



Early Warning Digital Payments Adoption

July 2018

Executive Summary

1. Early Warning Services, LLC, the network operator behind Zelle®, today released the results of its first Digital Payments Adoption Study (“study”). To track consumer adoption, use, and attitudes toward digital payments, the study surveyed more than 9,000 U.S. consumers who own smartphones and have accessed online or mobile banking.
2. The study found that adoption and usage of digital person-to-person (P2P) payments are increasing among all generations, with consumers pointing to trust in friends and family and trust in their financial institutions as the primary reasons for engaging in a digital payment. Boomers ranked trust in financial institutions as the most important influence on engaging in a digital payment, while Millennials and Generation X ranked recommendations from friends/family/peers as their primary influence.
3. Although digital P2P adoption first caught on with Millennials, adoption of P2P services continues to rise among all generations. Of those surveyed, more than seventy-five percent of Millennials have used online or mobile P2P payments. Generation X is a close second at sixty-nine percent, and Baby Boomers are closing in at fifty-one percent.
4. Sixty-eight percent of Millennials and sixty-six percent of Generation X identified recommendations from friends and family referrals as the primary reason for trying a P2P payments service. For Boomers, trust in financial institutions was cited as the key reason for changing payments behavior from physical cash and checks to digital P2P payments.
5. A service being “offered through a financial institution I use” was found to be a significant motivator for using digital P2P payments for the first time amongst older users, with seventy percent of Boomers reporting they used a P2P service because it was offered by their bank, versus forty-nine percent of Generation X and thirty-five percent of Millennials.

Methodology

Insights Program Overview:

Methodical step-wise approach to generating deep understanding of consumer adoption and digital payments mindset

1 Complete

Phase I: Digital Adoption Qualitative

- One-on-One participant-to-moderator bulletin board style interviewing using BlogNog™ online platform for qualitative research.
- Intended to gain a deeper understanding of consumers' attitudes toward and adoption of digital payments, alternative payment options and competitive landscape.

2 Complete

Phase 2: Digital Payments Journey Videography

- One-on-One participant-to-moderator mobile streamed in-depth interviews conducted via Skype and Facetime.
- Intended to provide detailed lifetime payments/ channel usage context to inform hypothesis on common pathways to digital engagement.

3 Current

Phase 3: Digital Payments Adoption Quantitative

- Self-contained digital survey instrument administered online collecting data from both total Online U.S. consumer and P2P equipped strategic target (e.g., "Adopters.")
- Robust sample online survey focused on capturing descriptive data on digital payments attitude, adoption, barriers and solution influencers.

Phase 3: Digital Payments Adoption Agenda



Methodology:

- Twenty-minute self-contained digital survey instrument administered online during April 2018
- Interviewing was conducted in two phases: an initial five minute portion including baseline metrics from all online U.S. consumers and a post-qualifying phase including detailed behavior, pathway and attitudinal data among refined strategic target (e.g., "Adopters.")



Population:

- 7,215 online consumer contacts for Total Online U.S. Consumer portion and 2,014 qualified full survey completes divided among four "Adopter" strategic targets:
 - Innovators: Began using digital P2P less than a month after learning about
 - Early Adopters: Began using digital P2P less than a year after learning about
 - Late Adopters: Began using digital P2P more than a year after learning about
 - Skeptics: Aware of, and equipped, but have not yet begun using digital P2P



Qualifying Criteria (Strategic Target):

- Qualified Adopter Consumers: Online Consumers | Ages 18 – 65 | HS degree or higher | Digital P2P Capable: Own a smartphone, have used online or mobile banking in the past six months | Sent or received money in past six months by any means | Aware of P2P technology/ apps

CONTEXT

Qualifying Criteria & Generational Cohorts

GENERATIONAL COHORTS

- Generational cohorts are defined using date of birth as approximations. For purposes of this research exercise, Millennials are defined as those born between 1981 and 1996.¹
- Due to age criteria, only a limited slice of post-Millennials, or "Generation Z" completed the current wave of the survey. Age end-points for this generation will remain open to date recalibration as the generational cohort matures and more refined views of factors influencing resulting behaviors and psychographics of the segment are developed.



Strategic target Qualifying Criteria:

