

The Banking & Payments Show: US banking consumer habits

Audio

On today's podcast episode, we examine insights from our US Banking Consumer Habits report, based on a proprietary survey of 1,500 US adults.

- In our "Headlines" segment, we break down Gen Z's saving habits and discuss how the demographic is poised to open up a lot of new bank accounts.

- In “Story by Numbers,” we talk about how banks can create an authentic presence on social media to attract new customers.
- In “For Argument’s Sake,” we debate whether Gen Zers place little value on most forms of advertising, including traditional TV, out-of-home, radio, print, and podcast ads.

Listen to the discussion with host Rob Rubin and our analysts Lauren Ashcraft and Tiffani Montez.



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Episode Transcript:

Rob Rubin:

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Tiffani Montez:

Financial institutions also have to fight to control their brand. Because when you start thinking about influencers and other people out there talking about banking matters and specifically mentioning brands that they might be using. It's also about being able to control the narrative around that and making sure that you're playing a major role in the type of information that you're offering consumers about their finances.

Rob Rubin:

Hello everybody and welcome to The Banking & Payments Show, a Behind the Numbers podcast from eMarketer. Today is November 28th, I'm Rob Rubin, GM of Financial Services and your host. If you enjoy this podcast, please give us a review and a five star rating. We'd love to hear from you. The title of today's episode is US Consumers Banking Habits. We're going to share some insights from a new report based on a proprietary survey of 1500 US adults. Joining me today is a Banking & Payments Show favorite, Principal Analyst Tiffani Montez and newcomer to Banking & Payments Show, Banking Analyst Lauren Ashcraft. Hello guys. How you doing?

Tiffani Montez:

Hi there.

Lauren Ashcraft:

Hi. Great to be here.

Rob Rubin:

Yeah, we're really excited to have you. And Lauren as a newbie to this show, we like our audience to get to know you. So let me ask you a few quickfire questions.

Lauren Ashcraft:

Awesome.

Rob Rubin:

How long have you been with us at Insider Intelligence?

Lauren Ashcraft:

I am really new. Just started on September 18th.

Rob Rubin:

We love having you. So welcome aboard. Where do you live?

Lauren Ashcraft:

I am in Astoria, Queens. Very proud Queens resident.

Rob Rubin:

That's right. I was just in Queens this weekend in Flushing on what's called a dumpling crawl. We went to different places for soup dumplings, some pork dumplings in a hot chili oil. Pretty amazing. Have you ever done it?

Lauren Ashcraft:

I haven't done that crawl, but dumplings are actually my favorite food. So I'm going to need to get your favorites from you after the show.

Rob Rubin:

Maybe for anybody in New York, I'm going to post the places we went in the show notes.

Tiffani Montez:

Go there immediately, Lauren, right after this podcast. We'll get started.

Lauren Ashcraft:

Amazing.

Rob Rubin:

We should. Well, that was fun. And now I'm hungry. We have a lot to cover, so let's get right to the headlines.

In the headlines, we chat about a top story as it relates to our episode. For today, I picked an article that we published a few weeks ago, which Lauren wrote, about how Gen Z is poised to open a lot of new bank accounts. According to a story in the Morning Consult, 25% of Gen Z consumers plan to open an account in the next six months. That's a lot. Lauren, can you break down some numbers for us?

Lauren Ashcraft:

Yeah. So only about 72% of Gen Z has a checking account right now and 57% has a savings account.

Rob Rubin:

Are these Gen Z adults?

Lauren Ashcraft:

The report didn't specify, but a lot of these accounts could have been opened with another adult, maybe in their family as a joint account. And that's why a lot of them could be looking to open their own accounts now as they're reaching adulthood, leaving their parents' home or entering college, they could really want to establish themselves as financial independence.

Tiffani Montez:

They're breaking free.

Lauren Ashcraft:

Yep.

Rob Rubin:

They're breaking free. The article goes on to look at Gen Z savings habits based on a recent survey from Bank of America. And it really tells a story of a young generation that's struggling to get off on the right financial footing, they have limited savings, they don't have enough to cover their bills and they are reducing their spending. But the article also talks about how Gen Zers want tailored financial services and many want to test drive the mobile apps before committing. Well, I want to cover tailored financial services, but is testing mobile apps a thing?

