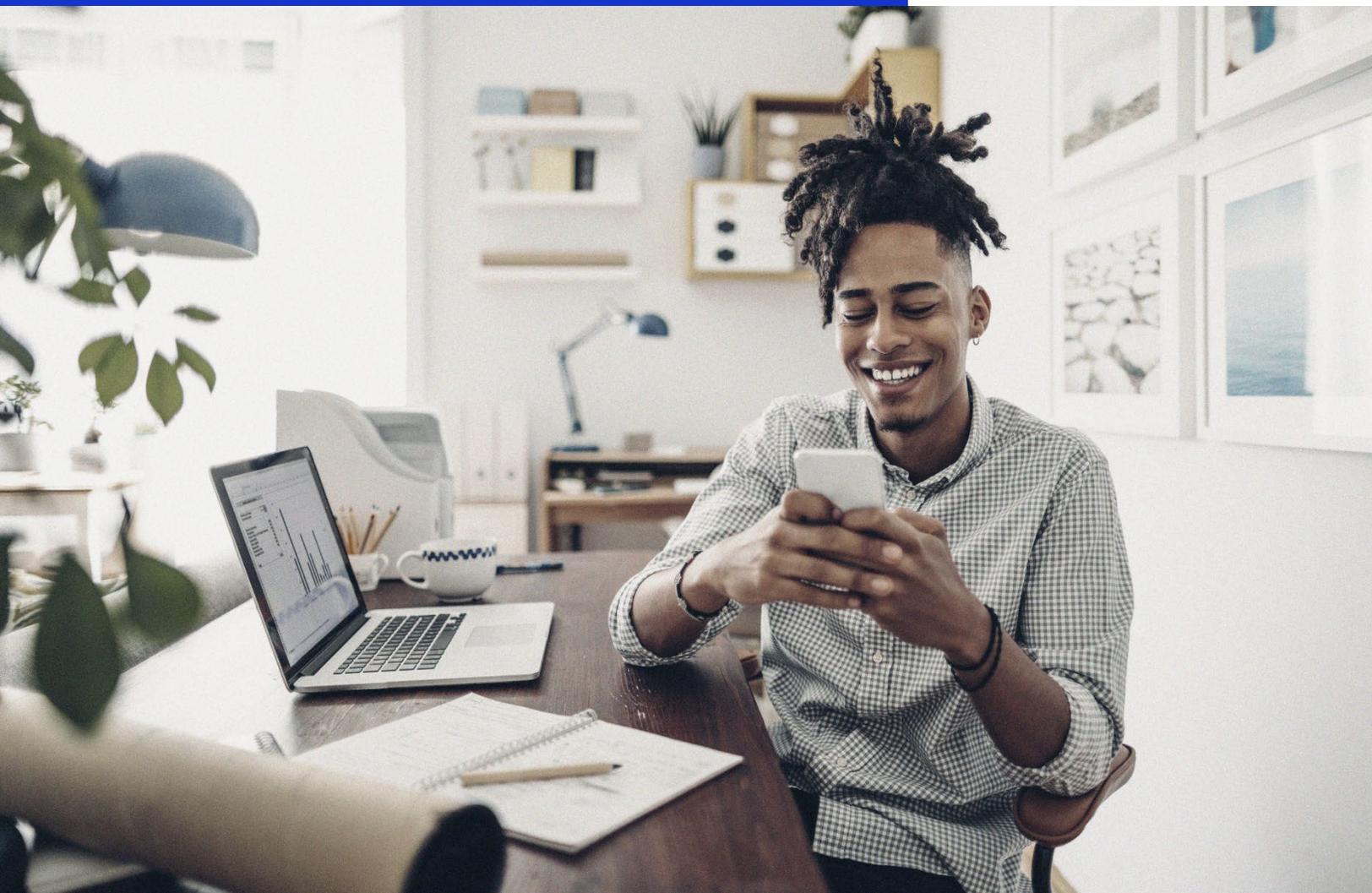




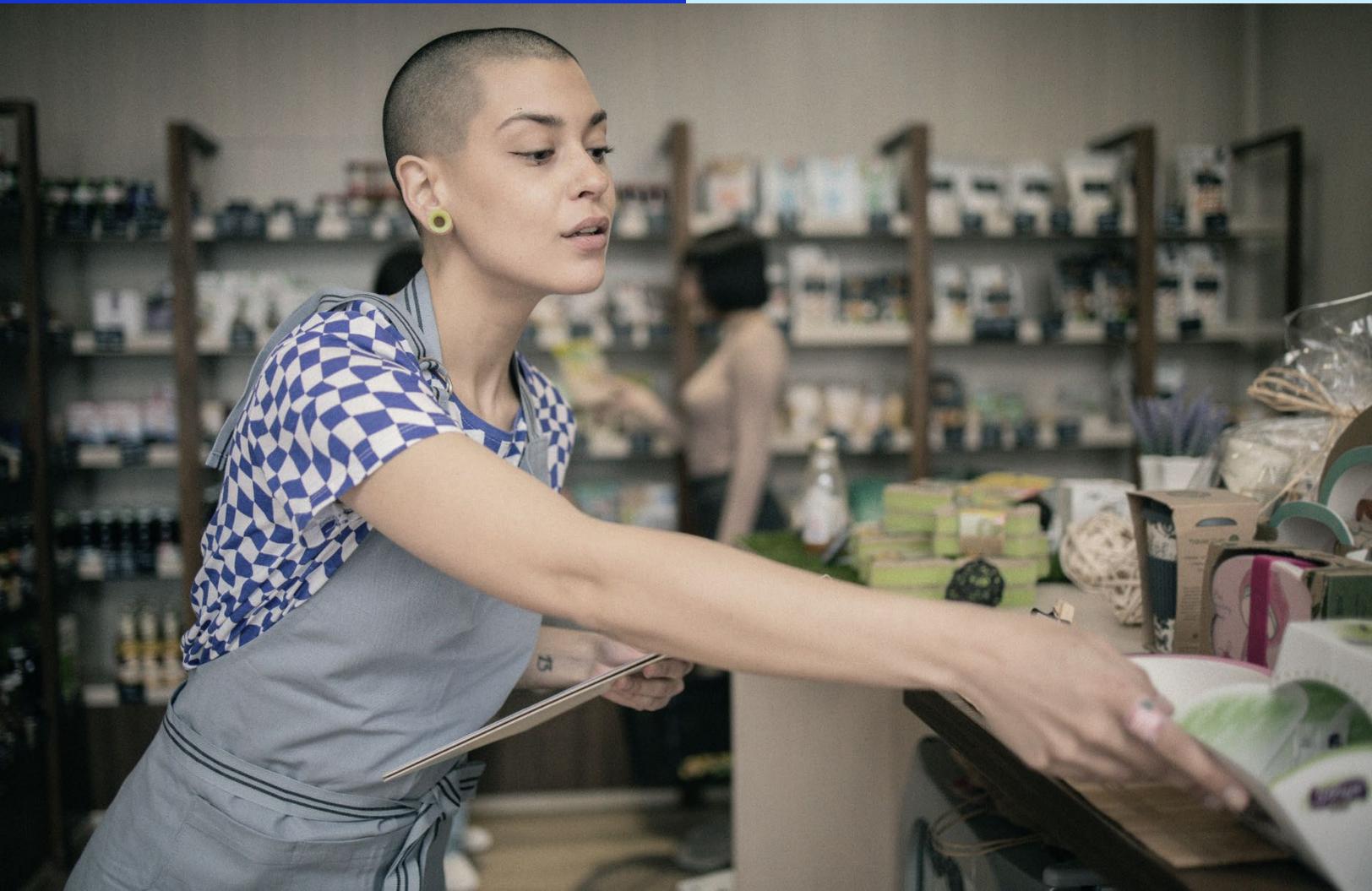
# Next Gen Small Business Owners

Understanding the Banking Preferences of Gen Z and Young Millennial SMB Owners



# What's Inside

- 3 Disclaimer | About Visa | About Material
- 4 Background & Methodology
- 5 Key Findings
- 6 Findings
- 15 Conclusion



# Disclaimer

Case studies, comparisons, statistics, research and recommendations are provided “AS IS” and intended for informational purposes only and should not be relied upon for operational, marketing, legal, technical, tax, financial or other advice. Visa Inc. neither makes any warranty or representation as to the completeness or accuracy of the information within this document, nor assumes any liability or responsibility that may result from reliance on such information. The Information contained herein is not intended as investment or legal advice, and readers are encouraged to seek the advice of a competent professional where such advice is required. These materials and best practice recommendations are provided for informational purposes only and should not be relied upon for marketing, legal, regulatory or other advice. Recommended marketing materials should be independently evaluated in light of your specific business needs and any applicable laws and regulations. Visa is not responsible for your use of the marketing materials, best practice recommendations or other information, including errors of any kind, contained in this document.

All brand names and logos are the property of their respective owners, are used for identification purposes only and do not imply product endorsement or affiliation with Visa

# About Visa

Visa (NYSE: V) is a world leader in digital payments, facilitating payments transactions between consumers, merchants, financial institutions and government entities across more than 200 countries and territories. Our mission is to connect the world through the most innovative, convenient, reliable and secure payments network, enabling individuals, businesses and economies to thrive. We believe that economies that include everyone everywhere, uplift everyone everywhere and see access as foundational to the future of money movement.

Learn more at [Visa.com](https://www.visa.com).

# About Material+

Material is a leading insights, marketing and technology company that combines deep human understanding with modern technology to speed engagement and growth for the world’s most recognizable brands and innovative companies. Striving for true customer centricity and ongoing relevance in a digital-first, customer-led world, Material helps brands lead the market by deepening relevance to create transformative relationships between businesses and the people they serve.

# Background

How is the next generation of small business owners and financial decision-makers (Next Gen DMs) different from older small business owners and financial decision-makers (Older DMs) when it comes to their banking, finance and payment attitudes and behaviors? Are they more digital? More experimental and open to risk? What kind of help do they need? How do they use social media?

This paper offers data driven insights about the landscape of the next generation of small business owners and financial decision-makers across the globe and identify opportunities to support and add value to this segment.