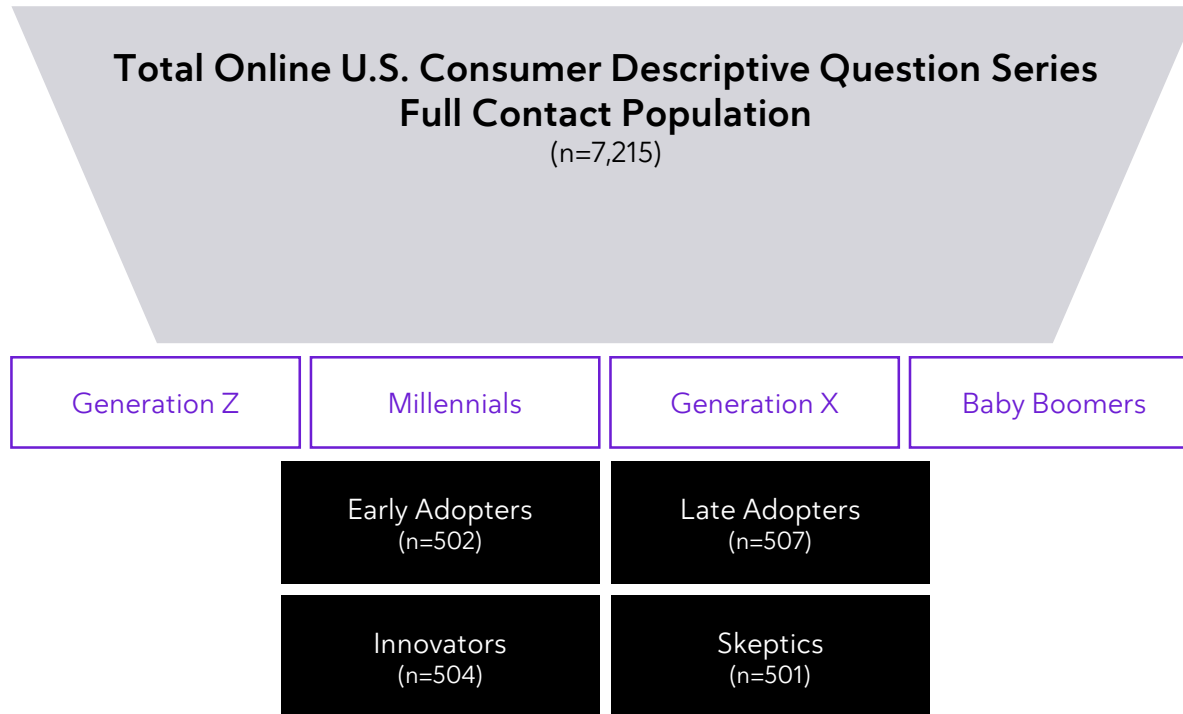
- Ages 18 to 65 (Limits Gen Z to those currently in the small age 18 to 21 slice)
- Ages 18 to 65 (Limits Boomers to 54 to 65 age ranges; ~38% removed)

1. A 2018 report from [Pew Research Center](#) defines "Post-Millennials" as born from 1997 onward, choosing this date for "key political, economic and social factors", including September 11th terrorist attacks. This date makes Post-Millennials 4 years of age or younger at the time of the attacks, so having little or no memory of the event. Pew has indicated they would use 1997 for future publications but would remain open to date recalibration. Source: "[Defining generations: Where Millennials end and post-Millennials begin](#)". PEW Research Center. 1 March 2018

CONTEXT

Total Online U.S. Consumer to Strategic Respondent Refinement

POPULATION SIZING AND QUALIFYING CRITERIA



Full Contact Population (n=7,215)

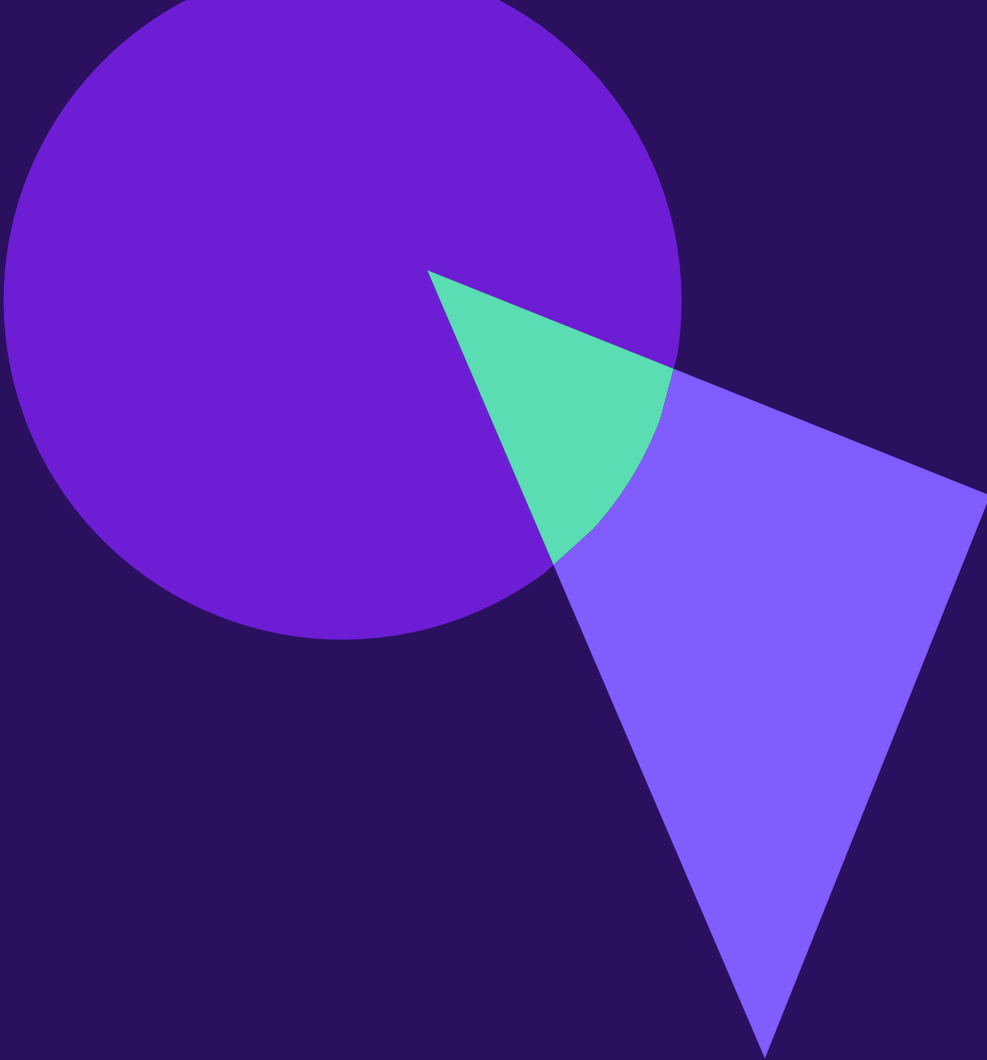
Application of Qualifying Criteria:

