Finance Webinar Transcript

Matt: Obviously a huge business trend this year, probably the most exciting that I've personally seen since the dawn of social media in 2005 is artificial intelligence. And these AI large language learning tools that are out there like chat GPT are really opening people's eyes to the possibility of the next wave of computing and I think one of the first areas we're gonna start to see impact consumers, is the area of wealth management.

Matt: To thrive in a rapidly evolving landscape, brands must move at an ever increasing pace. I'm Matt Britton, founder and CEO of Suzy. Join me and key industry leaders as we dive deep into the shifting consumer trends within their industry, why it matters now, and how you can keep up. Welcome to the Speed of Culture. You. Hey, Speed of Culture fans. Matt Britton here today. We have a special edition of the Speed of Culture podcast. It's a recent Suzy State of Consumer webinar I did where we deep dove into the current financial environment and how it's impacting the consumer at large. We'll be discussing recent trends around the banking crisis and other macro financial factors. Hope you enjoy it. Talk soon.

Matt: Hi, everyone. This is Matt Britton, founder and CEO of Suzy. I want to thank everybody for joining today's webinar about weathering the financial storm. It's a rainy day here in New York City at Suzy's headquarters, and I'm glad to be back with everyone. For those of you who are not familiar with the state of consumer webinar, this is something that I started in mid March 2020, right when the Pandemic hit. And throughout the Pandemic, we found it to be very effective at having these webinars sharing the insights we are learning from our Suzy platform about the changing nature of the consumer, had tremendous feedback from our partners and our customers and our team, and have decided to continue with it. And though I think the attendance and interest in webinars have kind of ebbed and flowed throughout the pandemic and to wherever we are today, I still found it to be highly effective as a form of communicating what we're seeing about the changing nature of the consumer. And we continue to get great feedback. For those of you who don't know me, I'm Matt Britton. I'm the founder and CEO of Suzy. I've spent my career over two decades really trying to decode the changes and trends of the new consumer of the millennial generation, now Gen Z, and their impact on business, culture and society. I joined Suzy as CEO right before the company was launched in 2018. And I've really been privileged to be in this position to have my finger on the pulse of the consumer through our market research tool, Suzy, which is an end to end consumer insights platform that really enables our customers to understand what the consumer is thinking and feeling and ask why at any time. And we're privileged to work with some of the world's greatest brands and continue to do so.

Matt: We are going to be presenting a study today about consumers and their sentiment on the economy and the financial services space in general. And we have used our own platform, our Suzy market research platform, to have a bunch of different data points that I'll be referencing throughout today. And the study that was being used to reference those data points are from a variety of surveys that were conducted in March 2023 with a sample size of over 1000 consumers and that sample is census weighted across age, gender, ethnicity and region. So with that I'm going to dive in. Hopefully I have some time for questions afterwards. And again, thanks everyone for joining today. So we are obviously in a very fragile economic state. Everyone has kind of felt it, everyone has heard about sort of the shockwaves in the economy. I think what's important for everyone to realize is that nearly everything we're facing right now as an economy in America is directly correlated to the COVID pandemic. The economy was in a pretty good spot heading into

2020. It wasn't without its flaws, but generally speaking we are in a very solid bull market state and generally speaking, unemployment was at a good rate and people were feeling pretty good about the economy. And then COVID hit, and when COVID first hit, people were talking about this being the next Great Depression. A lot of people were worried about their survival and they were stockpiling things like toilet paper so they could be in their homes. Then we had a rush of fiscal stimulus that entered the economy for better or worse starting in around April May 2020 and lasting throughout all of 2000 and 2021. The byproduct of all that stimulus is that consumers instantly felt incredibly rich and started to buy things like cryptocurrencies and invest in collectibles and buy meme stocks and all sorts of things. They didn't know what to do with all the money they had and also continued to buy a lot of other stuff that they would normally buy. TVs and cars and all those different categories start to become overheated. And what started to happen when they were overheated, meaning there was too much demand and not enough supply, is we hit supply chain issues. And then what started to happen over time is the inverse happened.