# Methodology

To answer these questions, Visa commissioned a research study with Material+. The study included a 15-minute online survey among 1,481 small business owners and small business financial decision-makers from around the world: The US, UK, France, Spain, Mexico, Indonesia and South Africa. This paper highlights what was learned across tested markets.

The Next Gen DMs are between 18-35 years old and the Older DMs are between 36-65 years old.

To qualify for the survey, respondents were required to be:

- 18-65 years old
- The primary or shared financial decision-maker for a small business\*

# Qualifications and sample composition

## \*Small business definitions by market

US 1-99 employees and annual revenue is between \$50K - \$25M

UK, FRANCE, SPAIN 1-50 employees and turnover of up to €10 million

INDONESIA Less than 50 employees (manufacturing); Less than 20 employees (non-manufacturing)

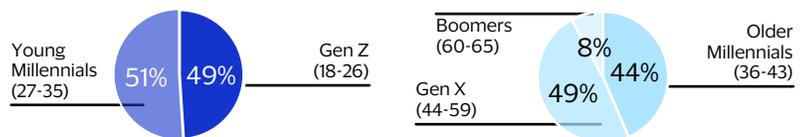
SOUTH AFRICA 1-49 employees and annual revenue is less than 5M Rand

MEXICO Less than 25 employees

## Sample composition

Gen Z and Younger Millennials make up Next Gen DMs, while Older DMs are comprised of mostly older Millennials and Gen X, with some Boomers.

### Age breakouts



As would be expected, most of the Next Gen DMs have younger businesses (less than 5 years old), and most of the Older DMs have older businesses (more than 10 years old).

### Age of business



\*Small businesses are referred to as "SMBs" throughout this paper.

# Key findings

## 1. More open to trying new things

**41%** of Next Gen DMs are currently using between 6-9 banking innovations

Next Gen DMs have yet to establish solidified habits, routines or preferred tools. They are not more digital than Older DMs in banking and financial tools, but they are more open to using new and innovative tools. They are searching for what works for them and are willing to cobble together many different tools and solutions to meet their needs.

## 2. Lower confidence in business insights

**57%** of Next Gen DMs want high-quality tools more than they want tools that integrate with their financial systems (43%)

Next Gen DMs prioritize high-quality and customized tools over tools that are more standard and fully integrate with their financial systems. These preferences have led to siloed data and hazy insights with almost a quarter of Next Gen DMs reporting they are struggling with business insights.

## 3. Value in-person banking experiences

**68%** of Next Gen DMs have their primary business account at a traditional bank

Next Gen DMs value the in-person touch of a physical bank. They conduct more of their banking in person than Older DMs. They also prefer to bank with traditional banks, even as they dabble with digital-only financial institutions and fintechs.

## 4. Use social channels for education

**41%** of Next Gen DMs rely on social media for banking information, more than any other source

Next Gen DMs use social media for learning. All decision-makers use social media to promote their business and connect with customers, but Next Gen DMs lean more toward using it to learn about banking and finance, and as their main web presence.

