



White Paper

Make your card program a magnet for the next generation

Unlock competitive advantage and growth with digital card processing

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Next-generation opportunities for banks

Debit cards continue to play a leading role in the payment experience, powering the movement of money at scale between banks, consumers and businesses. But behind the scenes, banking is changing and so are its customers. In an increasingly digital world, where tech-savvy Generation Z is now coming of age, there's a rapidly growing demand from cardholders to provide online debit card services around the clock.

The innovation cycle is accelerating, competition is intensifying and traditional financial institutions are fighting non-bank fintechs for market share. But there's still a window of opportunity for established banks and credit unions to attract and retain younger consumers with digital card management experiences.

That window, however, is closing fast. Get set to unlock competitive advantage by beating the digital disruptors at their own game.

Digital for all – and all for digital

For FIs and their customers alike, digitalization is becoming less of a trend and more of a de facto way of life. Digital card processing capabilities are no longer the preserve of neobanks. And it's not just Gen Z and Millennials that expect frictionless banking, card and payment services 24/7.

As consumers of all ages convert to the convenience of online, on-the-go banking and contactless card payments, there's no going back to the previous status quo of money movement. But you can't move forward either without considering your whole customer base – both the needs of different generations and how those needs change at different stages of life.

Regional and community banks and credit unions are uniquely placed to meet the changing demands of a range of demographics with their card programs. To become a magnet for a younger audience and stay relevant to older customers, you need to keep playing to your traditional strengths – but also add quickly to your arsenal of digital capabilities.

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Core financial services still count

The good news for longstanding FIs is that their newest customers have many of the same fundamental banking needs as their parents and grandparents. In a nationwide survey of U.S. Gen Zers,¹ bank accounts continue to emerge as the most popular banking products, with 98% of Gen Z holding a checking account, 88% a savings account and 77% a credit card.

Gen Zers, in other words, are no strangers to traditional banking services – which 74% also find “very easy” to obtain. The trick is to hook in these young cardholders with digital-first experiences that meet their modern needs.

The fintech effect

As the first true digital natives, Gen Z expect speed and convenience from all their everyday transactions, card payments included. Not only have fintech startups been ready, willing and able to meet their demands by removing friction from banking and simplifying customer experiences – but they've also forged a path that all FIs must now follow to keep money in faster motion.

Digital wallet brands like Venmo and PayPal are now so powerful that their names have become a byword for making instant payments, just as Uber is for hailing a cab.

For banks, competition to be “top of wallet” with debit cards has never been so tough. And if you can't enable a Gen Zer to make a payment or transfer at the click of a button, then you've all but lost their attention, if not their continued custom.

Family influence stays strong – but for how long?

Today, a massive 88% of Gen Zers look most to friends and family for their financial education and information. With more than half (53%) describing their primary bank as a large institution, 61% also say their parents opened their account there for them.

In combination, these trends give traditional FIs an important opportunity to attract younger customers on the back of your existing relationships with older generations. But you'll need to be quick off the mark before a new wave of digital influencers tempt them away.

Already, 46% of Gen Z admit to getting their financial education from social media, websites, blogs and podcasts – a number that's only set to increase as the digital age progresses. So, it's more critical than ever to establish a digital presence fast and extend your value proposition into the virtual spaces that young people frequent.

When did you last see a traditional bank on TikTok or Snapchat? The time is now to stake your place and get your message across to a digitally native target market.

In the cost of living crisis, fintechs have started encroaching on your territory in a big way. In spring 2024, the neobank Chime ran an ad in The New York Times to promote its advance wage product MyPay² – and signed up an incredible 1.75 million customers to a waiting list as a result.

The product itself is nothing new. But in a shiny digital wrapper, its simple yet powerful proposition – the ability to plan your finances and “get paid when you say” – clearly struck a chord with a large demographic struggling to make ends meet.

The power of safety

At its heart, MyPay is all about giving consumers more financial stability and control – propositions that traditional FIs are in a strong position to offer their own customers.

As well as being established in their communities, typically with the physical presence of a branch network, banks and credit unions are heavily regulated. As painful and costly as compliance can be for FIs, it also instills confidence in customers that their finances are safe and secure.

But given the recent spate of bank failures, FIs still have work to do to rebuild trust, especially with younger customers. Here, however, they have another clear advantage over fintechs – the ability to build long-term relationships by meeting a full range of financial needs.

From deposits to loans and mortgages to retirement, every product has its place in the customer life cycle and adds to your armory of tools for retaining customers and extending their relationship with you.

Complemented with seamless digital experiences and underpinned by robust, digitally-driven banking and payment processes, this core strength can make traditional banks unbeatable. So, is your digitalization strategy up to the challenge and fit for purpose?