- Age 18 – 65
- HS graduate or higher
- Employed or Retired
- Online or mobile banking
- Smartphone Ownership

Generational Cohorts:

- "As they fall" among qualified completes while Adopter quotas are filled

Enforcement of quotas to reach 500 completes in each Adoption Model segment
(n=2,014)



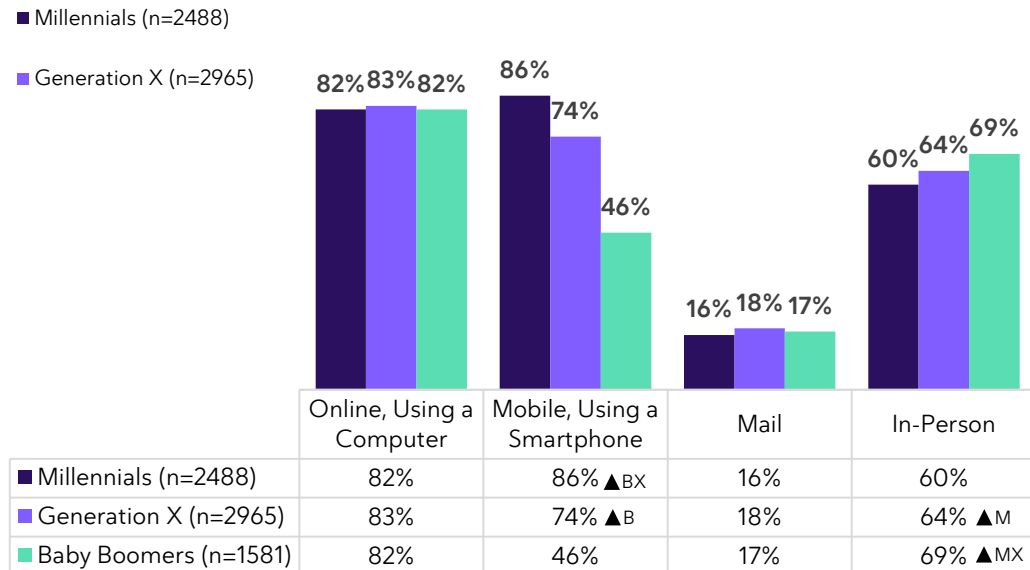
Key Findings

TECHNOLOGY ADOPTION

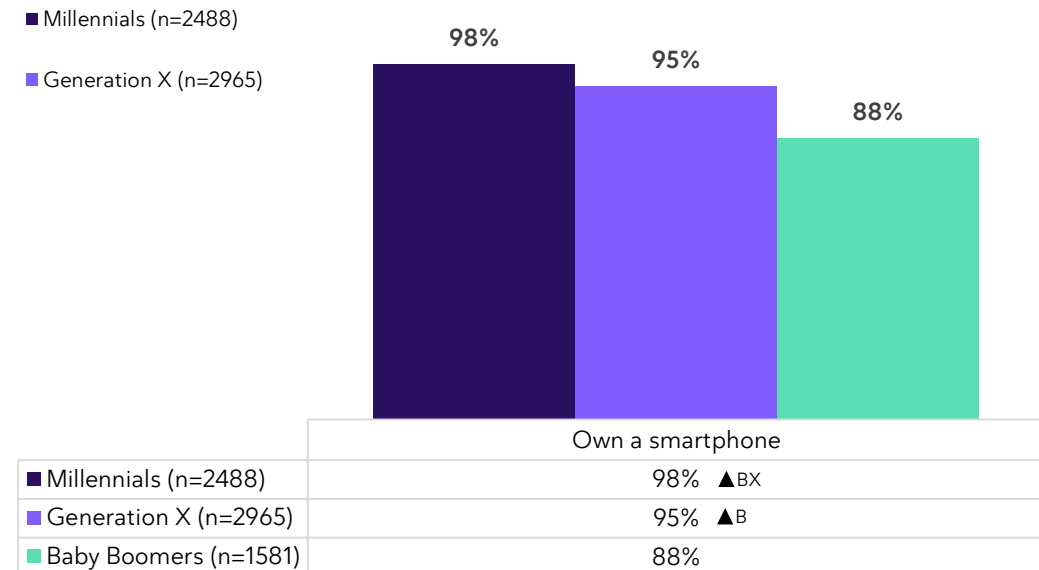
Boomers and Gen-Xers trail Millennials for mobile banking

- While use of online banking is now on equal footing between generational cohorts, Millennials lead the charge for mobile banking and are significantly more likely to engage with the channel than either Generation X or Boomers (86% for Millennials, 74% for Gen X, and 46% for Boomers). Boomers show a significant gap for mobile; one contributing factor for this is likely due to lower ownership of smartphone devices.

