



**Next-Gen Payment
Preferences**

Adapting to Millennial and Gen Z Consumer Preferences



Introduction

The payments industry is undergoing a dramatic technical revolution. In a space where end customers have traditionally accepted whatever the industry chose to give them, consumer preferences are now driving technological innovations as payments companies look for faster, more frictionless ways to serve a new type of customer who will increasingly **accept nothing less**.

At the heart of those changing preferences are two demographics — Millennials and Generation Z. Millennials, born between roughly 1981 and 1996, experienced the transition from an analog to a digital world. Now in their peak earning years, their relationship with technology and hunger for connectivity are major influences on payments innovations.

Generation Z, born between 1997 and 2012, is in the early stages of its impact on the payments space, but its needs and expectations are so different from the industry's mainstream that the impact is **already being felt. With most of its members having never known anything but the highly connected world we live in today, Gen Z are true digital natives for whom speed and convenience aren't a selling point but a bare minimum.**

For payment providers, the emergence of these two generations as dominant forces in consumer spending means that many of the strategies and best practices that have worked for decades are now obsolete. To stay relevant to these young consumers (and to the merchants that sell to them), payment providers will need to pivot, becoming more agile, flexible and future-forward than ever before.

The payments industry is undergoing a dramatic technical revolution.



In this whitepaper, three of NMI's executive thought leaders examine where Millennials and Gen Z are taking the payments industry, providing an overview of the state of consumer payment trends, as well as actionable advice for payments professionals.

Vijay Sondhi, Tiffany Johnson and Kate Hampton discuss:

- **Who these young consumers are**
- **How their preferences differ from the generations before them (and from each other)**
- **The types of payments technologies they prefer**
- **How omnichannel and payment orchestration make modern payment technologies possible**
- **The importance of meeting consumer expectations**
- **Finding the right partner to help your business stay ahead**

The NMI team concludes with actionable advice that payment providers and SaaS companies alike can use to change the way they think, operate and plan in order to stay competitive as next-generation consumers remold the industry.

To learn about the future of payments and the young consumers driving change, continue reading and tune in to the NMI Payments Playbook Podcast to hear their full thoughts on [consumer payment trends](#).



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Part 1: Generation Z and Millennials are Reshaping Payments

By 2030, Millennials and Generation Z will make up [48% of total global retail spend](#). Not long after, they'll account for the majority.

Today, there are significant differences both in the technology available to consumers and how each subsequent generation chooses to use it. For instance, older generations may still favor cash or cards, while younger buyers may prefer tapping their phone or smartwatch to pay.

These nuances (and the evolving expectations of a growing market segment) are driving a major shift in how payments companies and merchants think about and serve the next generation of consumers.



Millennials are Flexible Payers and Eager Adopters

With birth dates going back to the early 80s, “elder Millennials” have been shaping changes in payments and commerce for well over a decade, so their influence is not new to the industry or its emerging technology. But now, with even the youngest approaching their 30s, Millennials have firmly entered the beginning of their prime spending years.

With a mean [disposable household income of just under \\$90,000](#), Millennials are second only to Gen X. However, their shopping habits and payment preferences more closely resemble the younger Gen Z. That combination of high spending power and novel payment preferences makes Millennials a critical target for forward-thinking payment companies — one they can’t afford to miss.

Tiffany Johnson: “Millennials are very tech-savvy shoppers, but they’re also diverse. They’ll use new tech like digital wallets or peer-to-peer apps, but they’re also big physical card users, and they’re even comfortable using cash — something you can’t really say about Gen Z. That diversity offers a bit of a respite to merchants since Millennial customers are highly flexible and won’t walk away if they have to use their second or third favorite payment method. But, merchants and payment providers can’t allow that to create a false sense of security because Millennials *want* next-gen payments.

Older generations may still favor cash or cards, while younger buyers may prefer tapping their phone or smartwatch to pay.



NMI research shows that 87% of consumers between the ages of 25 and 40 say they're excited to try new payment technologies — even higher than their younger cohorts in the 18 to 24 age bracket, who came in at 83%. That reflects the fact that, while they might still be more open to “old” ways to pay, Millennials are hungry for innovation.

They're highly convenience-driven, especially after settling into the digital-first life we all adopted during the pandemic, and they know that new technologies are the best route toward more of that convenience.

So, while Millennials won't necessarily turn away from your brand if you don't have the absolute latest and greatest in payments tech, they will unquestionably take advantage of it if you do, and they'll appreciate it. That makes a tech-forward shopping experience a key way to build great relationships with these eager adopters.”

Gen Z is Tech-First and Demands Convenience

Generation Z — also known as “Zoomers” — seem a lot like Millennials on the surface. They're tech-savvy, digital-first consumers who prioritize frictionless and convenient experiences. But once you dig a little deeper, it becomes clear that Gen Z consumers are unique, and lumping them in with Millennials is a mistake.