¹Study of 249 U.S. residents aged between 18 and 26, carried out in April and May 2024

²Reuters, Digital bank Chime debuts advance wage product ahead of anticipated IPO, May 15, 2024

Banking apps are the new branches

For today's FIs, a modern banking app can open doors to not only fuller digital experiences but also stronger relationships, not least with your youngest customers.

It's no surprise that 99% of digital-native Gen Zers access their bank with a mobile app, compared to 5% that visit a local branch. But the sheer level of their engagement is impressive, with 43% logging in once a day and 18% several times a day. Only 4% actually open their app less than once a week.

Such a potentially high number of touchpoints make a banking app both non-negotiable for today's FIs and an unparalleled opportunity to monetize new products and services. Think of your app as a branch that customers might visit several times a day. Can you afford not to optimize their experience?

The omnichannel challenge

The fact is, however, that many older consumers – not to mention business customers – still prefer the face-to-face contact that a branch provides. They may likely interact with your organization digitally, too, but branches continue to play an important role in their banking experience.

It's therefore critical that FIs take an omnichannel approach to the customer experience and offer the same products and services in the same way across all touchpoints.

Even more crucially, processes like card issuing must be able to happen seamlessly across a combination of both digital and physical channels. So, if a customer starts opening an account online, it should be possible to complete the process and resolve any issues with a minimum of friction in branch.

Cards and mobile wallets pay off all around

When it comes to paying for goods and services via their bank, younger customers use a mixture of digital and physical methods. Despite the rise of mobile payment apps, 56% of Gen Z usually use a physical debit card to make everyday purchases like groceries and gas, with 50% still using cash.

But mobile wallets are also popular with digital natives – and notably mobile wallets are now the top choice for buying costlier items.

Meanwhile, heavy everyday usage of debit cards doesn't stop Gen Z from applying for credit products. Almost half are comfortable with the concept of borrowing money, and more than half say they have no problem securing credit. But for the vast majority, having a good credit score is an important life goal.

All of which demonstrates how vital it is to retain customers through different stages of life. As they age, consumers will look to you for a wider range of products, from credit cards and car loans to mortgages and retirement savings, steadily increasing their lifetime value. Imagine the opportunities if you can stay top of wallet throughout.

The physical factor

When Gen Zers reach old age, conventional credit and debit cards may be on their way out, if not long gone. But although many leading banks now offer instant digital issuance services that deliver virtual cards immediately, some large merchants in the U.S. don't yet accept tap-and-pay payments via smartphones.

When it comes to card processing, then, a fully digital world is still some way off – and plastic cards remain an important part of customers' interaction with your brand. But nothing in payments stands still for long, so no bank or credit union can afford to delay its digital journey.



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Are you ready to unlock competitive advantage and growth with your card program?

As statistics show, traditional financial institutions face a unique combination of opportunities and challenges when it comes to broadening their appeal:

- Young digitally native customers still want traditional financial services like debit and credit cards, but also expect a digital-first experience from their bank.
- Thanks to pioneering fintechs, a digital presence is now key to competitive advantage – but so is the strength, safety, guidance and choice of products you can offer your customers.
- Banking apps and mobile wallets are becoming table stakes for driving engagement.
- Branches and physical cards still have a role to play in the banking experience, not least for older customers.

So, it's clear that FIs need to futureproof their businesses, increase their relevance to younger customers and compete harder with fintechs and neobanks by rethinking their payment operations and modernizing their infrastructure.

But they must also keep their older customers close, build on their reputation for relationship banking – and balance innovation with their obligations as regulated institutions.

With robust digital processes, the highest standards of security and the backing of one of the world's largest financial technology companies, FIS® Payments One can help banks, credit unions and other card issuers strike the right equilibrium with a single modern card processing platform.

And as a technology partner, we can support you on every step of your digital journey – not only digitizing your card program but also running as much of it as you need to keep money moving safely and efficiently.



Get in touch to find out more.

UNLOCK COMPETITIVE ADVANTAGE AND GROWTH.

FIS card solutions help move money more effectively.
Our **technology** powers the global economy across the money lifecycle.



**Money
at rest**

Unlock seamless integration and human-centric digital experiences while ensuring efficiency, stability, and compliance as your business grows.



**Money
in motion**

Unlock liquidity and flow of funds by synchronizing transactions, payment systems, and financial networks without compromising speed or security.



**Money
at work**

Unlock a cohesive financial ecosystem and insights for strategic decisions to expand operations while optimizing performance.

About FIS

FIS is a financial technology company providing solutions to financial institutions, businesses and developers. We unlock financial technology that underpins the world's financial system. Our people are dedicated to advancing the way the world pays, banks and invests, by helping our clients confidently run, grow and protect their businesses. Our expertise comes from decades of experience helping financial institutions and businesses adapt to meet the needs of their customers by harnessing the power that comes when reliability meets innovation in financial technology. Headquartered in Jacksonville, Florida, FIS is a member of the Fortune 500® and the Standard & Poor's 500® Index.

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