Methods Used to Conduct Financial Transactions (past three months)



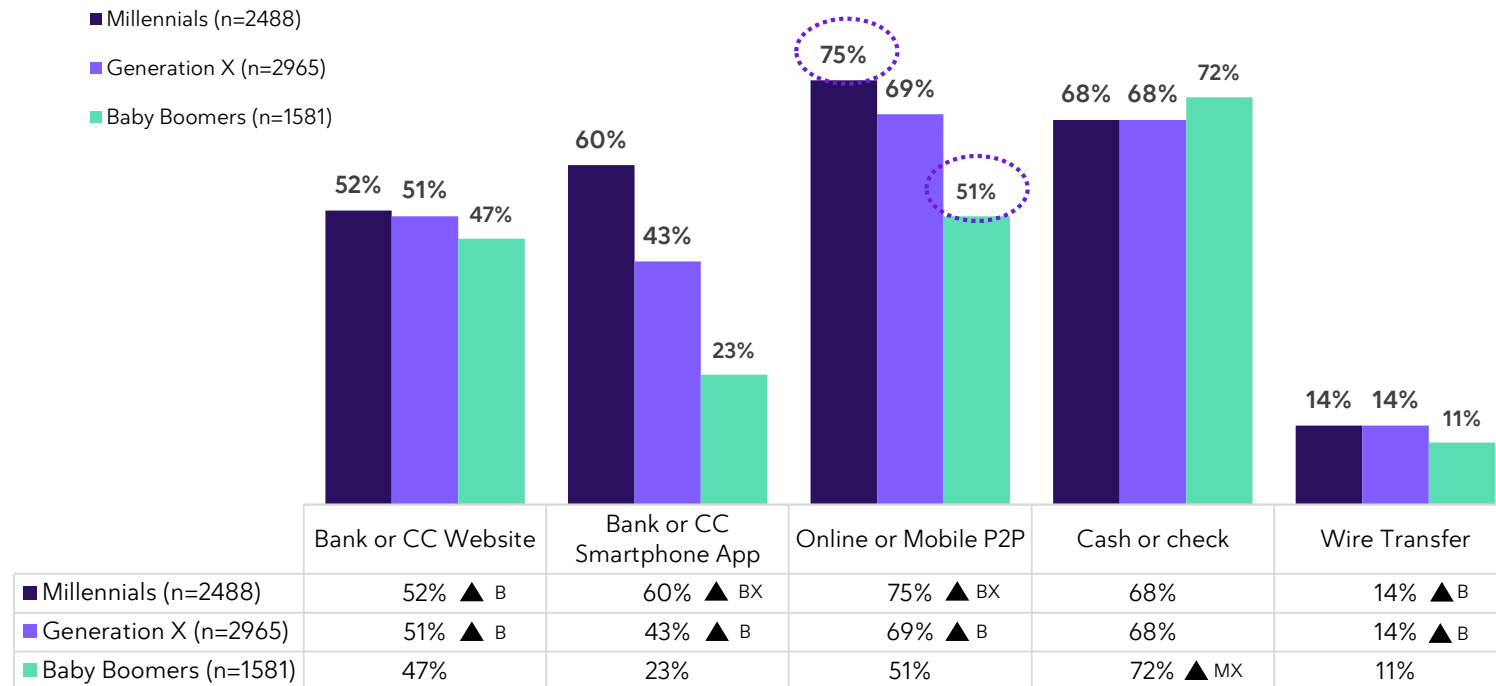
Smartphone Ownership



CHANNELS USED TO SEND/RECEIVE MONEY

Millennials are more likely to note P2P use than cash/check

Methods Used to Send/Receive Money

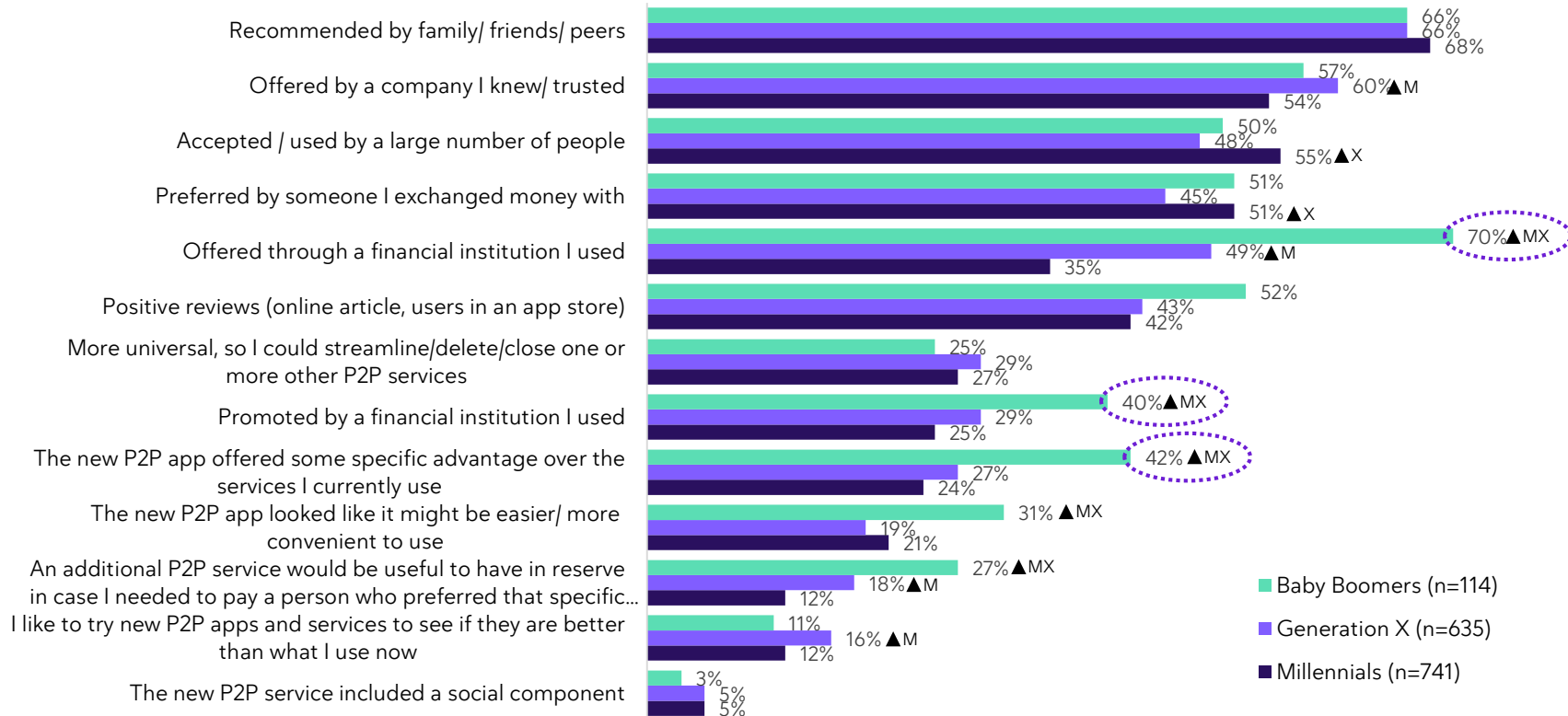


INFLUENCERS FOR TRIAL

Financial Institution linkage is a strong influence for Boomers

Influencers for Downloading a new P2P Service

