



Social Payments Have Moved from a Luxury to a Necessity

payments social media

Summary: According to the Federal Reserve, 83% of consumers, ranging from the Silent Generation to Gen Z, routinely use mobile payment apps and digital wallets. Some users even keep a balance in these apps, treating them like makeshift checking accounts. With the popularity of social payments crossing the generational divide, integrating with social payment apps is a necessity for financial institutions to remain competitive.

Nobody likes to think about their own funeral, but when most people envision their sendoff, they hope for a large service with countless friends and family members paying their respects. Thanks to moirologists, even people with small families and few friends can have funerals with tons of mourners. Moirologists are professional mourners who are paid to attend funerals, express their sorrow, and take part in any specific funeral customs desired by the deceased. Moirologists' existence makes it clear that there is pretty much nothing that can't be bought in today's world.

Not only can you buy just about anything, but virtually every purchase can be paid for through your phone. Social apps such as Venmo have become increasingly popular because of the ease of their use and the absence of fees for cash-based payments.

Instant Gratification

The ability to easily and instantly send or receive money between individuals, or even organizations, has helped social payments become extremely popular. Though younger consumers were quicker to embrace social payments and still account for the largest percentage of activity, their popularity is quickly breaching the divide between all demographics of financial customers.

According to the Federal Reserve, [83% of consumers routinely use mobile payment apps and digital wallets](#), from Gen Z and Millennials to Baby Boomers and the Silent Generation. Not only are consumers embracing social apps, but they are also using them as makeshift financial accounts by maintaining balances within the apps themselves. According to a 2020 NerdWallet survey, roughly [68% of consumers were maintaining average balances of up to \\$287](#) within social payment apps before transferring the funds to their financial institution (FI). Given that most payments in apps such as Venmo lack Federal Deposit Insurance Corporation (FDIC) backing, this trend creates an opportunity for community financial institutions (CFIs).

The Cost of Abstinence

While most CFIs have stepped up their mobile app capabilities over the past few years, CFIs should consider going a step further by incorporating social payments into their offerings. According to YPulse, 58% of people between the ages of 13 and 37 are interested in [making purchases directly through their social media feeds](#), and that number is only poised to increase.

Consumers are also becoming increasingly comfortable with alternative financial services providers,

particularly those offered by big technology companies such as Apple and Amazon. A recent survey from Cornerstone Advisors found that 46% of Millennials, 38% of Gen X, 30% of Gen Z, 11% of Baby Boomers, and 9% of the Silent Generation would be willing to open Amazon checking accounts.

Failing to incorporate social payment options into your CFI’s offerings could result in customers, particularly those within younger demographic groups, migrating to competitors who do offer them.

Teeing Up Social Payments Through CFIs

One of the biggest advantages that CFIs have is that most people still prefer the safety of a traditional FI. According to a 2020 study from Deloitte, 75% of consumers believe that banks and credit card providers are in the best position to provide safe, one-stop financial offerings. Incorporating safer social payments into their offerings, such as Zelle and CHUCK, is one way that some CFIs have begun offering social payments to consumers.

CFIs considering adding social payments into their offerings should keep the following things in mind:

- **Encourage Safety Over Popularity.** Inform customers about the added safety of using instant payments with FI backing, such as Zelle and CHUCK, versus more popular competitors like Venmo. Educating people about what FDIC backing means and the security it brings, particularly for larger payments, can be a good way to increase customer usage of social payments through CFIs.
- **Choose a Familiar Platform.** Before adding anything into your organization’s current offerings, take the time to examine the data you have on customers’ existing behaviors and which apps they have already embraced. Depending on the social payment apps your customers currently use, there may be opportunities for partnerships with these organizations.

Whether or not your CFI has already embraced social payments, it is important to stay up to date on customer preferences on this front. With social payments being embraced by all demographics, CFIs that do not offer such capabilities risk losing customers to organizations that do.

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ECONOMY & RATES

Rates As Of: 01/06/2023 06:42AM (GMT-0700)

| Treasury | Yields | MTD Chg | YTD Chg |
|-----------|---------|---------|---------|
| 3M | 4.66 | 0.24 | 0.24 |
| 6M | 4.81 | 0.05 | 0.05 |
| 1Y | 4.76 | 0.05 | 0.05 |
| 2Y | 4.46 | 0.03 | 0.03 |
| 5Y | 3.93 | -0.08 | -0.08 |
| 10Y | 3.75 | -0.13 | -0.13 |
| 30Y | 3.83 | -0.13 | -0.13 |
| FF Market | FF Disc | IORR | |

| | | |
|-------------|--------------|-------------|
| 4.33 | 4.50 | 4.40 |
| SOFR | Prime | QBER |
| 4.31 | 7.50 | 4.32 |

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