Lauren Ashcraft:

Yes. Actually, a lot of Gen Z and millennials are interested in test-driving before committing. So this actually could be a way that financial institutions could build a relationship, is putting their apps out there in a test capacity and making a demo or a video available before some other influencers are able to paint that picture for Gen Z and millennials.

Rob Rubin:

Tiffani, have you ever heard of this?

Tiffani Montez:

Yeah, I would say on the other end of it, two things that come to mind is that there are a lot of banks that do online demos or demos from web-based browsers that allow consumers to be able to see the different features that are available. But one other thing that I've had quite a few clients ask about is whether or not they should build an account opening experience that is native to a mobile app. And in the past they have steered away from that because they didn't think that consumers wanted to download an app to be able to apply. But I will say recently I've been asked a lot about that strategy and I think it's finally gaining traction. And I think it is based on what Lauren just said, that the younger generations definitely want to test drive and understand what something looks and feels like. And that is driving a shift in strategy around account opening and mobile native.

Rob Rubin:

Maybe the websites that used to help people figure out what bank accounts or maybe those websites should create a playground of different mobile apps so that consumers can go to one place and play with the different mobile apps in a test environment.

Lauren Ashcraft:

Definitely. And a lot of Gen Z gets their financial advice from TikTok and YouTube. And one thing that banks can do is do a search for wherever videos or reviews or walkthroughs of their apps exist and put their own there to really beat other people to the punch just because of the 34% of Gen Z getting financial advice from those influencers.

Tiffani Montez:

Or having the influence do a test drive of the mobile app and show how it has actually saved them time or money and quantify what that has actually meant for that person.

Lauren Ashcraft:

That's a great idea.

Rob Rubin:

Yeah. Now I wanted to get back to this other issue around how Gen Zers want tailored financial services. How does that apply to banking? How would a bank tailor their experience for a Gen Z consumer, for example?

Lauren Ashcraft:

I think it does go back to the fact that Gen Z is really struggling to save right now. A lot of them had delays being able to reach that financial independence, are also getting hit from all angles right now with inflation like the rest of us. But just as they're starting out, that's something that they're really having to navigate. So they're looking for advice and banks and they're experts are able to offer that very personalized advice. Look at a financial journey so far and help Gen Z customers navigate or plan ahead to reach their savings goals. And also make it seem more possible than maybe they know it is. So just walking through the possibilities and where they could put a little bit more money away, change different habits and provide advice that they're not able to get from their friends or family.

Rob Rubin:

It also sounds a little bit like they need a little support in the financial literacy domain? No?

Lauren Ashcraft:

Definitely. I think that's a big topic right now and I know that the United States actually has fallen behind. I think now we're in fifth place in terms of financial literacy.

Rob Rubin:

Well, that's really great story for our headlines around how Gen Z consumers are opening checking accounts but are also focused on how are they going to save. And it leads us really well into our next segment, which is Story by Numbers. And we're going to dig into this a little deeper about some of these banking habits.

In Story by Numbers, we pick a number or two that helps us dig deeper into the episode's topic. And for today in Story by Numbers, I picked first a number from the US Consumer Banking Habits report, which is 38%. And it's 38% of millennials and Gen Zers, and I know Lauren, you mentioned it already, they say that social media helps them become aware of a bank's products and services. And if I compare that to older generations, Gen Xers and Baby Boomers, those two generations, just 16% look to social media for help on banking products and services. We can talk about what they're getting from social media in terms of that, but just because there probably aren't that many banks, I mean the big banks are, but if you look at 4,500 banks in the US, they're not all doing social media. So the question I have is, how can banks build an authentic presence on Gen Z social media? My Facebook is not like my daughter's Instagram, for example. So how do they build an authentic presence on those platforms to that audience?

Tiffani Montez:

I think what it really comes down to is making sure that you are able to meet the needs of a Gen Z consumer in their preferred social media channel of choice. And I think we heard Lauren say earlier that they really are looking for financial education. They are coming into an age where they have financial independence. And so it is about the educational aspect of it, but it also means that financial institutions also have to fight to control their brand. Because when you start thinking about influencers and other people out there talking about banking matters and specifically mentioning brands that they might be using. It's also about being able to control the narrative around that and making sure that you're playing a major role and the type of information that you're offering consumers about their finances.

