

Consumer Insights



Unlocking Gen Z's mindset and consumer potential

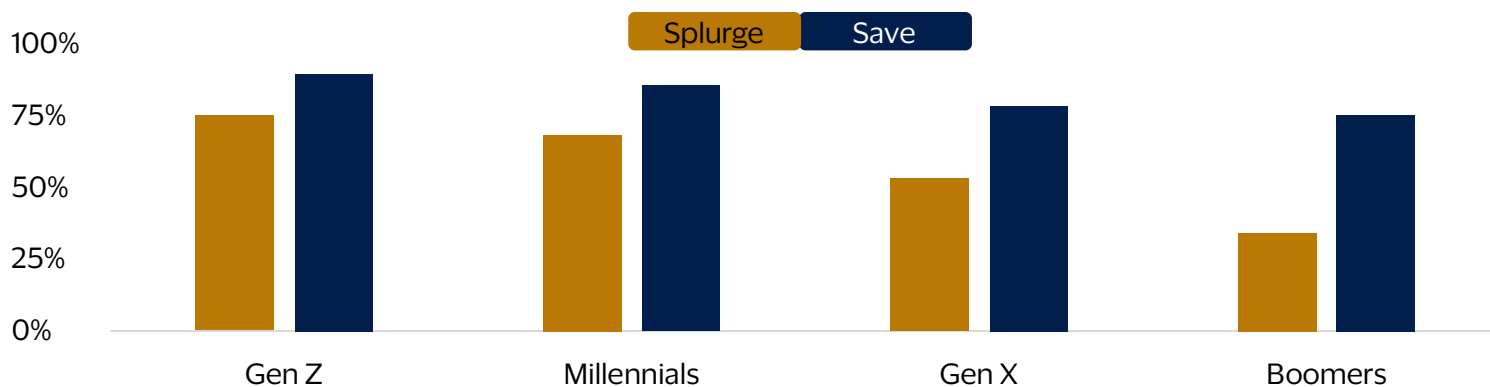
While Generation Z's current spending represents a small portion of overall consumer spending, they are poised to become the fastest growing consumer segment. Gen Z is reshaping the marketplace with its financial behavior, customer interaction and transactional platforms of choice. By understanding Gen Z's financial behaviors, businesses can capture the growth the generation stands to represent.

Gen Z's "split-brain budgeting"

Consumers are simultaneously saving and getting their financial houses in order, while also splurging on items or experiences. This phenomenon has become so prevalent that experts have given it a name—split-brain budgeting. Among generations, Gen Z shows the highest propensity for the split-brain budgeting mentality (Fig. 1). This mindset isn't merely a response to economic pressures but represents a multitude of concerns facing consumers. Millennials are closely mirroring this behavior, hinting at a potential long-term shift in consumer dynamics. Notably, Gen Z's splurges align with eco-conscious choices, suggesting an intriguing connection between the split-brain budgeting mentality and sustainable spending practices. Gen Z's preference for mindful consumption—the potential synergy between budget consciousness and eco-conscious choices—opens new avenues for businesses to tap into this dual mindset.

Fig. 1: Split-brain budgeting

Question: Have you saved for something, and have you splurged on something this year?



Sources: Visa Business and Economic Insights analysis and CivicScience consumer survey, August 2023

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Key Points:



Gen Z has the highest propensity for split-brain budgeting



Price is not the sole factor for Gen Z when choosing brands from across various categories



Gen Z and millennials exhibit a significantly higher inclination to make payments on social media platforms



Unique approaches to credit and the rise of AI interactions

Gen Z's approach to financing is distinct from the overall adult population (Fig. 2). Gen Z consumers are still learning the ropes financially, but they are already doing things differently than millennials were at the same age. Gen Z is less likely to use credit cards, more likely to carry balances and to pay a low percentage of that balance if they do use credit cards, and more inclined to use alternative options to manage their debt, such as taking out a loan to consolidate it.

As digital natives, Gen Z consumers show a higher comfort level with AI-driven interactions with a variety of companies, including retail, entertainment, travel booking, and financial services. This positions AI chat as a potential mode of engagement with brands to more actively and successfully engage with Gen Z customers (Fig.3).