Zoomers are an unwaveringly tech-forward generation that knows exactly what they want from a shopping and payments experience. And they won't accept anything less. **With Gen Z's global share of retail spend set to triple by 2030**, figuring out the recipe for keeping them happy is a job the payments space can't afford to miss.

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Vijay Sondhi: “You’ll sometimes hear Millennials referred to as the first digitally native generation, but really, it’s Gen Z. From top to bottom, they don’t remember an era before widespread internet access, and most of them don’t even remember an era pre-iPhone. They grew up with smartphones and tablets in their hands, and that makes them very different consumers to Millennials.

We’ve done research that clearly shows that Gen Z consumers are not willing to accept friction. It just isn’t in their vocabulary. They won’t accommodate a complex checkout flow or a payment method they don’t prefer — even if they have that method available. They’ll just go elsewhere. They’re uncompromising in that way, which is a strength for them but a huge challenge for the payments industry because it completely flips the flow of influence on its head.

Once upon a time, as an industry, we would deliver solutions that were easy for us to ship, and consumers would adapt to what we gave them. But those days are gone. We now absolutely must adapt the tech and experiences we deliver to the demands of these young consumers.”

Johnson: “Gen Z is the single-device generation. Touching on what Vijay said about growing up with iPads and iPhones, Gen Z consumers are mobile-first in almost everything they do, from shopping to banking to entertainment and beyond. Because they’ve always enjoyed a highly centralized, integrated and frictionless tech experience, they expect that convenience from shopping and payments. If it isn’t there, they’ll go somewhere else without a second thought.

I recently read some research from McKinsey that said **62% of Gen Z would shop around outside their favorite brands** as a normal practice, and 50% said they would switch things up if there was better quality available elsewhere. So brands really need to offer exceptional payment experiences to keep Gen Z shoppers engaged and coming back.”

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Part 2: Positioning for the Future of Modern Consumer Preferences with Cutting-Edge Tech

Millennial and Gen Z consumers connect with brands through technology above all else, and payments are an important part of that connection. While credit and debit cards will still be around for a long time to come, there are a number of new payment channels providers need to start thinking about in order to effectively serve next-gen consumers — especially Generation Z.

While options like digital wallets are already being widely adopted with great success, it's important to look even farther out to the payment solutions that will become critically important years down the line.



Buy Now, Pay Later

Buy Now, Pay Later (BNPL) is a relatively new payment option that acts as a type of low or no-interest financing available right at the time of purchase. The most common BNPL setup is known as the “Pay in Four” model, where the customer pays a quarter of the price upfront and then spreads the remaining amount over three more monthly payments.

With BNPL accounting for over [\\$1 billion in spend during 2024's Prime Day event](#) (a 16.4% increase YoY), it's clear that consumers increasingly expect this option while shopping.

BNPL gained popularity during the global pandemic when consumers of all ages were looking for creative ways to stretch their money. Its popularity waned with older consumers and Millennials after the return to “normal,” but it has remained a favorite option of Generation Z. Although BNPL can help consumers spread out their expenses [in times of economic uncertainty](#), shoppers who rely on it too heavily may find themselves with unexpected debt.

Sondhi: “There’s an interesting phenomenon among Generation Z when it comes to using credit cards. They don’t view it as a card with a line of credit attached the way their parents did. So they’ll still use credit cards for online purchases or to get points and rewards, but when it comes to making large purchases that they need to spread out over time, Gen Z overwhelmingly prefers Buy Now, Pay Later over carrying a balance on a card.

Part of that has to do with their view of banks — which is not good. They feel like carrying a balance on a credit card is going to gouge them on interest, while BNPL won’t. They also feel like banks are opaque and BNPL is more transparent. In a lot of cases, they’re wrong. But as is so often the case, perception wins out over reality. Banks really need to start working on that image issue, but in the meantime, it’s really important for merchants to offer BNPL as an option if they’re looking to court Gen Z.”

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Biometrics

Biometrics use the most unique aspects of our bodies — like our fingerprints and irises — to verify our identities. Biometrics were once limited to high-security environments. Today, they're cheaper than ever to deploy, thanks in part to the print and face scanners built into our smart devices. Digital wallets have used these scanners to verify payments made on phones for years, but today, a new range of biometric payment technologies are emerging, including facial recognition and handprint scanners that can be integrated directly into self-checkout lanes.

Sondhi: “Personally, I’m really excited about biometrics because they’re so much more secure and convenient than other methods of authentication available today. But, I’m not a Millennial or a Gen Zer — and that’s an important distinction.

