

How Gen Z is embracing digital payments

Article

Lockdowns, online shopping, and fear of germs during the pandemic have hastened the shift toward all types of digital payments. As a result, Gen Z has fully embraced electronic wallet services, contactless payments, peer-to-peer (P2P) payment apps, and digital uses of credit, including buy now, pay later (BNPL).

Gen Z's use of cards and cash is declining rapidly.

- Debit cards are currently the most popular in-person payment type for Gen Z, mainly because many are credit averse or too young to qualify for and use credit. However, Gen Zers

anticipate reducing their use of debit cards (from **35%** now to **26%** in the future) and credit cards (from **16%** now to **14%** in the future) (Logica Research, June 2021).

- Cash is also in rapid decline. Nearly **4 in 10 (37%)** Gen Zers used cash to pay in person in 2021, but only **22%** said they would do so in the future (Logica Research).

The rise in contactless payments comes as more merchants accept them and more people embrace them. Nearly **70%** of Gen Z respondents planned to continue using them after the pandemic (Fiserv).

US Adults Who Plan to Continue Using Touchless Payment Methods After the Coronavirus Pandemic, by Generation, Sep 2020

% of respondents in each group



Source: Fiserv, "2020 Fraud and Security Survey," Oct 23, 2020

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Gen Z shows strong usage of digital payments, including **Apple Pay**, **Google Pay**, PayPal, and other P2P and electronic wallet services.

- Gen Zers use Apple Pay significantly more than other generations to pay for digital purchases and are quickly closing the gap with older consumers in their use of other digital payment services.
- **37%** of Gen Z reported they had increased their use of P2P payments one year after the pandemic started. This compared with **46%** of millennials, **37%** of Gen X, and **13%** of boomers (Logica Research).
- The number of P2P mobile payment users will more than double from **20.5 million** (representing **36.7%** of Gen Z mobile phone users) in 2021 to **41.1 million** (representing **60.7%**) by 2025.
- **PayPal** was the top payment app for all generations, including Gen Z (Logica Research).

Gen Z is particularly fond of mobile payments. While Gen Zers use a variety of digital payment methods, they strongly favor using their mobile phones and watches. According to a study by Logica Research, more than **6 in 10** Gen Zers said mobile devices were their most

popular method for digital purchases. The study also found Gen Z's use of mobile payment apps for in-person payments is expected to rise from **5%** today to **19%** in the future.

Gen Z is skeptical of traditional financial institutions; they prefer digital and mobile financial tools. As digital natives who have never known life without the internet, Gen Zers conduct the majority of their banking and financial business online, something many did even before the pandemic's accelerating force. This trend will continue, as Gen Zers expect to be able to conduct most of their financial business—including banking, investing, and payments—via mobile phone.

Read the full report.

Report by Victoria Petrock Nov 12, 2021

US Generation Z Financial Behaviors

