

**Raddon Research Insights**

## **Executive Summary**

# **Generation Z: The Kids Are All Right**

As the Millennial generation has matured they have captured the ongoing interest of financial service providers, often overshadowing other generations. Members of “Generation Z”, born beginning in the year 2000, will soon step into the spotlight as they begin to enter adulthood and take on the financial responsibility it brings. As today’s children grow into tomorrow’s young adults, banks and credit unions that understand them and how they want to move and manage money will be able to create strategies and tactics to capture their business.

The latest study from Raddon Research Insights, “Generation Z: The Kids Are All Right,” identifies the behaviors and preferences of Generation Z. Based on a survey of more than 2,500 high school students ranging in age from 16 to 18 years, the study analyzes and explains their financial perspectives to offer practical strategic and tactical solutions for financial institutions.

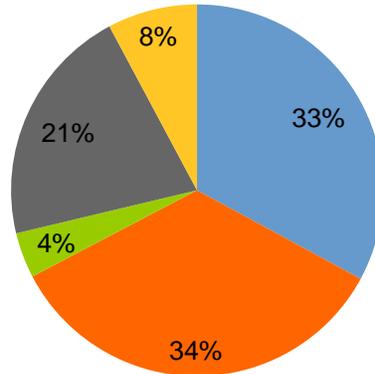
### **Why Gen Z Matters**

The sheer size of Gen Z should be reason enough for financial institutions to start paying attention to this generation. Spurred by an average of 4.1 million births per year in the U.S., Gen Z will soon outnumber their predecessors. By comparison, Baby Boomers and Millennials averaged approximately 3.9 million births per year, with only 3.4 million Gen X babies born in an average year in the late 1960s and 1970s. Peak Gen Z births came in 2007, when more than 4.3 million Americans were born, the most of any year in history.

While financial institutions might consider Gen Z to be the customers of tomorrow, in many cases they are already the customers of today. Sixty-seven percent of Gen Z survey respondents have an account at a financial institution, either in their own right or as a joint account with their parents. Another 4 percent have had an account in the past.

**Raddon Research Insights**

**Figure 1: Members of Generation Z are Establishing Financial Accounts**



- Have an account(s) in my name only – sole account ownership
- Have an account(s) in my name and my parent's name – joint account ownership
- Do not have an account(s) now, but had one in the past
- Never had an account(s) relationship
- Do not know

Source: Raddon Research Insights, 2017

For the most part, survey respondents use only one financial institution (68 percent use one, with another 22 percent using two). The majority (51 percent) have an account at one of the six largest banks in the U.S., while 24 percent have an account at a credit union and 13 percent at a community bank.

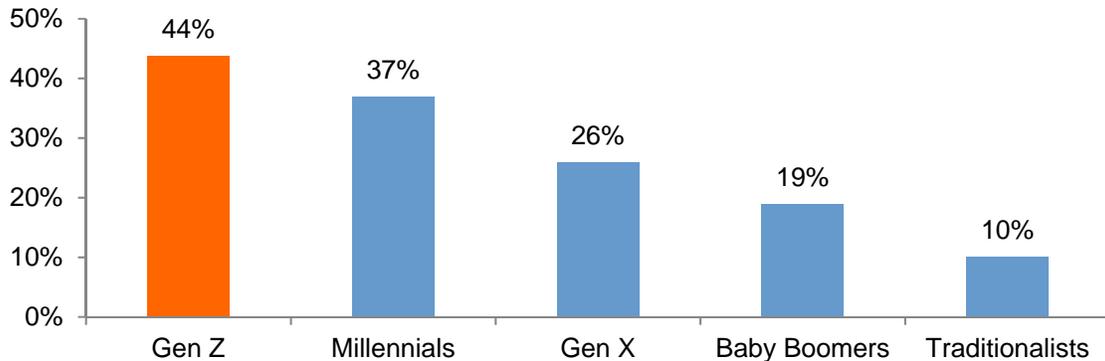
**Understanding Gen Z and How They Choose to Bank**

Consumption of media and advertising is clearly different for this generation compared to older generations, with smartphone ownership exceeding television ownership. And since 57 percent of Gen Z use their phones several times an hour, the influence of social media is a natural progression. Social media influence is apparent as 55 percent of Gen Z report a product purchase decision being influenced by information or advice found on a social network site.