Fig. 2: Gen Z financing preferences

Financial action taken or planned

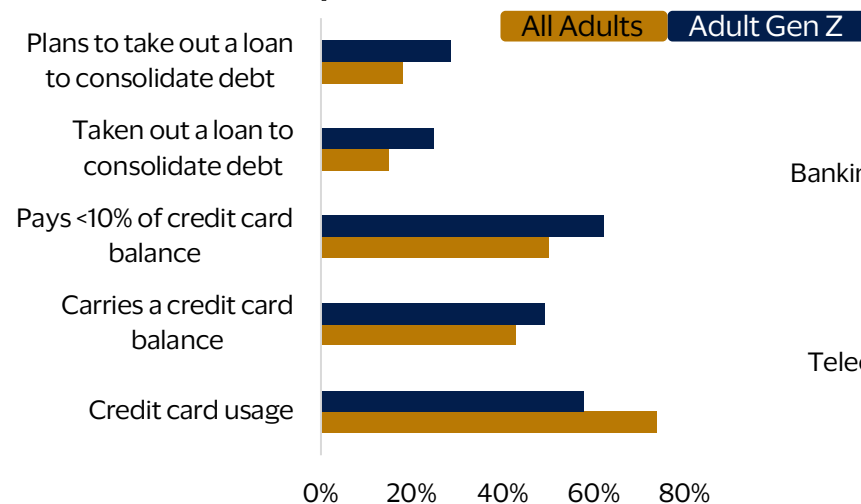
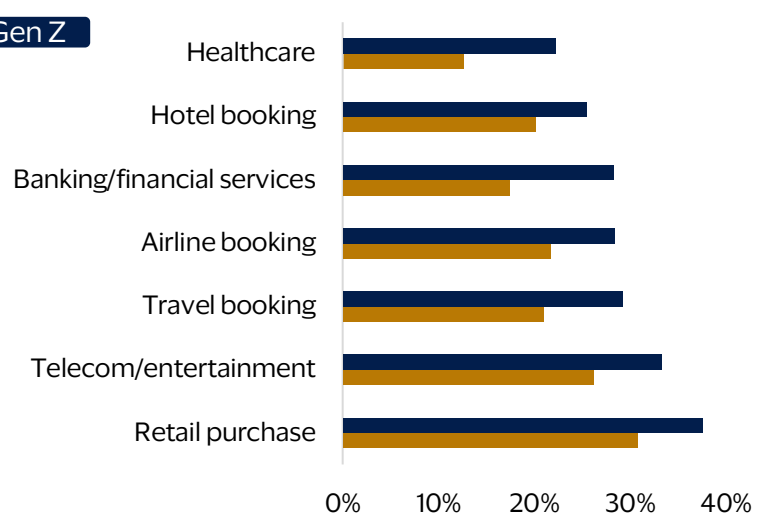


Fig. 3: Gen Z AI preferences, by vertical

Preference for AI chat program over live agent



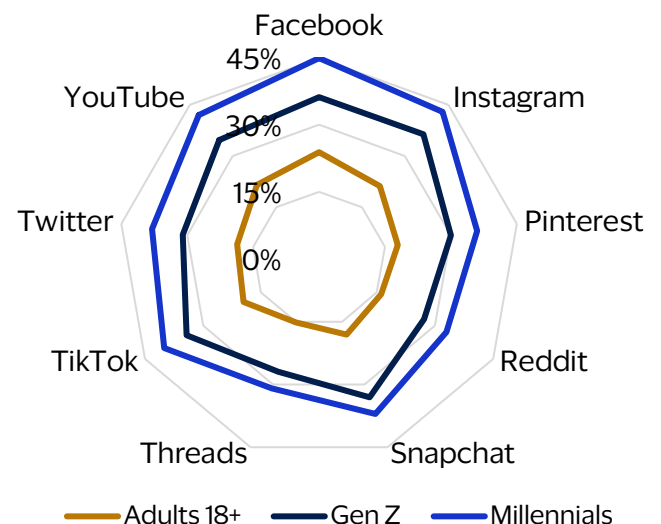
Source: Visa Business and Economic Insights (VBEI) Quarterly Consumer Survey, July 2023

Social media platforms represent a key component of payment evolution

Both Gen Z and millennial consumers show a higher propensity to initiate transactions via social media platforms (Fig. 4). This evolution in payment methods signifies a fundamental shift in consumer behavior, emphasizing the imperative for businesses to seamlessly integrate with these platforms to meet evolving expectations. While engagement is high among both millennials and Gen Z across a variety of social media platforms, the real differentiator lies in making transactions. Gen Z and millennials exhibit a significantly higher inclination towards this trend compared to the consumer population overall. Due to Gen Z's life stage and income, their current transaction activity on social media is lower than that of millennials. But as Gen Z matures, their transaction patterns on these platforms are likely to mirror those of millennials, moving outward on the transactional chart. This underscores the growing importance of social media platforms, not only for engagement but also as transactional channels.

