



WHITE PAPER

The future is now

Billtrust's 2022-23 Gen Z and digital payments study



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Introduction

While every generation's coming of age experiences widespread analysis and scrutiny, few have been subject to the amount of decoding that Generation Z has.

And for good reason. Despite their young age, this cohort is already exerting its influence on everything from how we shop and the way we consume media, to how we think about finances.

Not surprisingly, brands and employers have taken a particular interest in decoding Gen Z in order to cater to them and harness all they have to offer. When Billtrust examined how Gen Z was interacting with digital payments in 2019 for our [Generation Z and Digital Payments](#) report, we cited research from Pew Research Center that predicted they would be the best-educated, most diverse, and most tech-savvy generation in America.¹ Three years later, it seems that this forecast was quite accurate.

As Gen Z has made its way into the workforce, we've begun to see the type of change they can incite. For example, although the Covid-19 pandemic has certainly been influential, employers have implemented more human-centric work policies and offered their workers greater flexibility even as life has returned to normal. These are traits Gen Z is prioritizing as its members seek employment, which has undoubtedly been on employers' minds as they attempt to attract this next generation.² Similarly, as digital natives immersed in the latest technologies, there's also an expectation that every business they buy from or work for takes a similar digital-first approach. This is an expectation that has carried over to payments, where digital wallets and instant transactions have become the norm.

As experts in B2B payments, we're continually analyzing various trends and factors that will impact and disrupt our industry. As such, it's only logical that we keep a pulse on the ultimate trend setters and examine how their adoption and views on payments continue to evolve. To do so, Billtrust commissioned a new research study encompassing responses from more than 750 US-based Gen Z individuals from ages 18 to 25 years old.

Here's what we found:

Out with the old as Gen Z pushes touchless payments mainstream

93%

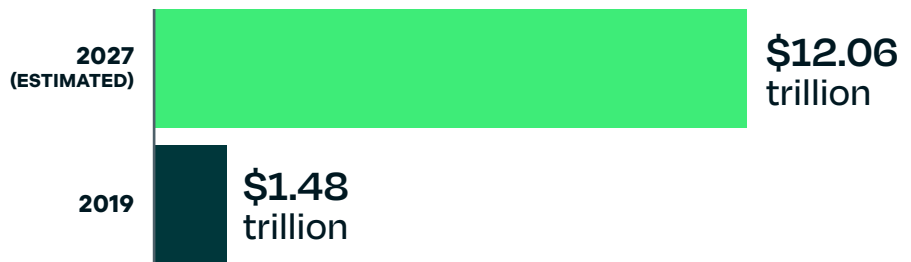
of Gen Z use P2P payment platforms on a monthly basis

When we surveyed Gen Z in 2019, 79% reported using P2P platforms (Venmo, PayPal, Zelle etc.) at least once per month. Today, however, 93% say they use these platforms on a monthly basis. Similarly, the use of mobile wallets among this cohort has grown exponentially in the past three years, with 85% of Gen Zers saying they use them at least once a month, including a quarter who state that they use touchless payments at least five times per month.

When you consider Gen Z's desire for seamless mobile experiences, it's hardly a surprise that their use of these types of touchless payment experiences is increasing. After all, they are essentially a mobile-first generation having grown up as digital-natives. But when you take a step back to think about their transformative influence on the payments market, despite the oldest of this cohort still being in their mid-20s, it's rather remarkable.

Indeed, Gen Z's high expectations for mobile experiences and comfortability with moving money digitally, has pushed the payments environment towards more mobile and peer-to-peer payments. In fact, recent research released by the Federal Reserve Bank shows that consumers' preference for cash has dropped from 27% in 2016 (when the oldest members of Gen Z were in their late teens and perhaps practicing financial independence for the first time) to 19% today.³ At the same time, the global mobile payment market was exploding with a boom that's still reverberating today. According to an Allied Market Research report, it's estimated to hit \$12.06 trillion by 2027, up from \$1.48 trillion in 2019.⁴

Global mobile payment market



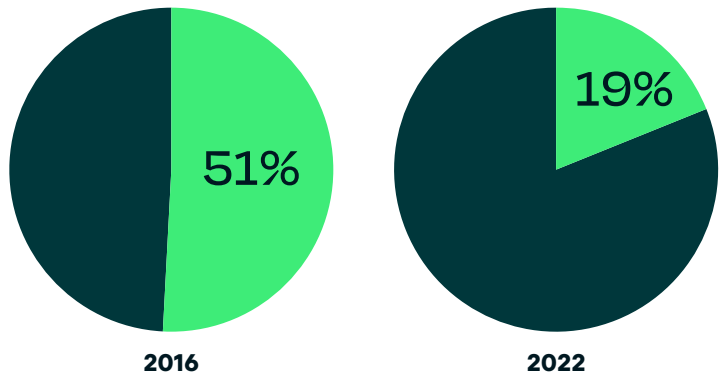
20%

of Gen Z have never used a paper check in their life

Of course, the pandemic also played a role in driving this change. Since Covid-19, demand for contactless payments in retail shops such as grocery stores and restaurants has exploded as consumers and brands alike attempt to reduce the chance of transmitting the virus. As the general public's reliance on digital devices continues to increase, the way all generations interact with money at home and at work is continuing to shift with more people switching from cash, debit, and credit cards to mobile payments.