Base: Adopters (e.g., Current Users of at least one P2P App)



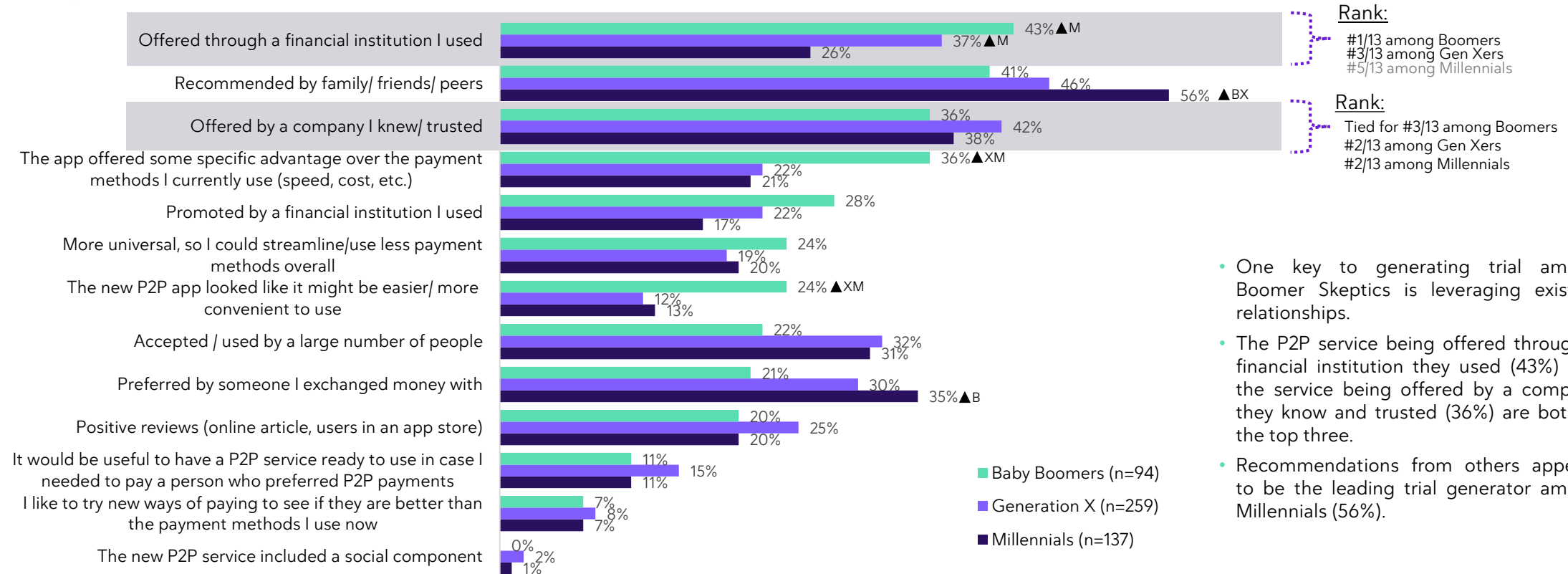
- Being offered through a financial institution used is number one ranked influencer for trialing a new P2P service among Baby Boomers (70%).
- Among all generational cohorts, recommendation among family, friends, and peers is seen to be a strong influencer (66% to 68%) and first ranked for all generations but Boomers.