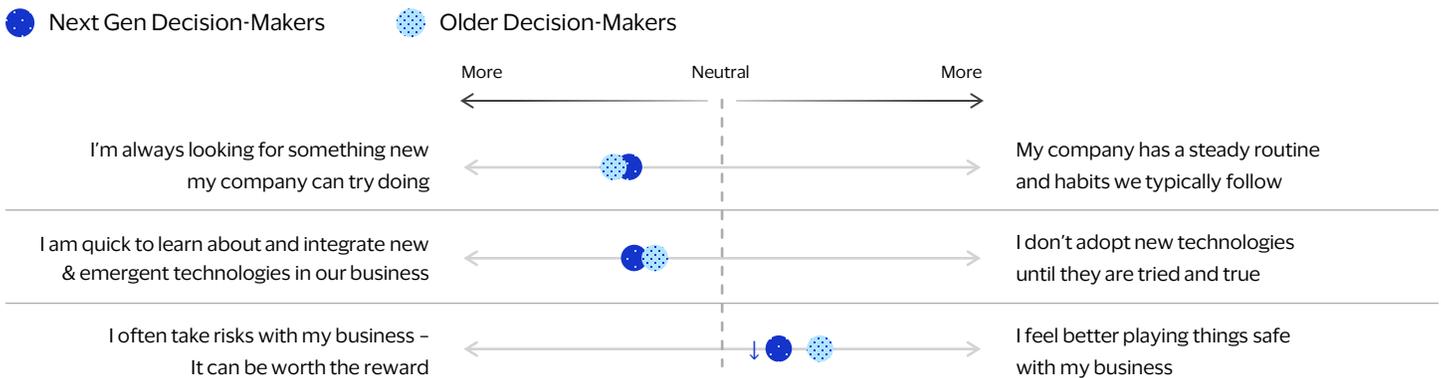
# 1 Finding: Next Gen DMs are more open to trying new things.

Next Gen DMs have yet to establish solidified habits, routines or preferred tools. They are not more digital than Older DMs in banking and financial tools, but they are more open to using new and innovative tools. They are searching for what works for them and are willing to cobble together many different tools and solutions to meet their needs.

## Next Gen DMs experiment and take risks more as they try to figure out what works for them.

Across the regions, Next Gen and Older DMs claim to be interested in new financial and payment technologies. But a closer look reveals that Next Gen DMs are more likely to report taking risks (+8%), while Older DMs tend to play things safe with their business.

Graph 1: Attitudes toward tech adoption and risk taking

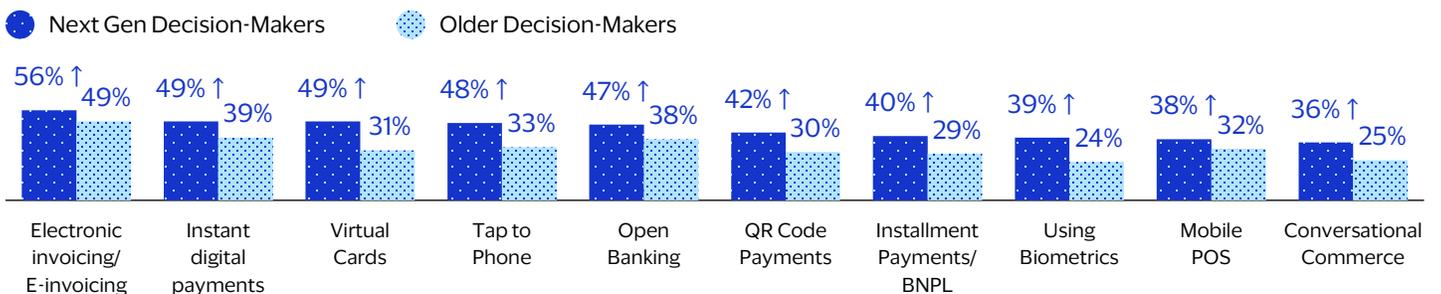


Up/down arrows indicate statistical significance between Next Gen Decision-Makers and Older Decision-Makers

While both groups lean towards playing it safe with their business, Next Gen DMs are significantly more likely to report taking risks.

Compared to Older DMs, the Next Gen DMs are more interested in exploring and using more cutting-edge technologies, showing significantly higher use of innovative products across the board. In fact, Next Gen DMs use more tools in general; 41% of Next Gen DMs use between 6-9 banking innovations whereas only 24% of Older DMs use as many banking innovations. The most popular innovation being e-invoicing, which is used by a 56% majority of Next Gen decision-makers. Virtual Cards (+18%), Tap to Phone (+15%) and using Biometrics (+15%) have the largest gaps in usage between Next Gen and Older DMs.

Graph 2: Current usage of banking innovations



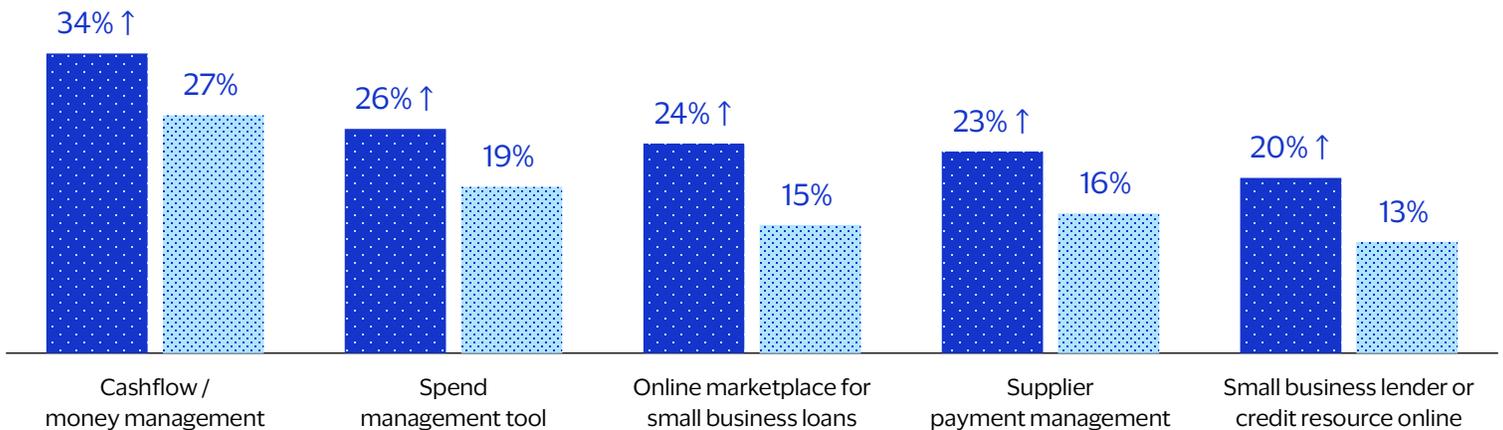
Up arrows indicate statistical significance between Next Gen Decision-Makers and Older Decision-Makers

# 1 Finding: Next Gen DMs are more open to trying new things.

Next Gen DMs are more likely to try various financial tools as they create bespoke solutions that fit their unique needs. They are approaching finance for their business with a fresh perspective and openness to experimentation. They utilize a wide range of financial tools more commonly than their older counterparts, including cashflow/money management (34% Next Gen DMs vs 27% Older DMs), spend management tools (26% vs 19%), online marketplaces for SMB loans (24% vs 15%), supplier payment management (23% vs 16%) and SMB lender or credit resources online (20% vs 13%).