Things like palm scan payments have a massive uphill battle to fight with Gen Z and Millennials because they’re extremely sensitive to security and privacy concerns. It’s kind of funny, especially with Gen Z, because they’re so comfortable online, and there is so much they’ll publish that older generations wouldn’t dream of. But when it comes to biometrics, there’s a big trust gap. They don’t want their biometric data owned by companies like Amazon or Google, where they know selling data is part of the business model.

I think the only way biometric payments are going to overcome that trust gap is if they’re deployed by trusted third parties. In current market terms, think Visa or Mastercard versus Amazon, Target, etc. It’ll happen, I think the question is just how soon.

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Zoomers and Millennials have no issue using the biometric sensors in their phones because they trust the companies making them. So that's the future for payments — a wider biometric payments protocol offered by a trusted neutral party. Build that, and I think young consumers will adopt it very quickly due to the speed, convenience and security biometrics offer.”

The Importance of Orchestrating a Curated Omnichannel Payments Experience

One upside of a world limited to cash or cards was that payments were relatively simple. Today, with such rapid innovation in the space and so many new channels emerging, designing a payments experience is anything but easy. Payment providers need to think about what new technologies they want to offer, but also how those technologies interact in order to create an experience that is cohesive for the end user in addition to being flexible.

Kate Hampton: “We talk a lot about how important it is to offer all these modern payment technologies to younger consumers, and while that’s true, there’s more to it than just tossing a bunch of options out there. Omnichannel commerce — consistent, seamless shopping experiences across multiple channels — is a must today, and diverse payments are a huge part of that. But options are only good if they work together in the way that makes the most sense for the user. Without that, more choices can actually convolute things.

Gen Z and Millennial consumers don’t just want options for the sake of options; they want contextuality — the *right* option seamlessly presented at the right time. That’s where payments orchestration comes into play.

Today, with such rapid innovation in the space and so many new channels emerging, designing a payments experience is anything but easy.



Payments orchestration is sort of a vague term that really just means coordination across payment types, channels, processors and use cases. It's about taking something complex — which payments absolutely are — and curating something simple for the end user. If options are the ingredients, the orchestration is the recipe that brings it all together into something both merchants and consumers are happy to have.

Well-orchestrated payments are invisible and a must-have. If you're selling through more than one channel — which you really need to be — a poorly orchestrated payment experience just won't cut it. Especially with Gen Z. That makes it incredibly important for providers to find infrastructure partners that have the experience and resources necessary to design well-orchestrated solutions that make sense for your consumers."

Well-orchestrated payments are invisible and a must-have.

Part 3: Delivering Better Experiences for the Next Generations of Merchants and Consumers

The payments industry is undergoing rapid change, and young consumers are in the driver's seat. In an industry as competitive as payments, where the race to gain market share is already well underway, meeting consumer expectations is a mission-critical task.

So, what can payment providers do to start meeting Gen Z and Millennials, not just where they are today but where they're going to be tomorrow?



Proactively and Enthusiastically Embrace New Payments Technology

Johnson: “We know that well over [80% of young consumers](#) want new payment options, so the more new payment options you can embrace, the better equipped you’ll be to serve them, and the better equipped your merchants will be as a result.

Remember, we’re not just talking about consumers. Gen Z and Millennials also make up the next generations of entrepreneurs and business leaders. They are buyer personas for your payment products. So, the more tuned in you are to their needs, the more you’ll stand out above the crowd in an industry that is traditionally slow to adapt.

Whether it’s finally getting into contactless options or reaching into the future to get an early start on biometrics or even cryptocurrencies, it’s time to start looking forward. Because Gen Alpha is coming down the pipe, and the trend towards digitally focused payments is not going to change.”

Futureproof Your Payment Offerings

Hampton: “Gen Z and Millennial consumers want to eliminate friction. That sounds simple enough, but merchants aren’t payments experts. They make the best cup of coffee, but they don’t know how to curate a great payments experience for the people buying that coffee. That’s a big deal because payment is a meaningful part of the customer experience, and the customer experience is an extension of their brand — one of their most valuable assets.

Gen Z and Millennials also make up the next generations of entrepreneurs and business leaders.



As a payments provider, it's your job to ensure your merchants can offer that omnichannel, low-to-no-friction payments experience, not just today but wherever the industry goes tomorrow. That makes it imperative to build your strategies out with future-proofing in mind. Because omnichannel commerce is constantly evolving.

Something like tap-on-mobile didn't really exist in the U.S. five years ago, but now it's here, and it could be huge five years from now. You don't want to be caught reacting when that happens because then it's too late. So you need to proactively build future-proofing into your strategy."

Aim for Invisible & Seamless

Johnson: "The best payment is the one that never happened. Which is to say, if an end customer has to stop and think about a payment, you're already losing. In the case of Gen Z, you might even be losing the customer. Your merchants can't afford that, so they need to be able to offer their Gen Z and Millennial customers whichever payment is most convenient, when and where the customer wants to use it.

