



Trend #1

Generation Z sets to work

At the start of year, Visa Consulting & Analytics (VCA) identified [ten trends that are set to shape the payments landscape over 2023](#).

In this paper, we take a deep dive into the first of those trends – Generation Z sets to work – by looking how it is impacting payments, the changes we are already seeing in the marketplace, and the type of responses financial institutions should be considering.

We'll work through the remaining nine trends month-by-month with similar deep dive papers, so stay tuned for insights on: Sustainable spending, B2B goes 3.0, web3 technologies matter, guarding against fraud, mobile wallets are becoming universal, open banking picks up the pace, embedded finance transformation, gig economy boom, and a BNPL shift is underway.

What's going on?

Generation Z – or Gen-Z – comprised of people born between 1997 and 2012, is now the world's largest age cohort, accounting for 32 percent of the world's total population.¹ 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 educated² 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.³ 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.⁴

When asked what factors were most important when seeking a new job, the top reasons can be categorized as:

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|---|--|
| <p>1 Personal benefit</p> <p>That is, taking a job with increased compensation or flexibility</p> | <p>2 Personal fulfillment</p> <p>That is, taking a new job that aligns with their values⁵</p> |
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These two themes are the cornerstones 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 shown they currently prefer debit to credit.⁶ 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.⁷ They also have an increased willingness to engage in new payment methods such as Buy Now Pay Later (BNPL),⁸ are highly engaged in crypto relative to the general population,⁹ and view the option of sustainable credit cards as an attractive reason to switch banks.¹⁰

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 percent of their waking hours looking at a screen,¹¹ and 54 percent of them indicate they spend more than four hours per day on social media.¹² 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 has also developed some interesting and innovative approaches.

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
- Get 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 at popular merchants like they would with a bank account.

Personal fulfillment

New propositions

Financial technology company Future¹³ offers a Visa Debit solution that offers 6 percent 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 feature that enables customers to track the estimated carbon emissions related of all their credit card spending.¹⁴ Meanwhile, Bank of America has announced that it is transitioning all its credit and debit cards to recycled plastic.¹⁵

Note: we are exploring the subject of sustainable spending in our next deep dive paper, so look out for more details



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 year¹⁶ and, at the close of 2021, Gen Z Planet estimated the cohort has US\$360 billion in disposable income in the U.S. alone.¹⁷ 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.



If you'd like an in-depth conversation on Gen-Z and the opportunities for your business, please contact your Visa Account Executive, or email VCA@Visa.com

About Visa Consulting & Analytics

We are a global team of hundreds of payments consultants, digital marketing specialists, data scientists and economists across six continents.

- Our consultants are experts in strategy, product, portfolio management, risk, digital and more with decades of experience in the payments industry.
- Our data scientists are experts in statistics, advanced analytics, and machine learning, with exclusive access to insights from VisaNet, one of the largest payment networks in the world.
- Our economists understand economic conditions impacting consumer spending and provide unique and timely insights into global spending trends.

The combination of our deep payments consulting expertise, our economic intelligence and our breadth of data allows us to identify actionable insights and recommendations that drive better business decisions.

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Forward Looking Statements

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