Fig. 4: Social media payment engagement

How often do you make purchases from social network apps? Every day, several times per week or several times per month?



Source: VBEI Quarterly Consumer Survey, July 2023



Why Gen Z is not millennial 2.0

Gen Z's present financial behavior reflects a generation still in the process of learning the ropes. Factors such as financial confusion, lower confidence in handling financial crises, and a preference for cash indicate a generation in the midst of a learning curve. Their inclination to shy away from traditional financial institution relationships necessitates a deeper understanding of their evolving financial needs.

Comparing Gen Z and millennials reveals nuanced differences in their perceptions of debt. While millennials view debt as normal and are more prudent in considering economic factors before making large purchases, both Gen Z and millennials are dealing with the uncertainties of the 21st century, and both express higher concern about saving for a rainy day and economic stability.

Understanding the multifaceted financial behavior of Gen Z unveils both challenges and opportunities for businesses. Crafting strategies

that resonate with their split-brain budgeting, eco-conscious values, and preference for alternative financing methods is imperative. The integration of AI-driven interactions and the evolving landscape of social media transactions further necessitate adaptability.

Businesses should consider prioritizing tailored experiences that align with Gen Z's values and preferences. From sustainable brand practices to seamless digital interactions, organizations that proactively embrace and integrate these trends into their operations stand to gain a competitive edge.

Future-proofing strategies require a continuous monitoring of Gen Z's evolving financial behaviors. Staying attuned to their preferences, adapting payment systems to align with social platforms, and fostering financial education initiatives can position businesses as leaders in catering to this influential consumer group.





Accessibility notes

Fig. 1: A bar chart comparing the saving and splurging behaviors of Gen Z, millennial, Gen X and baby boomer consumers by generation. Eighty-nine percent of Gen Z consumers saved for purchases last year, compared to 75 percent that splurged on purchases; 85 percent of millennials saved and 68 percent splurged; 78 percent of Gen X consumers saved and 53 percent splurged; and among baby boomers, 75 percent saved and 34 percent splurged.

Fig. 2: A horizontal bar chart comparing the financing preferences of adult Gen Z consumers to all adult consumers. Fifty-eight percent of adult Gen Z consumers use credit cards, compared to 74 percent of all adult consumers. Of those who use credit cards, 49 percent of Gen Z adult consumers and 43 percent of all adults carry a balance; and 62 percent of Gen Z adults and 50 percent of all adults pay less than 10 percent of their balance every month. Twenty-five percent of Gen Z adults have already taken out a loan to consolidate debt and 29 percent plan to take out a consolidation loan, compared to 15 percent and 29 percent of all adults, respectively.

Fig. 3: A horizontal bar chart comparing consumer preferences for interacting with an AI chatbot versus a live agent. The chart compares Gen Z adult consumers to all adult consumers and shows how these preferences may differ across industries. For retail purchases, 38 percent of Gen Z and 31 percent of all adults prefer AI chat; for telecom/entertainment, 33 percent of Gen Z and 26 percent of all adults prefer AI chat; for general travel booking, 29 percent of Gen Z and 21 percent of all adults prefer AI chat; for airline booking, 28 percent of Gen Z and 22 percent of all adults prefer AI chat; for banking/financial services, 28 percent of Gen Z and 17 percent of all adults prefer AI chat; for hotel booking, 25 percent of Gen Z and 20 percent of all adults prefer AI chat; and for healthcare, 22 percent of Gen Z and 13 percent of all adults prefer AI chat.

Fig. 4: A spider chart comparing the purchasing activity of adult Gen Z, millennials and all adults across popular social media networks. Among Gen Z adults, Facebook and Instagram were the dominant platforms for making purchases at 36 percent each, followed by YouTube at 35 percent, TikTok at 34 percent, Snapchat at 33 percent, Twitter at 31 percent, Pinterest at 30 percent, and Reddit and Threads at 27 percent each. Millennials made the most purchases on Facebook (45 percent), followed by Instagram at 43 percent, YouTube at 42 percent, TikTok at 40 percent, Twitter at 38 percent, Snapchat at 37 percent, Pinterest at 36 percent, Reddit at 33 percent and Threads at 31 percent. At 24 percent, Facebook also led in purchase activity among all adult consumers, followed by YouTube at 22 percent, Instagram at 21 percent, TikTok and Twitter at 19 percent each, Pinterest and Snapchat at 18 percent each, Reddit at 16 percent and Threads at 15 percent.



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