GENERATING P2P TRIAL AMONG SKEPTICS

Being offered through bank among largest trial generators

Influencers for Downloading a new P2P Service

Base: Skeptics



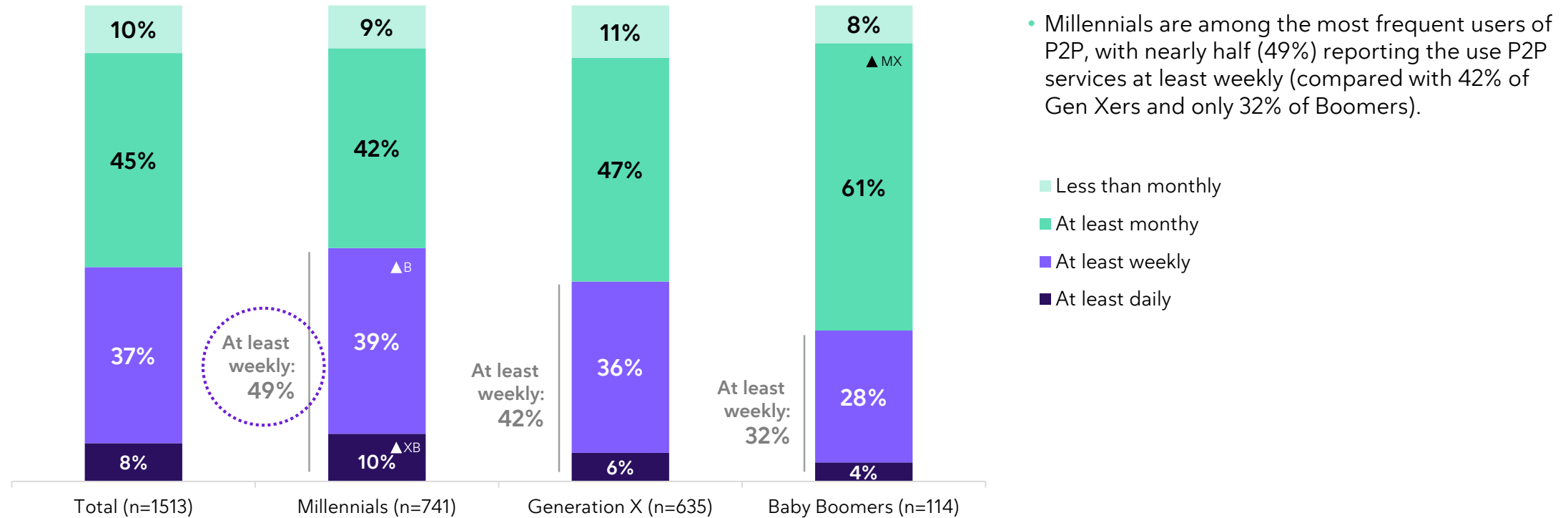
- One key to generating trial among Boomer Skeptics is leveraging existing relationships.
- The P2P service being offered through a financial institution they used (43%) and the service being offered by a company they know and trusted (36%) are both in the top three.
- Recommendations from others appears to be the leading trial generator among Millennials (56%).

