

Banks in the UK and EU want to serve Gen Z, but still need to correct some slight misalignments

Article

Key stat: Nine in 10 banking executives believe they know how to serve Gen Z banking customers. But **34% of Gen Zers say traditional banks don't understand their needs.**

This finding is based on an **IBM survey** of 3,000 Gen Z bank customers and 750 C-suite banking executives in the UK, Germany, and Spain.

What do banks think? Banks in the UK and Europe may be slightly off-base when it comes to serving Gen Z, but the survey revealed that while these banks worry about retaining the younger cohort as customers, they're confident that ultimately, they have the capabilities to keep them hooked.

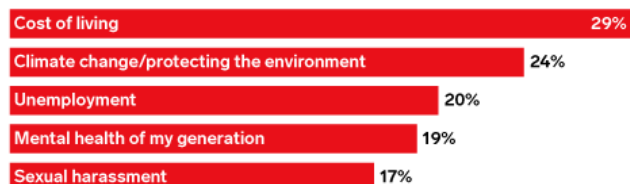
- 91% of bankers surveyed acknowledged that Gen Z consumers will be the biggest influencers on their bottom lines in the coming years.
- But incumbent banks know they face challenges. **Fifty-three percent of bankers cited their legacy tech systems as a major hindrance to serving Gen Z.** Despite the outdated technology, though, 86% said they still believe that they have the capabilities to properly serve the cohort.
- The banks are also keenly aware of how Gen Z differs from older generations. **Eighty-seven percent of bank execs said they are worried about Gen Z's willingness to switch banks** more easily than older cohorts. Similarly, **86% said they are worried about the generation's propensity to make ethical and environmental issues a priority when selecting a banking provider.**

Gen Z speaks up: The Gen Z survey respondents confirmed banks' beliefs that they behave differently from previous generations. But it's not all bad news for banks.

- Nearly half (48%) of Gen Z respondents said **they would switch banks in favor of a better customer experience.**
- Almost two-thirds (64%) of Gen Zers said **they'd move away from banks that did not meet their expectations on ethical or environmental standards.**
- But Gen Z reported high levels of trust in incumbent banks, with 55% saying they trust banks with sensitive matters like fraud more than they do neobanks. **Only 11% of Gen Z respondents said they trust neobanks.**
- Zeroing in on the UK, 38% of Gen Zers said they aren't confident that banks have the proper tech capability to meet their needs, but 89% of UK bankers said they believe they do.

Leading Personal Concerns of Gen Z Adults Worldwide, Jan 2022

% of respondents



Note: respondents were born during Jan 1995-Dec 2003

Source: Deloitte, "Global 2022 Gen Z & Millennial Survey: Striving for balance, advocating for change," May 18, 2022

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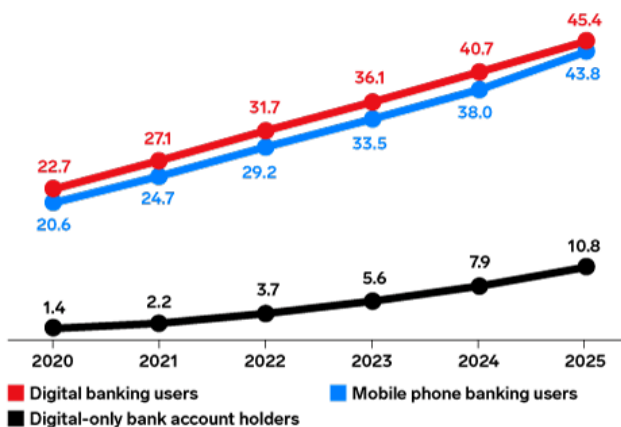
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Small misalignments: The survey suggests that while banks are slightly behind in their offerings for the Gen Z population, they've identified their own challenges and have some idea of what Gen Zers value in a banking relationship.

- Banks understand that it's vital to earn Gen Z loyalty. Between 2020 and 2030, more than \$68 trillion in **wealth will transfer** from boomers to millennials and Gen Z.
- The surveyed bank executives also realize that Gen Z is digitally native and expects most banking interactions to occur online or via mobile app. That's why bank tech spending levels are expected to remain elevated through 2026, both in the **UK** and the **US**.
- Traditional banks also know Gen Z is willing to seek out a new bank that **meets their needs**. But banks must recognize that this generation's needs differ from their parents'. Low fees aren't always the highest priority anymore, and 60% of millennials and Gen Zers said they'd switch banks for a better digital experience, better rates, or better cash incentives and rewards, **according** to MoneyWise.
- Banks have also realized the importance of ESG and **sustainable banking** to the Gen Z cohort. By tapping into green offerings, banks can more easily attract these younger consumers and stay in the black.

US Gen Z Digital* and Mobile* Banking Users, 2020-2025

millions



Note: digital banking users are internet users who access their bank, credit union, credit card, or brokerage account digitally via any device at least once per month; mobile banking users are mobile phone users who access their bank, credit union, credit card, or brokerage account via mobile browser, app, or SMS using a mobile phone at least once per month; excludes virtual wallet services (e.g., PayPal, Google Wallet); digital-only bank account holders are individuals who have at least one account at an FDIC-backed digital-only full-service bank open to all consumers that includes transactional and savings options but does not operate physical branches, and where all account management is carried out via web browsers, mobile apps, or over the phone; Gen Z are individuals born between 1997 and 2012; *forecast from March 2021
Source: eMarketer, May 2021

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The big takeaway: It's a do-or-die moment for banks: In 2023, there will be more Gen Z adults than adolescents for the first time. Banks need to make a concerted effort to prove to this generation that they can meet their new and changing needs through the digital tools that Gen Z prefers.

*This article originally appeared in Insider Intelligence's **Banking Innovation Briefing**—a daily recap of top stories reshaping the banking industry. Subscribe to have more hard-hitting takeaways delivered to your inbox daily.*

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