

Consumer Insights



Unlocking Gen Z’s mindset and consumer potential

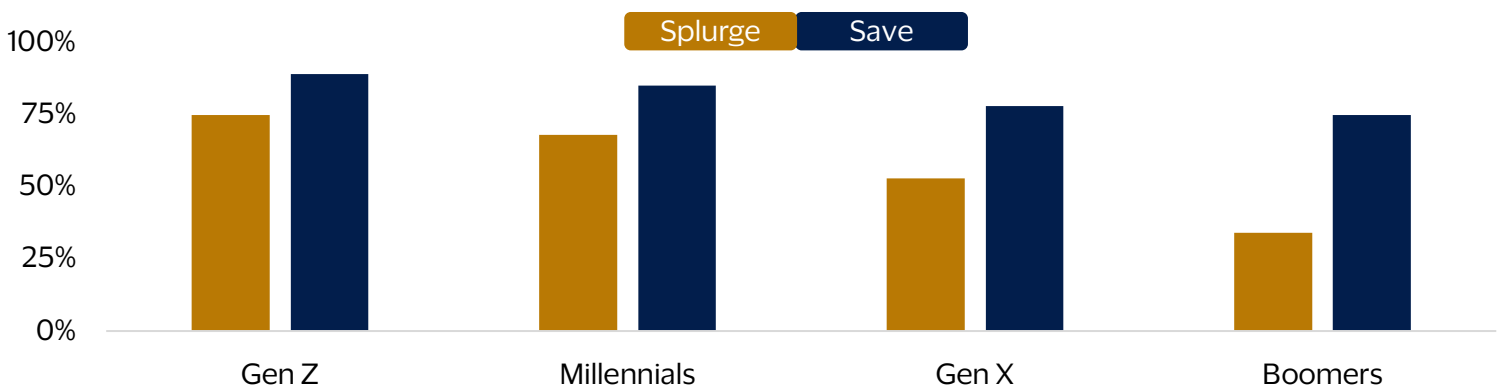
While Generation Z’s current spending represents a small portion of overall consumer spending, they are poised to become the fastest growing consumer segment. Gen Z is reshaping the marketplace with its financial behavior, customer interaction and transactional platforms of choice. By understanding Gen 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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Bruce Cundiff
Vice President
bcundiff@visa.com

Michael Nevski
Director
mnevski@visa.com

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

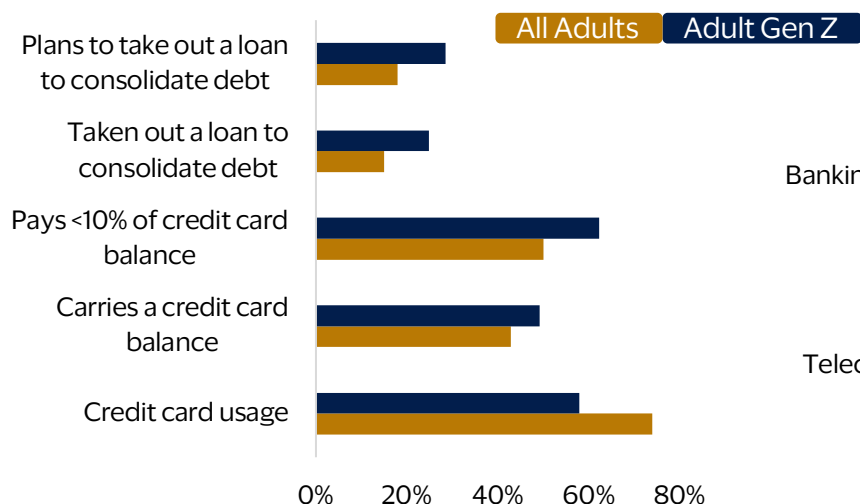
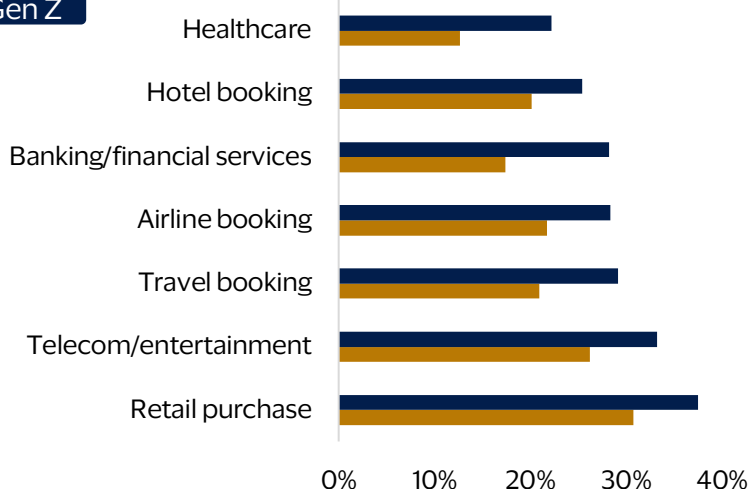


Fig. 3: Gen Z AI preferences, by vertical
Preference for AI chat program over live agent

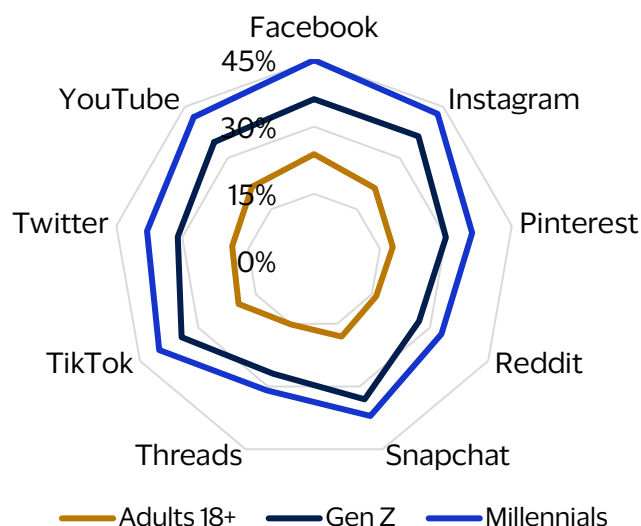


Source: Visa Business and Economic Insights (VBEI) Quarterly Consumer Survey, July 2023

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
Preference for AI chat program over live agent



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.





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Visa Business and Economic Insights Staff

Wayne Best, Chief Economist	wbest@visa.com
Bruce Cundiff, Vice President, Consumer Insights	bcundiff@visa.com
Richard Lung, Principal Global Economist	rlung@visa.com
Michael Brown, Principal U.S. Economist	michael.brown@visa.com
Adolfo Laurenti, Principal European Economist	laurenta@visa.com
Mohamed Bardastani, Senior CEMEA Economist	mbardast@visa.com
Dulguun Batbold, Senior Global Economist	dbatbold@visa.com
Weiwen Ng, Senior Innovation Economist	weiweng@visa.com
Jennifer Doettling, Director, Content and Editorial	jdoettli@visa.com
Michael Nevski, Director, Consumer Insights	mnevski@visa.com
Travis Clark, U.S. Economist	wiclark@visa.com
Woon Chian Ng, Asia Pacific Economist	woonng@visa.com
Mariamawit Tadesse, Global Economist	mtadesse@visa.com
Michelle Yi, U.S. Economic Analyst	michyi@visa.com
Juliana Tang, Project Coordinator	jultang@visa.com

For more information, please visit us at [Visa.com/EconomicInsights](https://www.visa.com/EconomicInsights) or VisaEconomicInsights@visa.com.