Lauren Ashcraft:

Yeah. I think it is also something that banks can use to build relationships with Gen Z. Like Tiffani said, meeting them where they are. Right now, a lot of Gen Zers are getting a lot of guidance and having to resort to borrowing money from family or friends because of the economic hardships and haven't been able to put savings away for retirement, other generations were able to start a little bit earlier.

So I think banks can, like Tiffani was saying, make sure that you're bridging those gaps and providing guidance to help them start on the right foot in all those places where Gen Z does get that advice. And it doesn't have to be an influencer type of social media presence, but like we were saying earlier, figuring out where Gen Z goes, where there's already talk about your

bank's services, apps, mobile apps in particular, and putting your own content there. And just making sure it is based on how to help them, providing guidance, maybe providing some of that advice without them having to come in and join your bank. That helps us start on the right foot and get that relationship started.

Rob Rubin:

Can I just dig into influencer? Because one of the things that I think is that people don't think about buying a product until they need the product. So with social media, and I think that's true of a banking product at any point in time in the market, it's like when they think of it, they're in the market and then they're starting to do their research. So the thing about influencers is influencers are on people's feeds all the time, that's why they're influencers. So if an influencer starts talking about a bank, it feels a little out of context potentially in that channel. It has to be more relevant and timely. So how do you build that experience where someone in social media either discovers you? That's my problem with influencers is influencers have a big audience and they're always broadcasting out to that audience, but that audience may or may not be in the market for a new bank account. So why are influencers a valuable tool for this?

Tiffani Montez:

I would say influencer are a valuable tool just given the amount of trust that Gen Zers place on influencers. So when you look at trust, which is usually something that helps you form a relationship with any brand, Gen Zers place equal trust on influencer content as they do in bank content. So now you have an interesting dynamic. But you're right, when you think about influencers, influencers are really trying to tell a story of their life. And what it really becomes about is how do you engage someone in discussions around finances and financial education in a way that feels authentic?

And that will be challenging. I mean, if you think about an influencer and wanting to talk, for example, as you said, talk about purchasing a home or talk about buying a car. The influencer is put in a very vulnerable position to actually speak about their own financial matters. And that's really the only way to tell that compelling story of, how do I accomplish this thing that has financial impact? And how am I able to afford whatever it is that I'm trying to buy or afford to be able to, as Lauren mentioned earlier, save for retirement? So it is interesting, but I think that it really comes down to the storytelling is where you actually get the connection to that Gen Z audience.

Rob Rubin:

Okay. I want to jump to the second number because this is related. 42% of Gen Zers indicated that ATMs near me is the most important factor in choosing a new bank. Now I'm going to imitate my Gen Zer acting surprised. "Wait, what?" I thought this is the proximity payments generation and now what they really want is cash. Help me.

Tiffani Montez:

They want to cash out their Venmo app is what they want.

Rob Rubin:

Is that right?

Tiffani Montez:

No.

Rob Rubin:

I don't know.

Tiffani Montez:

I mean, I don't know.

Lauren Ashcraft:

I think it definitely does go back to the fact that they're having trouble setting money aside, saving, budgeting.

Rob Rubin:

So it's the simplest budgeting tool, right?

Lauren Ashcraft:

Yeah, exactly. You get out your stack of cash that you can use for the rest of the week and there you have it. When it's gone, it's gone. And that was your budget for the week. So especially with PFMs like Mint that is shutting down by the end of the year. This is something that millennials, Gen Z, everybody turns back to just getting that wad of cash out for the week rather than potentially a PFM tool.

Tiffani Montez:

What's unfortunate about that though really is technology is at a place to be able to help consumers really understand what is happening with their finances, what action should they take to meet whatever that financial goal is, how do they know what financial success looks like? A whole myriad of different things. And I think the reality of it is, and I think Mint is a good indicator of this, that there aren't financial tools that help people really be able to manage their finances in an effective way.

And as a result, I think that Gen Zers are reverting back to old school ways of managing money where they've got cash and maybe they have little cash piles and they say, "This pile is for my expenses and this pile is for fun." When financial institutions really should be figuring out a way to help consumers test drive their finances. If I have this much money and I spend this much money in these areas this week, how much am I going to have left? And I think cashflow prediction tools allow us to be able to get a little closer to that, but we're still missing the mark in so many other areas.

Rob Rubin:

Didn't a company, a direct bank called Simple, which I think BBVA bought, they used to have this thing called Safe to Spend where they projected based on that, it never really took hold though, right?

