/generational-gap-grows-work-money-outlook-divided.htm>

<sup>4</sup> LinkedIn, “Is Gen Z the boldest generation? Its job-hunt priorities are off the charts”, February 2022, <https://www.linkedin.com/pulse/gen-z-boldest-generation-its-job-hunt-priorities-off-charts-anders/?trackingId=pwWrCQQ1SiG9Yds3hH8gUg%3D%3D>

shown they currently prefer debit to credit.<sup>5</sup> In addition, their financial interactions must be digital and mobile-first. This is evidenced by a high level of comfort using Fintechs for their payment and banking needs as opposed to traditional banks.<sup>6</sup> They also have an increased willingness to engage in new payment methods such as Buy Now Pay Later (BNPL),<sup>7</sup> are highly engaged in crypto relative to the general population, and view the option of sustainable credit cards as an attractive reason to switch banks.<sup>8</sup>

Part of attracting any customer to a brand or product is meeting them where they are. This begs the question, “Where and how can businesses reach Gen Z?”. The “Where?” piece of this answer, perhaps unsurprisingly, is predominantly through social media. Gen Zers spend roughly 50% of their waking hours looking at a screen,<sup>9</sup> and 54% of them indicate they spend more than four hours per day on social media.<sup>10</sup> Social media giants have tapped into this behavior and allow consumers to make purchases directly from their apps. This functionality allows brands, large and small, to sell directly to this segment in their native environment.

The “How?” piece is a bit trickier. Given Gen Z’s emphasis on personal fulfillment, businesses should look to craft messages or develop products and features that speak to the desire of Gen Zers for brands to be better, more socially conscious organizations. In the world of consumer goods, businesses are tapping into this desire in many ways. For example, a personal cosmetics brand may introduce a humane, animal testing-free line. Or a clothing retailer, may launch a Shop Sustainable proposition, through which used clothing is sold back to the retailer, repaired, and then resold at a discount.

The banking industry may have been slower to develop equivalent propositions, but there is considerable scope to do so, and some interesting and innovative approaches are arriving fast.

### Personal Fulfillment

*New propositions:* With the rallying call “Rewards for you and the planet” the financial technology company Future<sup>13</sup> offers a Visa Debit solution that offers 6% cashback on climate-friendly purchases and helps consumers to calculate, track and benchmark their carbon footprint – so appeals to several Gen Z characteristics (e.g., sustainability and gamification). Similarly, the Canada-based financial co-operative, Vancity offers CarbonCounter, a facility that enables customers to track the estimated carbon emissions related of all their credit card spending.<sup>14</sup> Meanwhile, Bank of America has announced that it is transitioning all its credit and debit cards to recycled plastic.<sup>15</sup>

<sup>5</sup> Visa Business and Economic Insights and YouGov Canada, March 2022.

<sup>6</sup> The Financial Brand.com, “Gen Z’s Top Priorities When Selecting a Financial Services Provider”, January 2022, <https://thefinancialbrand.com/news/gen-z-banking/top-gen-z-priorities-choosing-financial-service-provider-127866/>

<sup>7</sup> PYMNTS, “Buy Now, Pay Later Tracker”, February 2022, [https://securecdn.pymnts.com/wp-content/uploads/2022/02/PYMNTS-Buy-Now-Pay-Later-February-2022.pdf?\\_source=newsletter%7Cmakeit](https://securecdn.pymnts.com/wp-content/uploads/2022/02/PYMNTS-Buy-Now-Pay-Later-February-2022.pdf?_source=newsletter%7Cmakeit)

<sup>8</sup> Visa Survey, Identifying Opportunities to Engage Consumers on Sustainable Banking Products, October 2021.

<sup>9</sup> What investors need to know about Gen Z, Schrodgers Wealth Management, August 2021:

<https://www.schrodgers.com/de/ch/wealth-management/insights/markte/what-investors-need-to-know-about-gen-z/>

<sup>10</sup> Morning Consult, “Gen Z Is Extremely Online”, December 2022, <https://morningconsult.com/2022/12/12/gen-z-social-media-usage/>

## Why does this matter?

Gen Z represents a massive opportunity for financial institutions to get in close to the ground floor of a customer's life and build loyalty. Visa estimated the average annual credit card spend for Gen Z cardholders at \$18,000 per year<sup>11</sup> and, at the close of 2021, Bloomberg estimated the cohort has US\$360 billion in disposable income in the U.S. alone.<sup>12</sup> Given that these consumers have either recently entered or are on the cusp of entering the workforce, we expect their spending power to increase as they age. To better understand this cohort and their preferences, financial institutions should look to refine the value propositions of existing offerings or develop new products and services which are specifically geared toward this segment. Understanding these priorities now will give financial institutions an advantage as Gen Z continues to mature.

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<sup>11</sup> Visa Global Economic Insights: Gen Z, Visa, August 2022, <https://usa.visa.com/partner-with-us/visa-consulting-analytics/economic-insights/gen-z-and-the-metaverse-influencing-the-future-of-the-economy.html>

<sup>12</sup> Bloomberg, "Gen Z Has \$360 Billion to Spend, Trick Is Getting Them to Buy", November 2021, <https://www.bloomberg.com/news/articles/2021-11-17/gen-z-has-360-billion-to-spend-trick-is-getting-them-to-buy#xj4y7vzkg>

<sup>13</sup> Future Green, "More Cash. Less Carbon. Rewards for You and the Planet", <https://www.future.green/>

<sup>14</sup> Fintech Finance News, "Vancity's Visa credit cards are counting carbon footprints with ecolytiq", February 3, 2023, <https://ffnews.com/newsarticle/vancitys-visa-credit-cards-are-counting-carbon-footprints-with-ecolytiq/>

<sup>15</sup> Bank of America newsroom, "Bank of America Will Transition to Recycled Plastic for All Plastic Credit and Debit Cards Beginning in 2023", April 2022, <https://newsroom.bankofamerica.com/content/newsroom/press-releases/2022/04/bank-of-america-will-transition-to-recycled-plastic-for-all-plas.html>