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

Phase 1: 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.

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.

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
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.

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
**Total Online U.S. Consumer to Strategic Respondent Refinement**

### Population Sizing and Qualifying Criteria

#### Total Online U.S. Consumer Descriptive Question Series

- **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
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)

<table>
<thead>
<tr>
<th>Method</th>
<th>Millennials (n=2488)</th>
<th>Generation X (n=2965)</th>
<th>Baby Boomers (n=1581)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online, Using a Computer</td>
<td>82%</td>
<td>74%</td>
<td>16%</td>
</tr>
<tr>
<td>Mobile, Using a Smartphone</td>
<td>83%</td>
<td>46%</td>
<td>17%</td>
</tr>
<tr>
<td>Mail</td>
<td>82%</td>
<td>16%</td>
<td>17%</td>
</tr>
<tr>
<td>In-Person</td>
<td>60%</td>
<td>64%</td>
<td>69%</td>
</tr>
</tbody>
</table>

### Smartphone Ownership

<table>
<thead>
<tr>
<th>Ownership</th>
<th>Millennials (n=2488)</th>
<th>Generation X (n=2965)</th>
<th>Baby Boomers (n=1581)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Own a smartphone</td>
<td>98%</td>
<td>95%</td>
<td>88%</td>
</tr>
</tbody>
</table>

*Denotes significantly higher than comparison cut at 95% Confidence Level | Base: Total Contacts | Source: Q.S5 Which of the following methods have you used to conduct financial transactions in the past three months? (Please select all that apply). Q.S17. Do you own a smartphone?
**CHANNELS USED TO SEND/RECEIVE MONEY**

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

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**Methods Used to Send/Receive Money**

<table>
<thead>
<tr>
<th>Method</th>
<th>Millennials (n=2488)</th>
<th>Generation X (n=2965)</th>
<th>Baby Boomers (n=1581)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank or CC Website</td>
<td>52%</td>
<td>51%</td>
<td>47%</td>
</tr>
<tr>
<td>Bank or CC Smartphone App</td>
<td>60%</td>
<td>60%</td>
<td>23%</td>
</tr>
<tr>
<td>Online or Mobile P2P</td>
<td>75%</td>
<td>51%</td>
<td>68%</td>
</tr>
<tr>
<td>Cash or check</td>
<td>68%</td>
<td>68%</td>
<td>72%</td>
</tr>
<tr>
<td>Wire Transfer</td>
<td>14%</td>
<td>11%</td>
<td>14%</td>
</tr>
</tbody>
</table>

- Denotes significantly higher than comparison cut at 95% Confidence Level | Base: Total Contacts | Source: Q.S6 Which of the following describes how you send/receive money to/from family, friends or a business? (Please select all that apply).
The new P2P service included a social component

I like to try new P2P apps and services to see if they are better than what I use now

An additional P2P service would be useful to have in reserve in case I needed to pay a person who preferred that specific...

The new P2P app looked like it might be easier/more convenient to use

The new P2P app offered some specific advantage over the services I currently use

Promoted by a financial institution I used

More universal, so I could streamline/delete/close one or more other P2P services

Positive reviews (online article, users in an app store)

INFLUENCERS FOR TRIAL

Financial Institution linkage is a strong influence for Boomers

• 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.

Recommended by family/friends/peers

Offered by a company I knew/trusted

Accepted/used by a large number of people

Preferred by someone I exchanged money with

Offered through a financial institution I used

Positive reviews (online article, users in an app store)

More universal, so I could streamline/delete/close one or more other P2P services

Promoted by a financial institution I used

The new P2P app offered some specific advantage over the services I currently use

The new P2P app looked like it might be easier/more convenient to use

An additional P2P service would be useful to have in reserve in case I needed to pay a person who preferred that specific...

I like to try new P2P apps and services to see if they are better than what I use now

The new P2P service included a social component

Baby Boomers (n=114)

Generation X (n=635)

Millennials (n=741)

—

Denotes significantly higher than comparison cut at 95% Confidence Level

Q405a. How influential would each of the following be in deciding whether to try a new person-to-person (P2P) payment service? (Please select all that apply.)
GENERATING P2P TRIAL AMONG SKEPTICS