Tiffani Montez:

Well, I think it is taking hold. I mean, it's something that we have in our Mobile Banking Emerging Features Benchmark, which will come out a little later in the year, is cashflow prediction. So we've got one around cashflow prediction that we've added that consumers are definitely very interested in. And then we also have something else that we've added. It's a feature that allows consumers to be able to input different credit scenarios to understand how it impacts their credit score. But if you think about all of those, they all work in isolation. There isn't something that orchestrates all of those features, that allows a consumer to really understand what the financial impact is to the decisions that they're making in their everyday life and how that translates to financial wellness.

Lauren Ashcraft:

Something else that could be interesting too is, I see this statistic, 99% of Gen Z and 98% of millennials rely on mobile apps to perform their everyday banking duties. But it's interesting combining that with what you just said about Gen Z wanting to be close to their ATMs. So I wonder, Tiffani, along those lines, if banks did offer as part of their own mobile app, really simple, easy tool for budgeting that was able to look into more than just their checking account or able to aggregate or work in conjunction with other tools, it might be a budgeting tool that Gen Z eventually warms up to if it's different than what Mint already was.

Rob Rubin:

I want to move on to the last segment, but I just want to say that I think the challenge is that it has to be a passive engagement. In other words, I think one of the problems with Mint is that there's a certain segment of the population that's just going to want to do budgeting. They like inputting all that stuff, they like looking at it, they do it. They were the ones that used to balance their checkbook off of the back of the statements, the form in the back of the statements, same people. So we have to come up with a much more passive way of telling people, you shouldn't do that or you should do that.

Tiffani Montez:

Or you're not doing that very well.

Rob Rubin:

You're not doing that very well. And it might be that comes across as a social media influencer first talking about what you should or shouldn't do, but there have to be some kind of tools or capabilities electronically because almost half of Gen Zers who are going to be opening bank accounts are looking for ATM machines. So I think we've got to figure that out.

I want to move on to our last segment, which I'm sort of very excited about. I'm not sort of but I am very excited about it. It's called For Argument's Sake. And in our segment today, For Argument's Sake, we're going to argue, Lauren nicely please, about a key finding in our US Consumer Banking Habits report. Gen Zers place little value on most forms of ads, including traditional TV, out of the home, radio, print and even podcast ads. I can't even believe that. But I think that while they say they don't place value, it doesn't mean that banks shouldn't message to this generation through these media channels. Because I think that for banks, the challenge is building on traditional media messaging with more tailored messaging in digital channels. So how do you guys feel about that? Lauren?

Lauren Ashcraft:

Yeah, I think times have changed in terms of what these generations pay attention to. I mean, I know I get my phone out whenever commercials come on TV and a lot of us also don't necessarily have cable subscriptions either. So whenever the commercials come on, Gen Z might tune out. And so finding different ways to reach them, meeting them where they are, going back to that, might be the way to go.

Rob Rubin:

I read this in Morning Consult that 27% of Gen Zers watch TV every day.

Lauren Ashcraft:

Interesting.

Rob Rubin:

So they still are using linear TV. Tiffani, what do you think of all this? I think that we need traditional channels to get messaging out there that they still do actually pay attention or maybe they're not paying attention but they see it and that's important and that banks really need to build on that.

Tiffani Montez:

Yeah. I mean, I think it's about capturing their attention and not trying to compete for their attention with something else. So when you think about ads, and even if you think about podcasts and watching television, people just fast-forward through that. But even if they're fast forwarding and they get one glimpse of a bank brand, they're going to remember that brand. They may not remember the ad associated with it, but they're going to remember seeing it. And then once it comes to consideration time, they're going to remember that that brand was something that they saw maybe not prominently or for a long period of time, but they're going to remember it. I think also, again, I mentioned this earlier, you've got to be able to control the image of your brand and being able to use some of the more traditional methods to do that allows you to control the messaging versus having somebody else control that messaging for you.

Rob Rubin:

Well, I'm going to maybe disagree with myself a little bit. It's not surprising. The thing about traditional media is it does provide that sort of top of funnel cover that helps create unaided brand awareness and things like that. Is there a way using social media to do similar kinds of activities? Is it more efficient to use social media platforms than to spend so much money on traditional media?

