Why Young ‘Next Gen’ Entrepreneurs Thrive on Innovation and Bold Moves

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As small and medium-sized businesses evolve, a new generation of decision-makers is emerging, known as “Next Gen” SMBs. These individuals, defined as those between 18 and 35 years of age, are reshaping business practices with their openness to innovative solutions, a mix of digital and traditional banking preferences, and a strong reliance on social media for education.

For financial institutions, understanding the unique characteristics and needs of this segment is crucial to providing the right tools, resources and banking experiences. Key insights from a recent survey reveal how these decision-makers are driving change and what financial institutions can do to support their growth.

Embracing innovation

One of the most striking characteristics of Next Gen is their willingness to experiment with new tools and technologies. Unlike previous generations, who might have established routines and preferred tools, Next Gen is in a phase of exploration. According to recent data from Visa’s survey, Next Gen Small Business Owners: Understanding the Banking Preferences of Gen Z and Young, Millennial SMB Owners, 41% of these decision-makers are currently using between six to nine banking innovations, compared to only 24% of prior

generations. This openness to new things highlights a critical shift in the SMB landscape. They are actively searching for what works best for them and are willing to integrate a variety of tools and solutions to meet their needs.

Next Gens are notably more inclined to take risks (+8%), as compared to more seasoned SMB decision-makers, who tend to be more conservative with their business strategies. This propensity for risk-taking translates into higher usage of innovative and emerging technologies. E-invoicing stands out as the most popular innovation, utilized by 56% of Next Gen.

There are significant gaps in the adoption of other advanced technologies: Virtual Cards (+18%), Tap to Phone (+15%) and Biometrics (+15%) all see higher usage among Next Gen. These technologies are crucial for modernizing business operations, offering scalable and secure financial solutions.

Next Gen also utilize a wide range of financial tools more commonly, including cashflow/money management (+7%), spend management tools (+7%), online marketplaces for SMB loans (+9%), supplier payment management (+7%) and SMB lender or credit resources online (+7%).

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Value in-person banking experiences

Despite their inclination towards digital innovation, Next Gen still holds a strong appreciation for the traditional in-person banking experience. A significant 68% of these decision-makers maintain their primary business accounts at traditional banks. While they complete approximately two-thirds of their banking activities digitally, they still perform a larger proportion of their banking in person. This dual approach indicates that while they are open to digital-only financial institutions and fintech solutions, the trust

and reassurance of a physical bank branch remain invaluable.

Next Gen values building personal relationships and trust, receiving customized guidance and completing complex banking tasks in person. Regular check-ins for assistance are desired by more Next Gens, indicating that they welcome proactive communication. This combination of digital and traditional banking allows them to manage their finances effectively.

Lower confidence in business insights

A notable challenge for Next Gens is their confidence in business insights. The data reveals that 57% of them prioritize high-quality, customized tools over those that fully integrate with their existing financial systems, which only 43% prioritize. This focus on quality and customization, however, has led to siloed data and less cohesive insights.

Almost a quarter of Next Gens report struggling with extracting meaningful business insights. This fragmentation can be a barrier to making informed decisions, suggesting a need for more integrated and comprehensive solutions. Tools that provide valuable insights into spending patterns, cash flow and customer behavior can help Next Gens make data-driven decisions, optimize operations and identify growth opportunities.

Using social channels for education

In our connected world, social media has become a pivotal resource for Next Gens. A significant 41% of them rely on social media for information about banking, more than any other source. This trend underscores the role of social channels not just as a platform for promotion and customer engagement but as a crucial educational tool. Next Gens are leveraging these platforms to stay informed about the latest

in banking and financial tools, reflecting a shift towards more dynamic and accessible forms of learning.

Next Gens have a larger portion of their revenue coming from international sales, which may be influenced by their higher social media usage and pre-existing sales networks. They are more likely to use social media platforms, online store platforms and specialized platforms to sell online, while prior generations prefer their own direct-to-consumer websites.

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Looking forward

Next Gen SMBs are a fascinating blend of tradition and innovation. Their openness to new tools and technologies, combined with a continued appreciation for in-person banking, highlights a balanced approach to business management. Their preference for high-quality, customized tools points to a need for more integrated solutions to enhance business insights. By understanding these preferences and behaviors, financial institutions and business service providers can better cater to the unique needs of NextGen, helping them navigate the complexities of modern business and drive growth in a rapidly changing landscape.

Survey Methodology: 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 had to be: 18-65 years old and the primary or shared financial decision-maker for a small business.

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