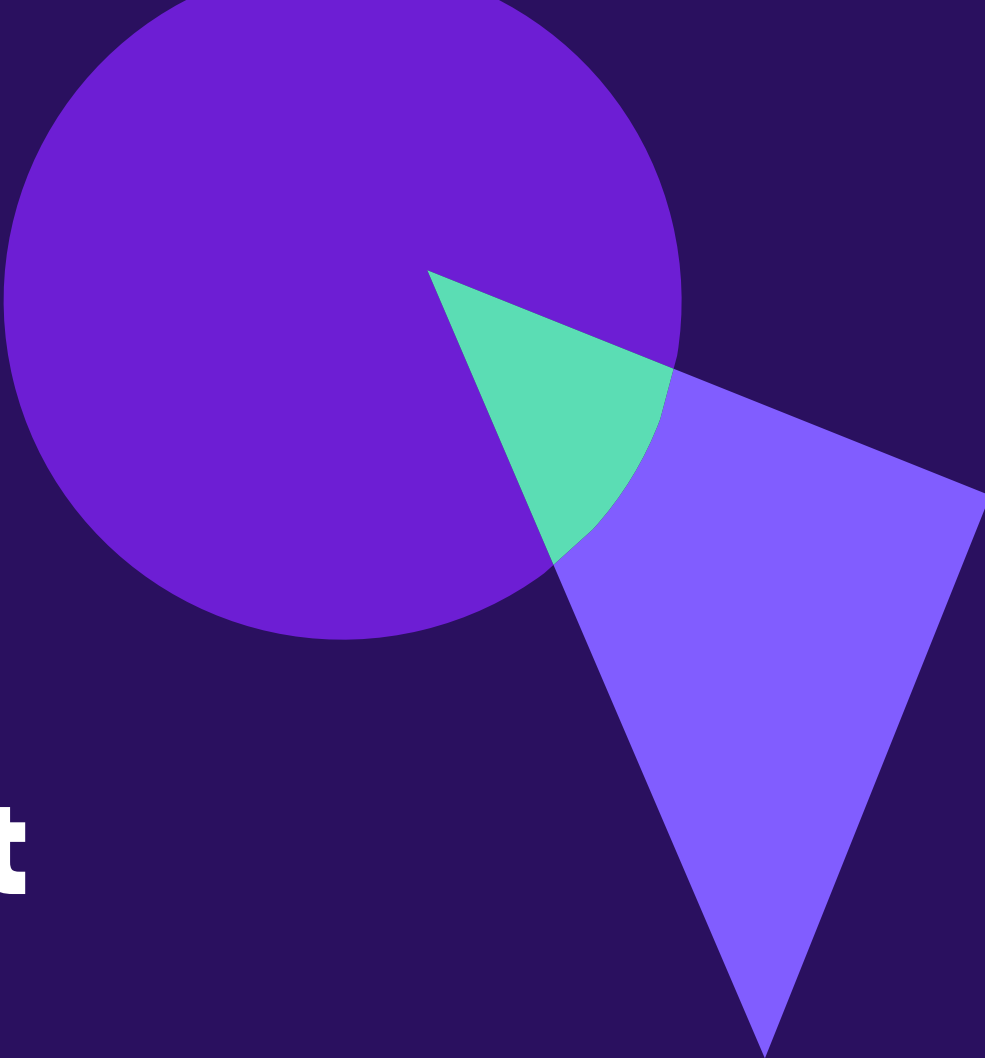
P2P USAGE

Millennials are the most frequent users of P2P

Average P2P Usage, Past Three Months

Base: Adopter Population who has used P2P





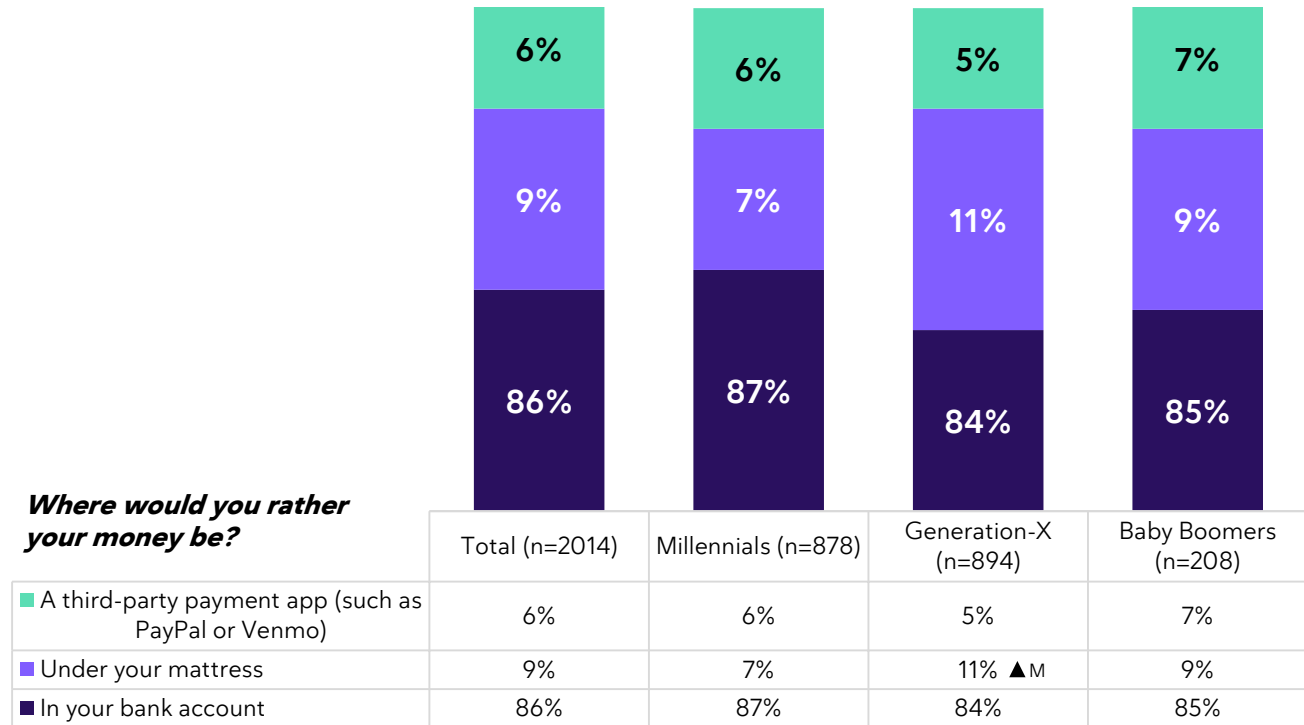
Food for Thought

Factoids & Polls

Where would you rather your money be?