This reliance on digital technology also influences Gen Z attitudes regarding where they might turn for future banking needs. Gen Z is much more likely to say they envision a future where technology companies supplement the financial services they might receive from traditional banks or credit unions. As highlighted in the chart below, 44 percent of Gen Z anticipates supplementing traditional banking services with solutions from technology companies, compared to 37 percent of Millennials and 26 percent of Gen X.

**Raddon Research Insights**

**Figure 2: Gen Z Most Likely to Anticipate Conducting Financial Business with Technology Companies**



**Q: Percent agreeing with statement: “I have/will conduct my financial business with newer organizations like Google, Amazon, Apple, PayPal, or Square to supplement the financial services I receive from a traditional bank or credit union.”**

Source: Raddon Research Insights, 2017

This willingness to use new providers is not universal across all of Gen Z. In fact, Raddon research points to three different segments of Gen Z consumers:

- **Conventionals (34 percent of Gen Z):** These consumers prefer to conduct their banking business face-to-face at traditional providers such as banks and credit unions. They perceive value in banks, and they are aware that differences exist among institutions. They are distrustful of technology companies entering the banking space to provide financial services.
- **Digitals (37 percent):** These consumers also prefer traditional providers, but they favor electronic or digital channels rather than face-to-face interactions. While they expect technology companies will impact financial services, they believe they will still have to rely on traditional providers in the future.
- **Pioneers (28 percent):** These consumers are also digitally focused, but they are far more optimistic about the potential of technology companies to deliver financial services. They are fairly ambivalent about banks; while they like to conduct business both face-to-face and digitally, they think all financial institutions are the same. They see a future without traditional providers, and while they might use banks and credit unions, they believe they will not have to rely upon them.

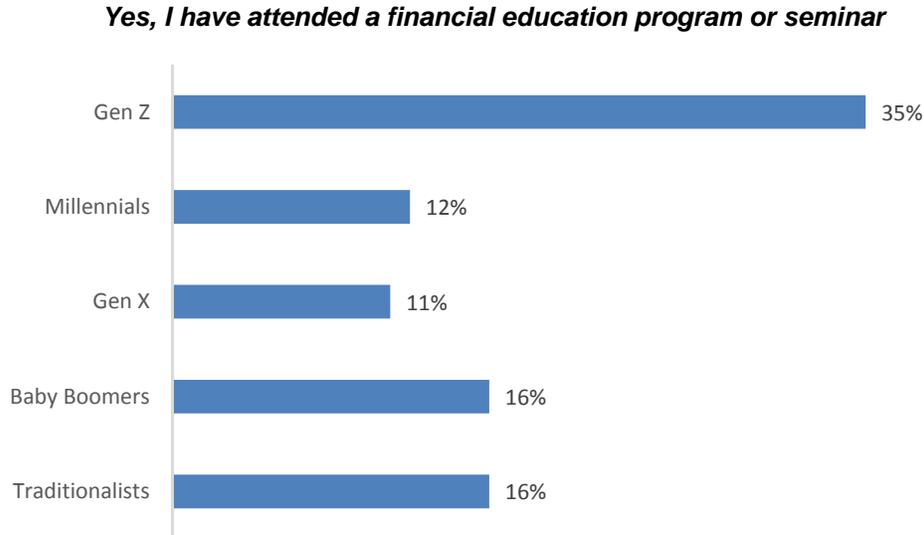
**Furthering Their Financial Knowledge**

Gen Z has done more to further their knowledge and understanding of financial matters than any generation to date. Fifty-six percent of Gen Z respondents say that financial education programs or seminars are very or extremely important sources of personal finance information. Participation in such programs is dramatically higher for Gen Z compared to other generations. Financial institutions

**Raddon Research Insights**

have an opportunity to connect with this generation through educational offerings, then to build on those connections by providing savings products, mobile technology and smart payment options.

**Figure 3: Gen Z Exhibit Strong Use of Financial Education Opportunities**



Source: Raddon Research Insights, 2017

**Seizing the Opportunity**

As the generations evolve, financial institutions will need to evolve with them to remain relevant and meet the new demands of the changing consumer. As was the case with Millennials, some financial institutions will figure it out more quickly than others. Gen Z is the next challenge and opportunity for growth.

The reliance of Gen Z on mobile technology and social media are entry points into the conversation, but not all members of Gen Z maintain the same level of fascination with the newest technology. Many continue to prefer in-person service as prior generations did. No matter whether they ask their questions face-to-face or online, all will expect correct answers quickly. After all, they have grown up in a search engine world with all the answers only a click away.

Visit <http://www.raddon.com/GenZ> to purchase the full study and access more insights on building relationships with Generation Z.