Graph 3: Financial tools used – differences across age groups

● Next Gen Decision-Makers    ● Older Decision-Makers

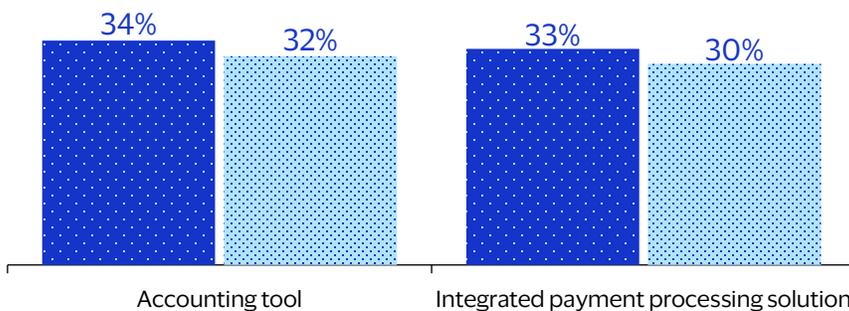


Up arrows indicate statistical significance between Next Gen Decision-Makers and Older Decision-Makers

When it comes to usage of payment integration and accounting tools, the age gap disappears. About one-third of Next Gen DMs and Older DMs alike are using an integrated payment processing solution or an accounting tool.

Graph 4: Financial tools used – consistency across age groups

● Next Gen Decision-Makers    ● Older Decision-Makers



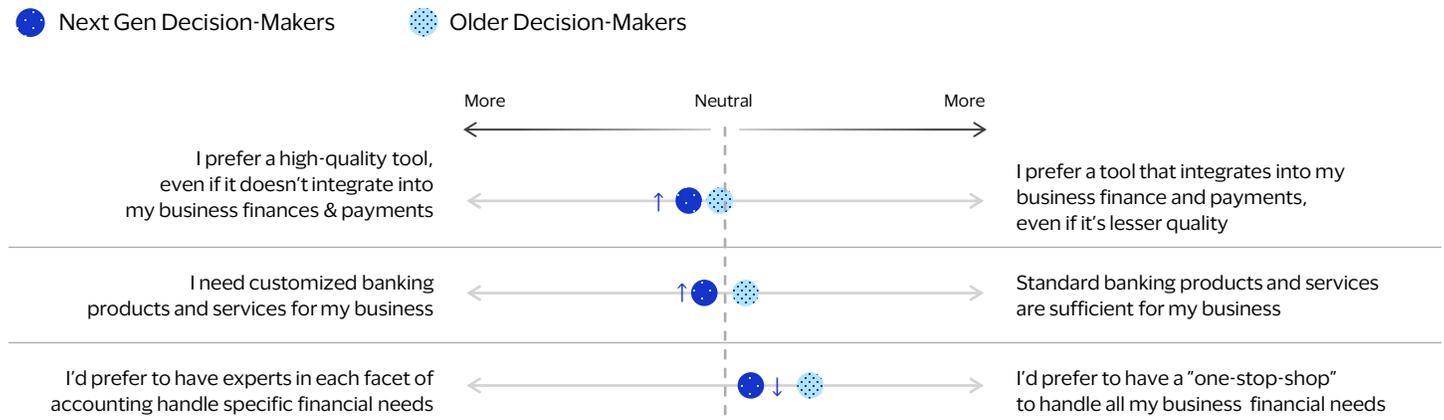
Up arrows indicate statistical significance between Next Gen Decision-Makers and Older Decision-Makers

## 2 Finding: Next Gen DMs feel less confident in their business insights.

Next Gen DMs prioritize high-quality and customized tools over tools that are more standard and fully integrated with their financial systems. These preferences can lead to siloed data and hazy insights, with almost a quarter of Next Gen DMs reporting they are struggling with business insights.

Most Next Gen DMs want high-quality tools more than they want tools that integrate with their financial systems. They are looking for a higher-level of customization, finding that standard products and solutions do not meet their specific needs. Therefore, they are more likely than their older counterparts to prefer to use distinct tools and services for niche purposes, rather than one service or tool that acts as a one-stop shop.

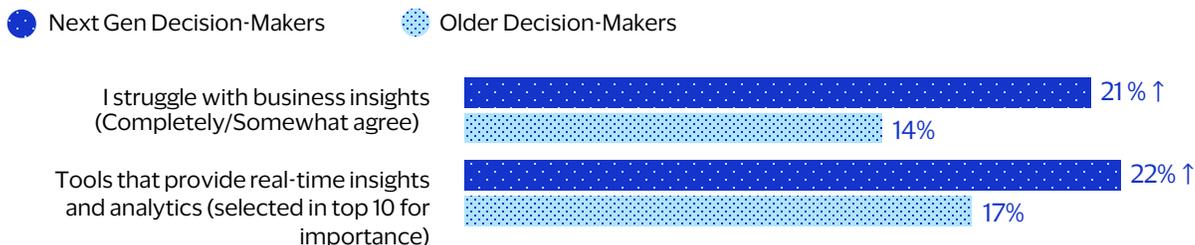
Graph 5: Banking products, services and tools preferences



Up/down arrows indicate statistical significance between Next Gen Decision-Makers and Older Decision-Makers

Unfortunately, these piecemeal creations can make it challenging for Decision Makers to see their business' full financial picture. In fact, Next Gen DMs are more likely than Older DMs to say that they struggle with business insights (21% Next Gen DMs vs 14% Older DMs) and prioritize a financial institution that offers tools that provide real-time insights and analytics (22% vs 17%).