Being offered through bank among largest trial generators

Influencers for Downloading a new P2P Service
Base: Skeptics

- Offered through a financial institution I used
- Recommended by family/friends/peers
- Offered by a company I knew/trusted
- The app offered some specific advantage over the payment methods I currently use (speed, cost, etc.)
- Promoted by a financial institution I used
- More universal, so I could streamline/use less payment methods overall
- The new P2P app looked like it might be easier/more convenient to use
- Accepted/used by a large number of people
- Preferred by someone I exchanged money with
- Positive reviews (online article, users in an app store)
- It would be useful to have a P2P service ready to use in case I needed to pay a person who preferred P2P payments
- I like to try new ways of paying to see if they are better than the payment methods I use now
- The new P2P service included a social component

- Baby Boomers (n=94)
- Generation X (n=259)
- Millennials (n=137)

- 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%).
Millennials are the most frequent users of P2P

**Average P2P Usage, Past Three Months**
Base: Adopter Population who has used P2P

- Millennials are among the most frequent users of P2P, with nearly half (49%) reporting the use of P2P services at least weekly (compared with 42% of Gen Xers and only 32% of Boomers).

<table>
<thead>
<tr>
<th></th>
<th>Total (n=1513)</th>
<th>Millennials (n=741)</th>
<th>Generation X (n=635)</th>
<th>Baby Boomers (n=114)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than monthly</td>
<td>8%</td>
<td>10%</td>
<td>6%</td>
<td>8%</td>
</tr>
<tr>
<td>At least monthly</td>
<td>45%</td>
<td>42%</td>
<td>47%</td>
<td>61%</td>
</tr>
<tr>
<td>At least weekly:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At least daily</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

▲ Denotes significantly higher than comparison cut at 95% Confidence Level

Q300. Thinking about the most recent three months, how often do you typically use person-to-person (P2P) payment services?
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.

<table>
<thead>
<tr>
<th>Where would you rather your money be?</th>
<th>Total (n=2014)</th>
<th>Millennials (n=878)</th>
<th>Generation-X (n=894)</th>
<th>Baby Boomers (n=208)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A third-party payment app (such as PayPal or Venmo)</td>
<td>6%</td>
<td>6%</td>
<td>5%</td>
<td>7%</td>
</tr>
<tr>
<td>Under your mattress</td>
<td>9%</td>
<td>7%</td>
<td>11% ▲</td>
<td>9%</td>
</tr>
<tr>
<td>In your bank account</td>
<td>86%</td>
<td>87%</td>
<td>84%</td>
<td>85%</td>
</tr>
</tbody>
</table>

▲ Denotes significantly higher than comparison cut at 95% Confidence Level
Source: Q407. Where would you rather your money be?
When do you want to be paid back?

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

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

▲ Denotes significantly higher than comparison cut at 95% Confidence Level

Source: Q608. Your best friend owes you money for the concert tickets you bought for next month, 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.
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?

<table>
<thead>
<tr>
<th></th>
<th>Total (n=2014)</th>
<th>Millennials (n=878)</th>
<th>Generation-X (n=894)</th>
<th>Baby Boomers (n=208)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes, this happens to me all the time</td>
<td>18%</td>
<td>21%</td>
<td>17%</td>
<td>13%</td>
</tr>
<tr>
<td>Yes; it’s happened before</td>
<td>67%</td>
<td>66%</td>
<td>68%</td>
<td>66%</td>
</tr>
<tr>
<td>No, I’ve always made sure I’ve been paid back</td>
<td>11%</td>
<td>11%</td>
<td>11%</td>
<td>13%</td>
</tr>
<tr>
<td>No, I never cover expenses for other people</td>
<td>3%</td>
<td>2%</td>
<td>3%</td>
<td>8% ^MX</td>
</tr>
</tbody>
</table>

\^ Denotes significantly higher than comparison cut at 95% Confidence Level

Source: Q609. 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?

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

How quickly do you ask others to pay you back?

How quickly do you request money from a friend or family member after making a shared purchase (such as gift, tickets to an event or a dinner tab)?

<table>
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<tr>
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<th>Baby Boomers (n=208)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within minutes</td>
<td>29%</td>
<td>34%</td>
<td>28%</td>
<td>17%</td>
</tr>
<tr>
<td>Within a week</td>
<td>45%</td>
<td>44%</td>
<td>46%</td>
<td>42%</td>
</tr>
<tr>
<td>Don’t request money, I wait until they send me money for their portion of the bill</td>
<td>26%</td>
<td>22%</td>
<td>27%</td>
<td>40%</td>
</tr>
</tbody>
</table>

▲ Denotes significantly higher than comparison cut at 95% Confidence Level

Source: Q610. How quickly do you request money from a friend or family member after making a shared purchase (such as gift, tickets to an event or a dinner tab)?