The evolution of payment preferences and behaviors by generation

fuse

A Tryzens Global brand

Introduction

In today's rapidly evolving digital landscape, our payment preferences (from where to how we purchase online) have become a focal point for businesses.

Providing platforms and experiences that cater to the diverse needs of consumers is essential.

That's why merchants must provide a range of payment options, while payment providers must build integrations across multiple ecommerce platforms to broaden their reach.

To meet merchants' needs (and the needs of their customers) third-party vendors, including payment providers, need to ensure they are integrated into the leading ecommerce platforms, from Salesforce Commerce Cloud and Shopify through to OpenCart.

Each platform comes with its own marketplace and audience; having a presence in just one can mean missed opportunities in others, impacting your bottom line.

In this article, we review how different generations approach payments and look at how this impacts ecommerce. We address what merchants are doing to ensure they are set up to meet the needs of their customers, how this impacts the business strategy of payment providers, and how they choose where to integrate first.

Background

We have come a long way in how we pay for products and services. In ancient China, one of the earliest forms of currency was the cowrie shell; cacao beans and maize served as a form of exchange for the Aztecs. Before the introduction of the silver drachma, the ancient Greeks traded in olive oil and cattle.

Over time, the diversity of currency methods dwindled, with most countries narrowing it down to a single currency. However, technological progress, and with it the introduction of new payment methods, from checks to cards, further transformed the way we utilize these currencies. This allowed deferred payments and online purchases, making a significant impact on spending habits globally.

As we entered the 21st century, the introduction of smartphones brought with it mobile payments, further reducing our reliance on physical cash and cards.

Each generation approaches the adoption of technology in its own unique way, shaped by a multitude of social, cultural, and economic factors along with technological evolution, and all factors feed into whether we prefer to use cards, mobile payment apps, or digital wallets.

It is essential for payment providers to understand payment preferences by generation and ensure they are meeting consumer needs.

The payment preferences of different generations are not only interesting reflections on societal norms but are vital for merchants and payment providers to understand and ensure they are meeting consumer needs.

By knowing how different customer groups prefer to pay, businesses can ensure flexibility, helping to enhance their customer satisfaction and loyalty.

The payment preferences of different generations

Providing platforms and experiences that cater to the diverse needs of consumers is essential.

A Tryzens Global brand

Baby boomer payment preferences

Baby boomers were born between 1946 and 1964 and more than half of them are retired. Yes, they are more traditional in their shopping habits and payment methods, but the pandemic propelled much of the population group online, which exposed them to alternative payment methods.

They typically prefer traditional payment methods such as cash, checks, debit, and credit cards. They are less likely to embrace digital wallets and contactless payments and hesitate to adopt new security measures for online transactions, like two-factor authentication (2FA), which adds another layer of complexity.

Boomers tend to approach change cautiously; although they may initially be skeptical of new technologies, they are willing to embrace those that offer convenience.

80% of baby boomers less likely to shop at a retailer again if the ecommerce experience is disappointing.

While the pandemic and lockdown opened them up to the wider world of ecommerce, merchants will have to work hard to meet their high expectations... or else, with 80% of baby boomers less likely to shop at a retailer again if the ecommerce experience is disappointing.

Generation X payment preferences

Generation X were born between 1965 and 1980. They are comfortable with traditional payment methods and were early adopters of credit cards and online banking. Digital commerce and online payments generally entered the mainstream as Gen X were entering adulthood.

Because of this they have adapted well to the transformation of payment providers and services. They tend to use a mix of cash, debit cards, and credit cards for their purchases. In fact, they are more likely to have credit card debt than both baby boomers and the generation below them.

Gen X are comfortable with contactless and are regular online shoppers. They are likely to use digital wallets such as Apple Pay and PayPal alongside debit and credit cards. When it comes to buy now, pay later (BNPL), the fastest growing age group to adopt it in the US are those aged over 54, growing almost 100%. In the United Kingdom, just over half of Gen X (52%) use BNPL, using this method as an alternative line of credit, particularly for clothing, groceries, and furniture.

> *In the United Kingdom, just over half of Gen X (52%) use BNPL.*

Millennials payment preferences

Millennials were born between 1981 and 1996 and came of age in a rapidly transformative technology landscape. They were using floppy disks in school and shopping with PayPal as teenagers.

They are tech-savvy and are strong users of mobile payments and digital wallets, tending to use multiple payment platforms. In fact, millennials have the highest payment diversification of all generations, using at least 3 payment types.

While they may have dipped their toes in cryptocurrencies, they are frequent users of buy now, pay later. In fact, 75% of BNPL users are either millennials or Gen Z.

75% of BNPL users are either millennials or Gen Z.