Graph 6: Banking products, services and tools preferences



Up arrows indicate statistical significance between Next Gen Decision-Makers and Older Decision-Makers

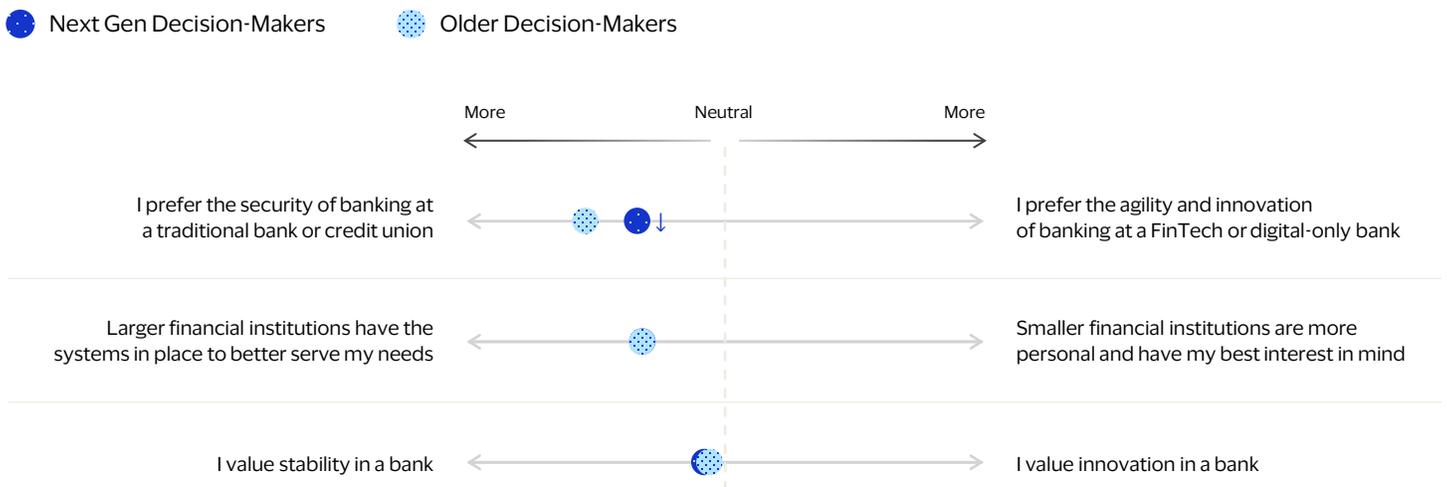
### 3 Finding: Next Gen DMs value in-person experiences.

Next Gen DMs still value the in-person touch of a physical bank. They conduct more of their banking in person than Older DMs. They also prefer to bank with traditional banks, even as they dabble with digital-only financial institutions and fintechs.

Traditional banks still reign supreme for small business owners, although Next Gen DMs are inching in the direction of more innovative banking.

The allure of a traditional bank is hard to resist. Most DMs believe that traditional banking institutions provide the security, stability and convenience they desire.

Graph 7: Bank type preferences



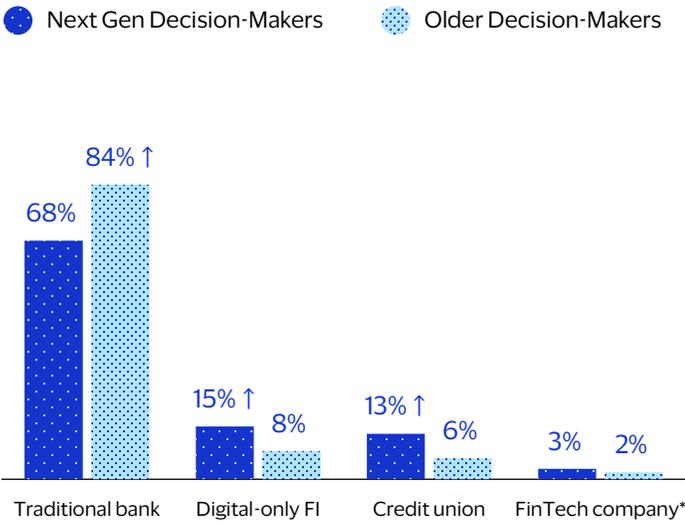
Up/down arrows indicate statistical significance between Next Gen Decision-Makers and Older Decision-Makers



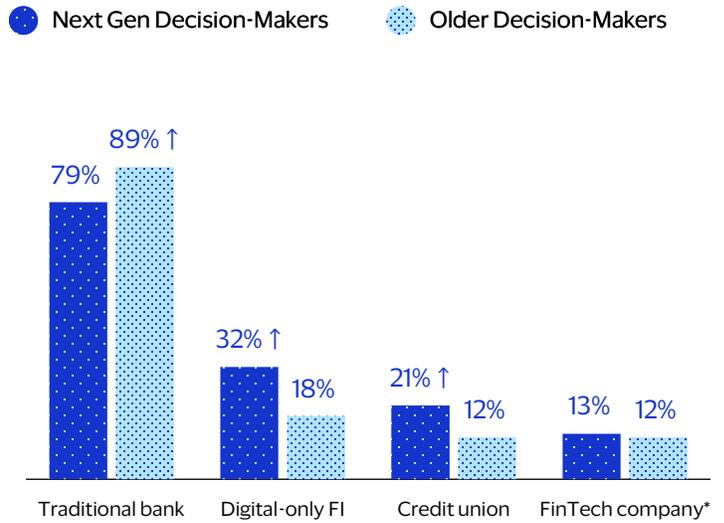
### 3 Finding: Next Gen DMs value in-person experiences.

While the Next Gen DMs are significantly less likely to have business accounts at traditional banks compared to Older DMs, it is still a popular choice overall (79% of Next Gen DMs have business accounts at traditional banks vs 89% of Older DMs). And while traditional banks do meet their needs, Next Gen DMs are not as loyal to their current institutions and are more open to trying new options. Next Gen DMs are more likely to have business accounts at digital-only banks and credit unions than Older DMs.

Graph 8: Where *primary* business bank account is held



Graph 9: Where *any* business bank accounts are held



Up arrows indicate statistical significance between Next Gen Decision-Makers and Older Decision-Makers. \*FinTech company not shown in all markets.

Aligned with traditional banks' continued dominance, physical banking is still important, even in the digital age.

Most banking is done digitally for both groups, but in a surprising twist, Next Gen DMs are more likely to do a larger share of their banking in person.

The world is becoming increasingly digitized, and online banking has become standard. Mobile banking tools are commonly used by most decision-makers, regardless of age, however, physical banking is still important. In fact, Next Gen DMs are significantly more likely to spend their time banking in-person than Older DMs.