If you aren't already, you need to be putting frictionless omnichannel capabilities at the heart of your strategy going forward. If your current solutions are limiting merchants in which channels they can sell through or which payment options they can offer, then you're limiting their ability to offer frictionless experiences. That means they're not meeting their customers' needs, and, as a result, your ability to stay competitive as their provider is hindered."

The best payment is the one that never happened.



Think Bigger and Lean on Expert Help to Get You There

Sondhi: “The only constant is change, and it never stops accelerating. As even more new payment technologies emerge and we move towards more options becoming standard for merchants, interoperability is going to be absolutely critical. That means closed-loop systems aren’t going to be able to scale anymore.

We’re already seeing that now in areas like public transit, where people want to be able to tap onto a bus with their debit or credit card instead of having to carry a separate electronic pass.

But whether it’s a large-scale problem like a transit system or a counter setup for a small mom-and-pop store, as a provider, you need to be thinking about the wider, open-loop solutions that are going to power payments in the future; those are the solutions that are going to enable you to offer merchants more choices and quickly onboard the newest payments tech as it emerges.

But it’s very important to understand that thinking big and building big are two very different things. Don’t try to keep up with cutting-edge payments tech on your own. It’s too hard, too expensive and, frankly, unnecessary. Instead, focus on what it is that you do best as a provider — serving merchants — and let an infrastructure partner handle the technology enablement side for you. That’s the best use of your resources and, by far, the best way to ensure your merchants have what they need, no matter how consumer preferences continue to evolve in the future.”

As even more new payment technologies emerge and we move towards more options becoming standard for merchants, interoperability is going to be absolutely critical.



Partner with NMI and Let Us Keep Your Business on the Leading Edge of Payments

NMI is a global leader in embedded payments, focused on offering payment providers turnkey access to the technology, infrastructure and expertise they need to serve merchants better. With over 20 years of experience leading innovation in the space, NMI handles the heavy lifting so our partners can stay at the cutting edge of payments while keeping their focus on growing their portfolios and providing outstanding customer service, no matter where the market goes.

To learn more about how our robust payments platform can help you thrive in a rapidly evolving market, [reach out to a member of our team today](#).

Partner with NMI and Let Us Keep Your Business on the Leading Edge of Payments

NMI Payments Playbook is a podcast examining some of the most important issues facing the payments industry today. In each episode, our host Greg Meyers sits down with some of the payment industry's top thought leaders to discuss strategy, technology, the market and more.

For more thoughts on the future of payments and the young consumers driving change, tune in to our [three-part series on consumer payment trends](#).



About Our Leadership



Vijay Sondhi | Chief Executive Officer

Vijay Sondhi is the Chief Executive Officer of NMI. He is an accomplished fintech executive and investor. Vijay ran Visa's CyberSource and Authorize.Net businesses, was head of Visa corporate strategy and launched Visa's flagship One-Market Innovation Center. He served as CFO for three private equity and venture-backed companies spanning a wide variety of fintech solutions, including ERP accounting, point-of-sale systems, hospitality reservations and billing, plus financial document management, where he raised private capital, executed merger and acquisition transactions and oversaw an initial public offering. Vijay's executive career includes senior roles with Oracle-Micros-Fidelio, OpenText-IXOS and SAP. Vijay earned an MBA from Columbia Business School and a Bachelor of Science degree in computer science from The University of British Columbia. Vijay lives in San Francisco with his wife and two daughters and is passionate about cycling and skiing.



Tiffany Johnson | Chief Product Officer

Tiffany is the Chief Product Officer of NMI and has more than 15 years of product leadership experience in payments, fintech and finance. She previously served as SVP of Product for Green Dot and Head of Product for North America at UK-based Railstr (formerly Railsbank), leading new product development including banking, payments, debit and credit "as-a-service" offerings. She has a passion for financial literacy, inclusion and innovation. She was recognized by American Banker as one of 2024's Most Influential Women in Fintech and was named one of the Electronic Transactions Association's Forty Under 40. Tiffany, her husband, and three kids live in Phoenix and love traveling, skiing and exploring the great outdoors.



Kate Hampton | Chief Strategy Officer

Kate Hampton is the Chief Strategy Officer at NMI. She brings 15 years of extensive experience in the payments industry. She previously served as the SVP of Product – Payments at Entrata where she implemented the pay-fac model, expanded the payments function, and grew it into one of the highest revenue-generating products for the company. She also held management positions in Corporate Finance at Global Payments, Accelerated Payment Technologies, and CAM Commerce. Kate enjoys reading, running, as well as creating and visiting gardens.



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