Consumers want their money in their bank where it belongs. Barring that, Gen-Xers would put it a mattress rather than sit idle in a third-party payment app.

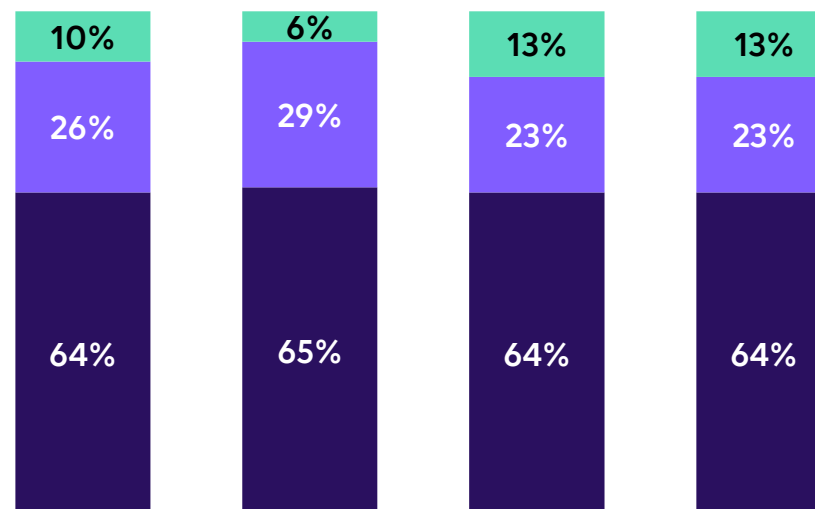


When do you want to be paid back?



Time is money! No surprise, the majority of consumers want to be paid back sooner rather than later.

Your best friend owes you money for the concert tickets you bought for next month, when do you would you like to be paid back?



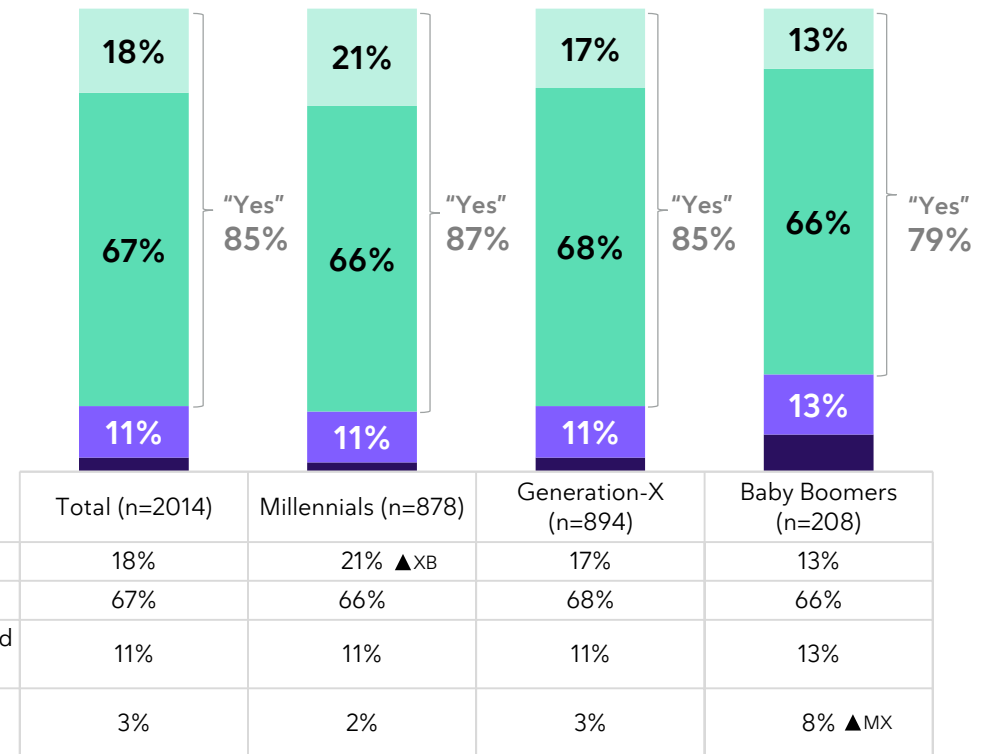
	Total (n=2014)	Millennials (n=878)	Generation-X (n=894)	Baby Boomers (n=208)
When my credit card statement arrives	10%	6%	13% ▲M	13% ▲M
Whenever is fine	26%	29% ▲X	23%	23%
Now please, time is money!	64%	65%	64%	64%

Have you ever not been paid back?



Lenders get burned. Particularly Millennials; nearly nine in ten say they've lent money and not been paid back.

Have you ever covered someone's portion of a bill or shared expense (such as event tickets or a dinner tab) and never been paid back, even if they said they'd pay you back?



How quickly do you ask others to pay you back?



With age comes patience; at least when it comes to lent money. Nearly a third of Millennials want to be paid back for expenses within minutes; Boomers are much more likely to wait without specifically asking.