Graph 10: Proportion of time spent banking online vs. in person

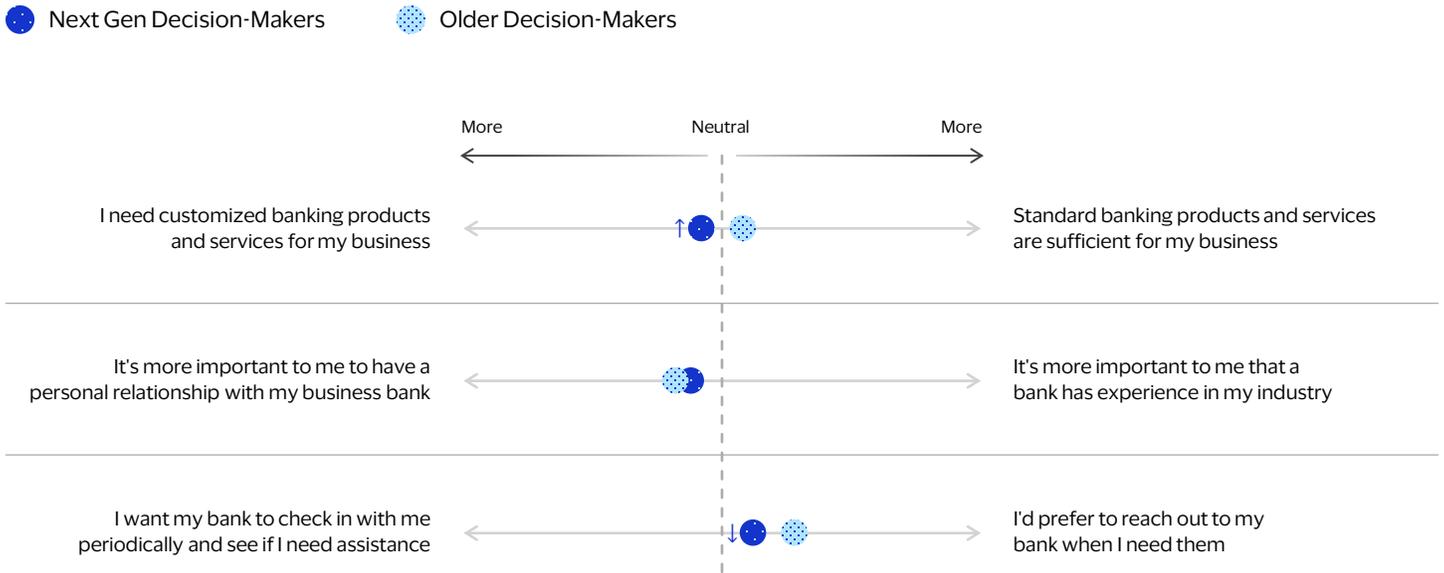


Up arrows indicate statistical significance between Next Gen Decision-Makers and Older Decision-Makers

### 3 Finding: Next Gen DMs value in-person experiences.

Next Gen DMs are more likely to have been in business for fewer years and may need the guidance and personal touch that only an in-person experience can provide. There are many reasons a Next Gen decision-maker would want to go into their bank—building personal relationships and trust, receiving customized guidance, setting up accounts, completing complex banking tasks (versus simple tasks they can handle online) and so on. So, no matter the reason, it is clear that physical bank branches are an important and valued part of their banking experience. Additionally, regular check-ins for assistance are also desired by more Next Gen DMs than Older DMs (+8%), indicating that they welcome proactive communication instead of shying away from it.

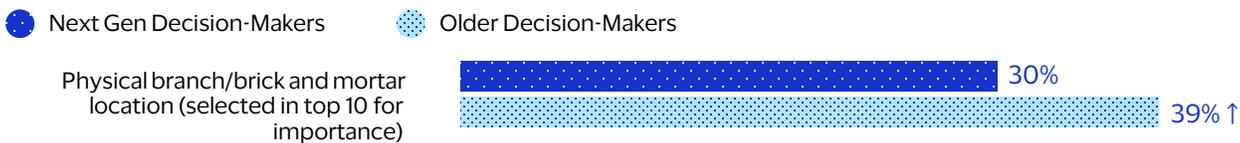
Graph 11: Banking preferences – products and services



Up/down arrows indicate statistical significance between Next Gen Decision-Makers and Older Decision-Makers

While Older DMs go in person less frequently and may need less guidance, they still value personal relationships with their bank. They are likely to prioritize banks with physical branches when looking to open a new account. Even if they do most of their banking online, a physical branch is a desired backup option for when they want to go in person.

Graph 12: Importance of physical branch



Up arrows indicate statistical significance between Next Gen Decision-Makers and Older Decision-Makers

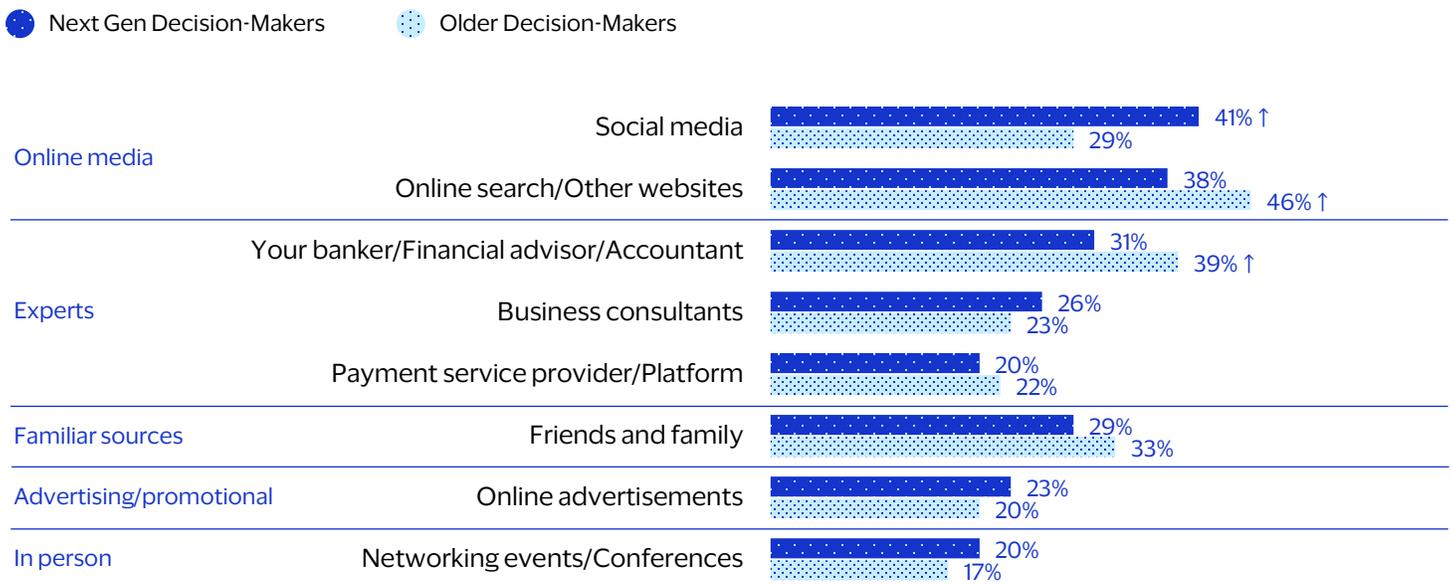
## 4 Finding: Next Gen DMs use social media for learning.