With all these factors accelerating the use of newer, mobile payments it appears we are also witnessing an 'out with the old' effect as well. In fact, 36% of Gen Z say they have not used a paper check in the last 6 months, with an additional 20% reporting that they have never used one in their life! This parallels the paper checks' incremental decline in the B2B world, where we've gone from 51% of B2B transactions paid by check in 2016,⁵ to recent [Billtrust research](#) that shows that number trending down to as low as 19% today.

Percentage of B2B transactions paid by paper check



Redefining credit and debt

26%

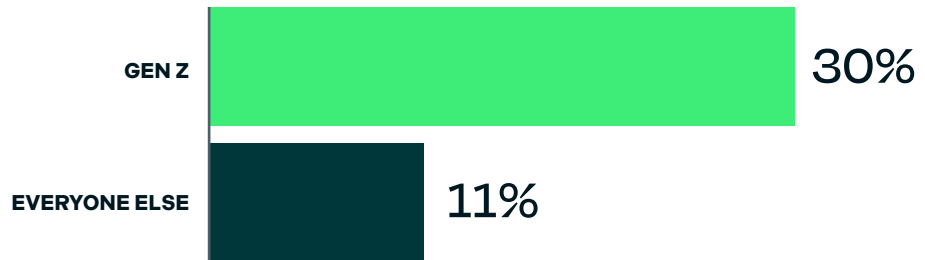
of Gen Zers have used Buy Now and Pay Later in the last three months

All generations use credit and debt as a way to finance purchases, and Gen Z is no different. In fact, a recent study from TransUnion found that 50% of “credit-active” Gen Zers in the U.S. have a credit card.⁶ While this may not be a surprise, it’s interesting to see the way that Gen Z is adopting newer forms of credit and debt, such as Buy Now and Pay Later (BNPL) options.

Dubbed by many as Gen Z’s credit card, BNPL is a form of installment loan that divides purchases into multiple equal payments, with the first due at checkout and the remaining billed to a debit or credit card until a purchase is paid in full. Gen Z makes up 55% user penetration in the space, and our research found that a quarter (26%) report having used BNPL up to three times in the last three months, with more than 1-in-5 saying that they’ve used it more than three times in the last three months!

While BNPL can be a great option for some, if used haphazardly it’s easy to end up in debt trouble.⁷ BNPL also lacks most of the consumer protections that come with credit cards.⁸ And when you consider the fact that Gen Z saw their credit card balances increase by 30% in the second quarter compared to a year ago, versus the rest of the population seeing an 11% rise in their balances,⁹ it exposes the risks that these younger generations face when using these newer models amid a backdrop of inflation and economic uncertainty.

YoY credit card balance increases in Q2 2022



Still, as it so often does, B2B is catching up to its consumer counterpart and adopting BNPL solutions for business buyers. We’ve recently seen several startups looking to capture a piece of the \$700 billion BNPL pie by going after the B2B industry. And while there’s little question that B2B can take advantage of BNPL’s benefits and transform traditional trade models, in order to do so, there’s several things that need to take place first.¹⁰

Security remains top of mind as “sustainable generation” deprioritizes carbon footprint

GEN Z'S PRIORITIES FOR PAYMENTS PLATFORMS



1.
Security



2.
Fees



3.
Speed/UX

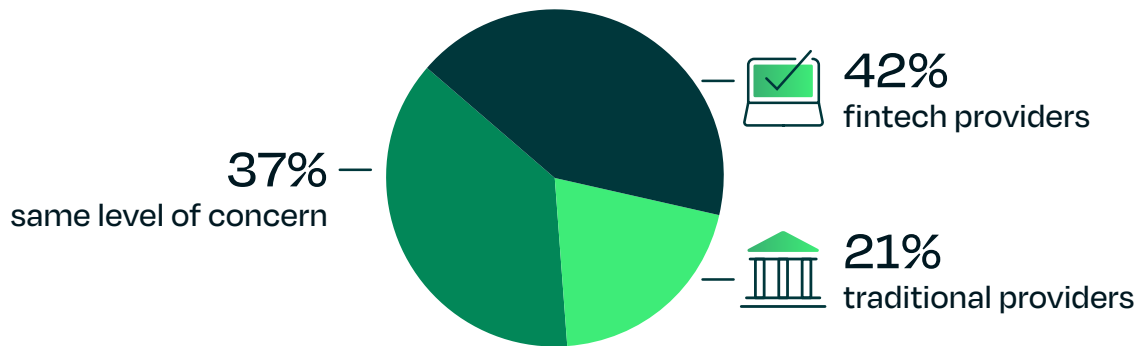
Of course, Gen Z's adoption of mobile payments and short-term financing options like BNPL are evidence of their desire for instant and convenient payment methods. Their pursuit of fast and seamless customer experiences is a key trait in general but especially when it comes to sending and receiving money. Yet, somewhat surprisingly, it's not their top priority.