Millennials are also users of peer-to-peer (P2P) payment apps like Venmo, Splitwise, and Zelle for splitting bills and digital-only banks like Monzo.

They are regular users of branded mobile payment apps like Starbucks, Caffe Nero, and Greggs, which offer convenience and provide frequent discounts and tie into loyalty programs.

Generation Z payment preferences

The first truly digital-native generation, those born between 1997 and 2012 have grown up with the internet and smartphones. They prefer quick and simple payment experiences and are less concerned about data and privacy compared to other generations.

However, their experiences of multiple crises in their early years (the pandemic, high inflation, and the cost of living) have made them pragmatic and cautious about spending. They are more likely to save and less likely to use credit cards compared to millennials.

Gen Z are also the largest generational group of digital-only banks, representing over 52% of Monzo users. When it comes to alternative payment methods, 79% of Gen Z use mobile wallets and 68% make use of buy now, pay later, positioning themselves as the largest user group in each category. They have a strong sense of loyalty to their preferred payment method. The EY Gen Z Payment Survey reveals that when their preferred payment method isn't available,

Over half of Gen Z consider environmental, social, and governance factors important when choosing a payment provider, compared to just 36% of older generations.

Gen Z are twice as likely as other generations to postpone their purchase rather than using an alternative. They have clear preferences in their choice of payment method, which poses a challenge to both payment providers and merchants to meet their preferences.

The budget-conscious, value-focused generation also have high expectations around the customer experience, disliking long shopping journeys with extra steps in the payment process. They are also twice as likely to be omnichannel shoppers, showing that merchants need to provide engaging experiences that connect online and offline.

The COVID-19 impact on preferences

Up until 2020, there was a notable difference in payment preferences and between those that would and wouldn't shop online. As the world went into lockdown, all generations were thrust into online shopping for their everyday needs.

Older generations, who were more hesitant about shopping online, found themselves there through necessity. Younger generations experimented with alternative payment methods.

The use of BNPL surged by sixfold from 2019 to 2023, driven mostly by consumers under the age of 35. While the widespread adoption of BNPL happened under lockdown, it has continued post-pandemic, speaking to its enduring appeal to younger generations.

The use of BNPL surged by sixfold from 2019 to 2023, driven mostly by consumers under the age of 35.

Overall, this shared experience of adapting to the global challenges of the pandemic has not only accelerated the adoption of digital payments but also fostered a greater sense of solidarity across the generations in navigating the digital economy.

Key takeaway

The pandemic and subsequent lockdowns accelerated a shift in shopping habits across generations. Regardless of their age, consumers quickly found themselves navigating digital platforms for essential products and services. They also found themselves adopting new technologies.

This worldwide transition blurred the once distinct lines separating generational purchasing behaviors and payment preferences. While some generational variations persist, the overall trend indicates a willingness across age groups to explore diverse options based on their purchasing needs in a bid to access their desired products and services.

In today's digital commerce landscape, accommodating the diverse preferences of customers is essential for merchants and payment providers to prosper. Flexibility in catering to varied customer profiles ensures broader market penetration, encourages repeat business, and enhances overall satisfaction. This strategic approach not only enhances merchant accessibility but also opens the door for new markets and transaction opportunities, amplifying their potential audience and revenue streams.

Diversification across multiple platforms reduces dependency on any single platform, mitigating the risk associated with fluctuations in the performance, policies, or disruptions of a particular platform. This diversification strategy can safeguard against potential revenue losses stemming from unforeseen circumstances such as changes in platform algorithms, technical issues, or market fluctuations. By spreading their presence across various platforms, payment providers can ensure greater resilience and adaptability in the face of evolving market dynamics, regulatory changes, and competitive pressures.

Additionally, integrating into multiple platforms fosters a competitive edge by enabling businesses to capitalize on the unique strengths and audience demographics of each platform, thereby optimizing their market reach and revenue-generating potential.

How Fuse ignites integration success

Fuse helps technology vendors address the complexities of seamless ecommerce integrations. Our focus is on empowering payment and fintech organizations to navigate these challenges effectively so that they can provide a streamlined experience for merchants and their customers.

Our Ignite for Payments solution was specifically created for payment and fintech organizations, empowering them to speed up their integrations with leading ecommerce platforms and accelerate their returns on investment.

Ignite for Payments can help accelerate the time to market by up to 50% and reduce merchant implementation by up to 80%.

We help integrate leading solutions such as ACI, FreedomPay, and Klarna into all major digital commerce platforms, from Salesforce Commerce Cloud to Shopify.

Fuse is an integration partner that helps you navigate the ecommerce landscape. We ensure that your solutions seamlessly integrate with any platform, empowering your business to thrive digitally.

If you are looking for an innovative, scalable solution for your digital commerce payment integrations

Contact Fuse

fuse

A **Tryzens Global** brand