All decision-makers who use social media use it to promote their business and connect with customers, but Next Gen DMs lean more toward using it to learn about banking and finance, and as their main web presence. Social media is a top information source for Next Gen DMs, with 41% using it to learn about banking and finance.

### Social media is the go-to hub for banking and finance education among Next Gen DMs.

When searching for information on banking, finances, payments and acceptance methods, Next Gen DMs rely more on social media (41%), while Older DMs prefer traditional online searches and sites (46%) and consulting experts like financial advisors, bankers and accountants (39%).

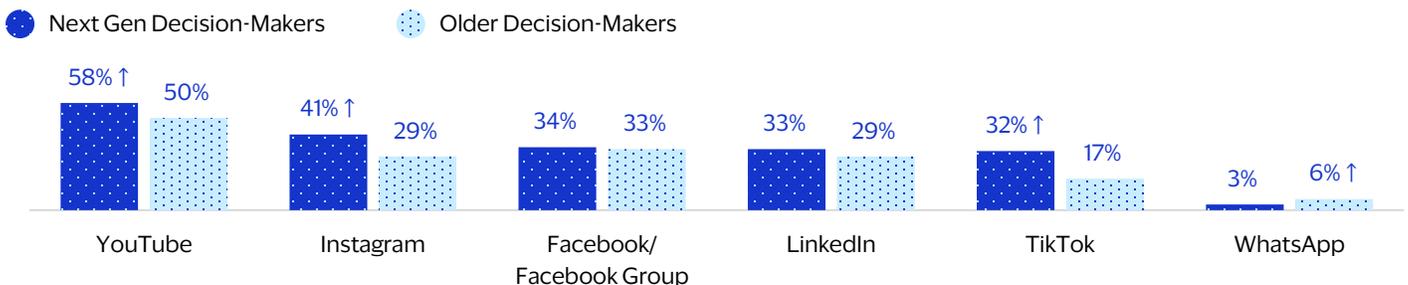
Graph 13: Banking and finance information sources



Up arrows indicate statistical significance between Next Gen Decision-Makers and Older Decision-Makers

Specifically, YouTube stands out as the most popular information source across both groups. However, Next Gen DMs also commonly turn to Instagram and TikTok.

Graph 14: Social media information sources

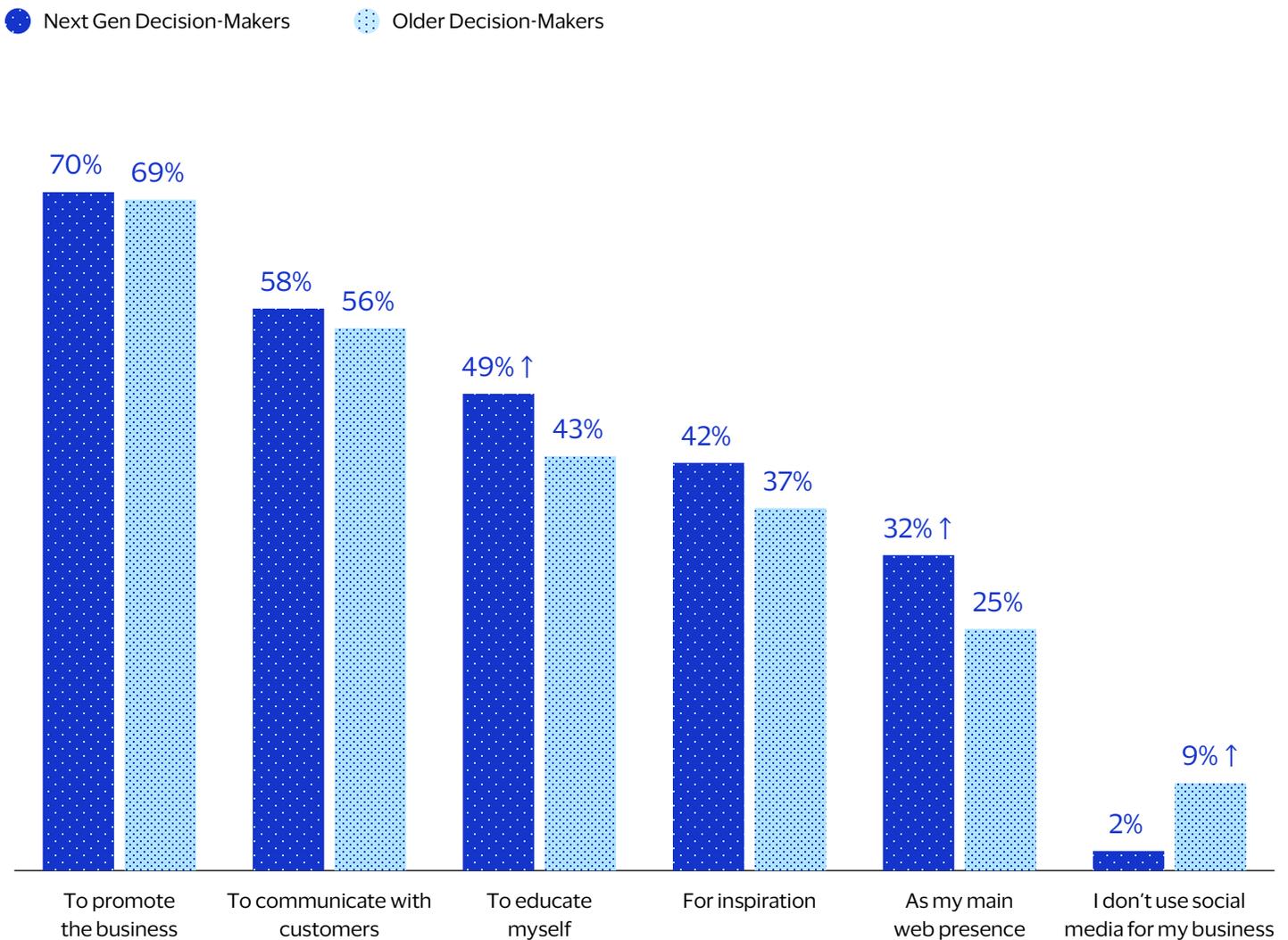


Up arrows indicate statistical significance between Next Gen Decision-Makers and Older Decision-Makers

## 4 Finding: Next Gen DMs use social media for learning.

When asked how they get banking and finance information, social media was a top information source. Next Gen DMs utilize social media for more business purposes than Older DMs. Many decision-makers use social media to promote their business (70% of Next Gen DMs and 69% of Older DMs), communicate with customers (58% and 56%) and to find inspiration (42% and 37%). However, Next Gen DMs are more likely to use social media to learn about banking and finance (49% vs 43%) and as their main web presence (32% vs 25%). Additionally, 1 out of 10 Older DMs report not using social media at all for their business.