Tiffani Montez:

I think it always comes down to who you're trying to attract. And if we're saying that Gen Z is going to create the lion's share of account opening, you have to be able to go where those consumers are. And that may mean that you have to lean into an influencer strategy. And again, it's got to be a strategy that isn't about them necessarily giving financial advice, because that's where I think things start to get sticky. But I think that it can be around having an influencer share a story about their own finances and how they were able to accomplish a specific goal and what that's actually meant for their life. I think that you'd have better success in terms of capturing someone's attention through that kind of narrative versus seeing an actual commercial in social media or seeing another type of advertising.

Rob Rubin:

I'm going to keep challenging this influencer stuff because I feel like when banks choose influencers, they choose a young Dave Ramsey or something. They choose somebody who's an influencer around financial services. But a lot of the people who Gen Z consumers consider influencers have nothing to do with financial services, and sometimes they might not have a brand association that's 100% positive for a bank either to be associated. So how do you find the mass audience? Because I feel like the young Dave Ramsey is finding the people that are really sad that Mint went away. It's people that are interested in that. But what about the mass of other people that are going to be opening checking accounts, but they're not really paying attention to that kind of influence? How do you get somebody who is an influencer because they have cool hairstyles or they are really good at applying makeup, those kinds of influencers, and they're selling different kinds of products. Is there an opportunity to have those folks engage or it would just alienate their audiences?

Tiffani Montez:

No, I think that you do. I think, again, everyone has a need to manage their finances and everyone has financial goals. And if we go back to the conversation earlier about test-driving

apps, maybe it's as simple as saying, for example, if you've got digital money management tools that are helping that influencer manage their business or manage their image or manage whatever it is that they're up to on social media, that you are demonstrating how those mobile tools help them meet whatever that goal is.

Lauren Ashcraft:

Another thing too is Gen Z really values authenticity. And Tiffani, I know you were talking about trust being a key factor too. And in a way, maybe building relationships with influencers that aren't traditionally banking experts, having them test certain features, products, services that your bank offers, that could actually be more authentic too. And just getting their real reaction and hopefully it's good if the products and services are helpful. But I was reading here, millennial customers are the most likely to check app reviews before downloading them. Going back to that test-driving the app before committing to a certain financial institution. But really the influencers are like reviews instead of going to Yelp or Google Reviews. It's another way to watch somebody react to something in an authentic way, hopefully. So building those relationships and reaching out to people that do have wide audiences that align at least somewhat with a brand, that it could help build those relationships.

Tiffani Montez:

Yeah. Even when you think about the savings aspect, there's lots of banks that have created these automated savings tools and they tout how much they've helped consumers save. That's a perfect example of an influencer coming to say, "This bank and this tool helped me save this much money and I'm going to use this money to do this thing. Or maybe I'll just blow it all the next day. Who knows?" So being able to, again, to Lauren's point, tell that real story behind what that mobile app was able to help them accomplish.

Rob Rubin:

Well, that is all the time that we have today. And this was a really great For Argument's Sake, even though I don't think we actually argued. I feel like-

Tiffani Montez:

I think you argued with yourself mostly.

Rob Rubin:

I did. Well, tell me about that. You should see me when I'm trying to buy something, I negotiate against myself too. But I think that this idea of traditional versus digital media and how to reach these young consumers, at the high level, because we're talking about US consumer banking habits, I think that the headline is that Gen Z consumers are interested in opening up bank accounts right now. There's a lot of them and they're going to be opening up a lot of bank accounts. So the question is, how do you influence their decision? And that's what we've been talking about. And we've been talking a lot about how Gen Zers really rely on social media and interestingly, some of their challenges around cash, necessarily having cash as a budgeting tool, which got us into talking about what kind of budgeting capabilities or tools could you give to them? It's really fascinating. So I really want to first thank Lauren for joining us. You'll be a regular, I promise you that. Thank you.

Lauren Ashcraft:

Looking forward to it. Thank you.

Rob Rubin:

Yeah. Thank you, Tiffani. Always fantastic. Thank you for joining today.

Tiffani Montez:

Yeah, thank you.

Rob Rubin:

It was so much fun. And I want to thank everyone for listening to The Banking & Payments Show, an eMarketer podcast. And also thank you to our editor Todd, who might have some work in front of him for this one. Our next episode is on December 12th, so be sure to check it out. See you then. Bye, Tiffani. Bye, Lauren.

Tiffani Montez:

Bye.

Lauren Ashcraft:

Bye. Thank you.

Rob Rubin:

See everyone soon.