When respondents were asked to rank the importance of speed, user experience (UX), security, fees, and a low carbon footprint as they pertain to the payments platforms they use, nearly half chose security as the most important feature. They ranked fees second, followed by speed and UX – showcasing that their priorities have not changed since Billtrust last surveyed them in 2019.

However, our data found that they consider a low carbon footprint to be the least important feature of payments platforms today. This is a bit surprising when you consider that Gen Z has long been called the “sustainable generation,” with many studies uncovering their concern for the environment and desire to contribute to reducing carbon emissions.¹¹ When it comes to choosing a platform to send and receive payments, however, these are characteristics that are largely pushed aside. And given there's been a dramatic increase in the number of cyber threats against consumers and businesses in the last few years, it's understandable that they're prioritizing security above all else.

While nothing has changed in terms of security being top of mind, there seems to have been a shift in Gen Z's trust when it comes to the type of organizations they are doing business with for their finance and banking needs. When we asked respondents whether they were more concerned about the occurrence of fraud when using payments or banking solutions from traditional providers or next-generation fintech providers, 42% of respondents chose fintech providers (Venmo, Paypal, Square, etc.), 20% said traditional providers and 37% said they have the same level of concern for both. What's interesting here is the 18% increase in those that report being most concerned about fraud when using fintech providers from when the same question was asked in 2019. At first glance, one might assume that Gen Z is losing faith in next-generation providers. However, a more likely reason is the fact that the widespread adoption of these platforms has ratcheted up this generation's reliance on them, meaning they have more to lose now than they did in 2019.

Which type of financial provider causes Gen Z more fraud concerns



Also interesting to note is that when we asked respondents "Would you continue to do business with a company if your financial data was breached?" we saw near identical responses for those who chose "It depends on how the company responds to the situation" (60% in 2019 vs 57% in 2022). However, in 2019, only 8% of Gen Z reported that they would definitely continue doing business with a company after their data was breached, vs 18% who report the same today. As digital-natives, Gen Z has grown up at a time when hacks and breaches are commonplace, with almost daily headlines warning about new threats. This is perhaps why Gen Z is more concerned with how the brands they are trusting with their data respond to a cyber attack, given the inevitability of a breach today.

Increasing expectations of brands and employers when it comes to payments

74%

of Gen Z respondents say accepting new forms of digital payments improves their perception of a brand or retailer

Much has been written about the increasing expectations of consumers these days, especially those younger generations who have been accustomed to instant access and personalized experiences from the brands they do business with. This has led to brands prioritizing CX and service like never before in an effort to attract and retain customers. The truth is, it only takes a couple bad interactions to lose a customer. In fact, 60% of Gen Z say that they would stop doing business with a brand after just 2-3 poor customer experiences. What does a good experience look like? While there are many components to a stellar CX, payments are certainly part of the puzzle. In fact, 74% of our Gen Z respondents say that a brand or retailer accepting new forms of digital payments has a positive impact on their perception of the company.

Similar to the brands they do business with, Gen Z also expects the brands they work for to keep up with payments. That's not surprising since 58% of Gen Z already receive direct deposits right to their bank account on pay day, while an additional 35% get paid via fintech providers. 63% of Gen Z report that they expect their current and future employers to keep pace with payment innovations happening in the consumer world.

What's more, despite recent market downturns, Gen Z is more willing to receive cryptocurrencies for work than when we asked them a few years ago (42% vs 34%). One could expect that if crypto was still seeing the parabolic gains it was towards the end of 2021 then that percentage would be even higher. Still, 7% of Gen Zers say they already get paid in cryptocurrency. Nonetheless, over a quarter (27%) of Gen Z says their employers still pay them by paper check, while 26% get paid in cash.

Conclusion

Gen Z's ever evolving expectations for the products and services they interact with is keeping pressure on companies to innovate.

The reality is, this cohort isn't willing to compromise on their clear values which encompass convenience, speed, security, and transparency – a truth that's supported by the fact that these values have been unwavering between Billtrust's 2019 study and today. This is vital knowledge for every business operating in the payments space, as they seek to leverage this generation's enormous influence for their own business goals.

But as Gen Z continues to inspire transformative change in B2C payments, they're leaving an indelible mark on the B2B payments space as well. As they climb the career ladder – including jumping into accounts receivable, accounts payable, and eventually CFO roles – they will bring with them their demands for fast, convenient, and technologically driven payments. Indeed, this generation – who've barely used a paper check – will prove to be hugely influential in B2B payments by playing a significant role in shaping the future of how businesses pay each other and their employees.



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ABOUT BILLTRUST

Billtrust is a leading provider of cloud-based software and integrated payment processing solutions that simplify and automate B2B commerce. Accounts receivable is broken and relies on conventional processes that are outdated, inefficient, manual and largely paper based. Billtrust is at the forefront of the digital transformation of AR, providing mission-critical solutions that span credit decisioning and monitoring, online ordering, invoice delivery, payments and remittance capture, invoicing, cash application and collections.



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