Graph 15: Social media for business



Up arrows indicate statistical significance between Next Gen Decision-Makers and Older Decision-Makers

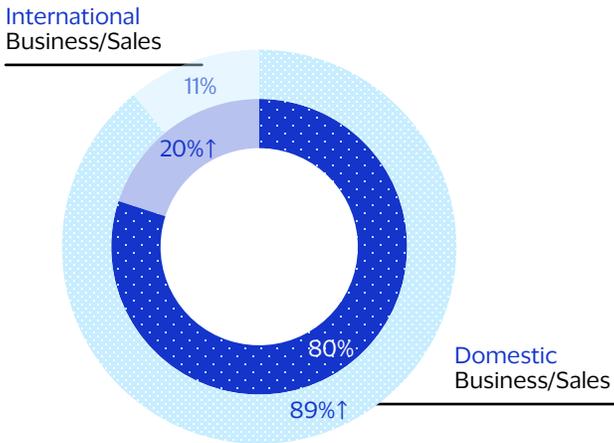
4 Finding: Next Gen DMs use social media for learning.

Using social media impacts international sales revenue.

Next Gen DMs have a larger portion of their revenue coming from international sales even though both groups allocate similar amounts to international marketing and ads. This difference may be influenced by Next Gen DMs' higher social media usage and pre-existing sales networks.

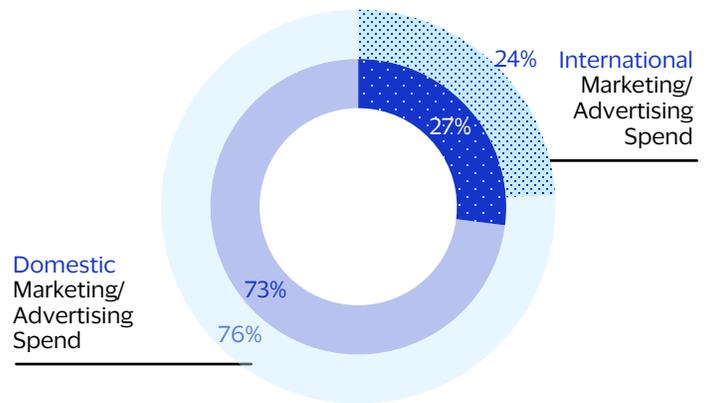
Graph 16: Business and sales – domestic/international

● Next Gen Decision-Makers ● Older Decision-Makers



Graph 17: Marketing and advertising spend

● Next Gen Decision-Makers ● Older Decision-Makers

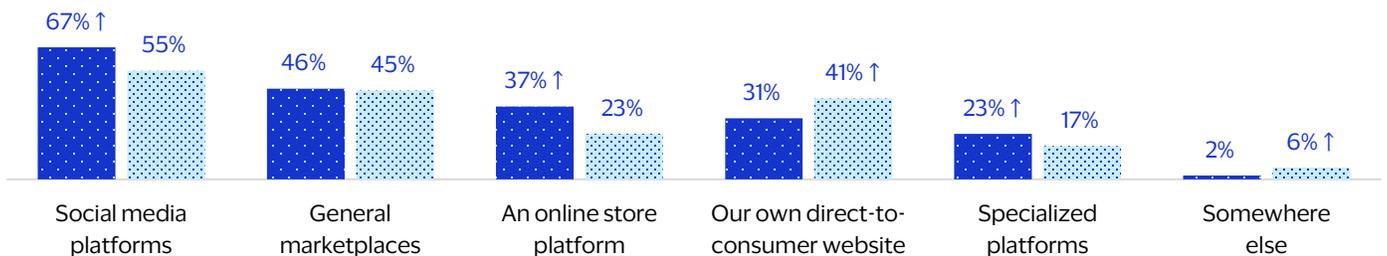


Up arrows indicate statistical significance between Next Gen Decision-Makers and Older Decision-Makers

Next Gen DMs are more likely to use social media platforms, online store platforms and specialized platforms (Etsy, Poshmark, etc.) to sell online, while Older DMs are more likely to use their own direct-to-consumer website to sell online.

Graph 18: Online sales platforms

● Next Gen Decision-Makers ● Older Decision-Makers



Up arrows indicate statistical significance between Next Gen Decision-Makers and Older Decision-Makers

# Summary

Key considerations	Opportunity
<p><b>1</b> Next Gen DMs are more open to trying new things, including new and innovative tools.</p>	<p>Now is the time to build relationships, educate them, introduce services and tools and build loyalty.</p>
<p><b>2</b> Next Gen DMs feel less confident in their business insights because they pull together highly customized tools leading to siloed data and hazy insights.</p>	<p>Educate and offer Next Gen DMs innovative, integrated, digital solutions that include real-time analytics and personalized support.</p>
<p><b>3</b> Next Gen DMs still need the in-person touch of a physical bank. While they spend the majority of their time banking digitally, Next Gen DMs spend a larger proportion of their time banking in person than their older counterparts.</p>	<p>Give more attention to the hybrid online and in-person banking model and how they can work together to provide an efficient, yet personalized experience</p> <p>Additionally, reach out to them, make in-person appointments, get them in the door. They desire the attention and support and are not turned off by you reaching out.</p>
<p><b>4</b> Next Gen DMs use social media as a top information source for learning about banking.</p>	<p>Boost marketing and education through social channels, while not forgetting traditional methods (because they are also seeking personalized guidance and support from their banks in-person).</p>

# Conclusion

The evolving demographics of the small business population requires an evolution of financial tools and banking relationships. The next generation of small business decision-makers desires a hybrid approach: going into a physical branch but also learning about banking primarily from social media. Their businesses are newer than their older counterparts, and they will appreciate a banking partner that offers personalized guidance and support. While the youngest demographic has a unique set of needs and preferences, they still have much in common with the generations that came before them -including a banking partnership that enables their businesses to grow and thrive.