Matt: Prices start to go up and consumers start to feel less rich in a very short period of time as companies weren't able to deliver what they were asked to deliver from consumers. The only way that they could deliver those things or attempt to is by essentially paying more money to get those things produced more rapidly. And again that continued to exacerbate over time and we started to hit a pretty scary inflationary environment in 2022 that started to impact the way that the government looked at the economy. And what they started to do, more specifically the Federal Reserve, is they went from a zero interest rate environment where the basically Federal Reserve took interest rates down to zero to try to stimulate the economy to start to very quickly increase those interest rates to essentially cool off the economy and went from an interest rate environment of 0% to 5% in the quickest amount of time in history. And with that massive shift going from 0% to 5%, again, in reaction to what we saw as rising inflation. It kind of put the economy in a little bit of a haywire where all of a sudden companies started to worry about what that meant. The tech space got directly impacted because it increasingly got hard to access venture capital. I can speak firsthand as a CEO of a venture funded software company that the landscape has changed dramatically in terms of the ability of companies like ours to access capital markets. And when you know you can't access outside capital, what a lot of companies start to do is be more efficient with the capital they have. And that's just not just startup companies, those are the largest companies in the world, companies like Google and Microsoft and Facebook. And as a result we start to see a lot of companies really start to tighten the belt and start to tighten their costs. And obviously along with that came layoffs, et cetera, which we're going to get into. So I say all that only in just kind of zooming out and letting everyone know how we got here and how we got in. This current state is directly correlated to the COVID pandemic.

Matt: The optimist in me says the quicker since it just came so quickly, COVID came out of nowhere that maybe that these issues and the economic stressful thing will leave just as quickly. When compared to the 2008 crisis, it was sort of a bubbling mortgage based crisis that was happening for years and years and years, where COVID really that really wasn't the case. However, the economy has never had to deal with such shockwaves and such a whiplash from a growth zero interest rate environment to an inflationary increasing interest rate environment in such a quick period of time and we really don't have any historical context for how this is really going to unfold. So ultimately the overwhelming and prevailing sentiment that people are feeling right now is one of uncertainty. And when people are uncertain they really become quite risk averse. And I think that risk aversion is not only prevalent within companies, but it's also quite prevalent within consumers. Because what you start to see with these kinds of economic stressors hitting the consumer is the discretionary purchases that they were making on heavy rotation back in 2020, 2021, whether it was buying cars or buying homes. Those are the areas that are really starting to cool off. Interestingly enough, the one area that's not really cooling off is the service sector. You see travel and hospitality still booming and that really is another type of whiplash, a cultural whiplash effect coming out of the COVID pandemic, which is for such a long period of time consumers couldn't leave their homes. And now if they're going to spend on anything, it's going to be travel, it's going to be restaurants and going out. And that's why you still see airlines with their flights full and hotels completely sold out and stadiums full and all those things. So we're in a very interesting time. We have been for three years. This is really the three year anniversary of when COVID hit and I can tell you somebody who's been running a business through this, it's been the most challenging and exhilarating time that I've ever remember in business. So really what we want to do today is help everyone unpack this fragile economic state a little further. So perhaps you can come away with the webinar with some implications for your business. So as I discussed the headlines are everywhere. You have world banks warning of global recessions. You have a more recent banking crisis that has crept up that we'll talk about and many feel that a recession this year is inevitable. That sort of the byproduct of everything I just discussed can only result in one thing and that thing being a recession, a real prolonged economic downturn. Consumers are certainly feeling the effects of everything discussed. Nearly half are very concerned about their ability to afford essential items in the next six months and it stands. The reason, I mean we're in a market right now where many companies are not giving the pay increases that they have in the past given the uncertainty. But at the same time the cost of everyday living items, everything from rent to gasoline to basic utilities are significantly more expensive than they were a year ago.

Matt: Now that increase is certainly tamed off as of late but consumers are still very much feeling the effects and especially consumers that are in the middle to lower income streams or income brackets are really ones who have to really think about their ability to afford basic essential items. So it's easy to kind of look over that if we personally may or may not be in those brackets. But there are a lot of people struggling out there right now and they're struggling as a result of the uncertainty we're seeing and the rising prices that are bestowed upon them. So where are they putting their trust in this environment? What does that mean for brands? That's really one thing we want to talk about and what we're going to talk about today is really three main topics. First and foremost try to unpack the financial crisis a little bit further. We're going to talk a little bit kind of about the future of the financial services space and then lastly how consumers are planning on sort of weathering the storm moving forward given the fact that we are in an uncertain environment that will be prolonged and we just don't know how long it's going to be for. So first and foremost the financial crisis. We got a lot of calls from our customers when Silicon Valley Bank collapsed last month. A lot of people I know peers in the technology space were worrying the weekend before March 13 if they're going to be able to make payroll because for the first time ever. They had money that they thought was safe in a bank that was really no longer accessible. And many people that were on the coast that worked with companies like Silicon Valley Bank and then after that, Signature Bank, who actually Suzy was banking with, really were worried existentially about their survival, because many of these banks required that most of your capital, if not all, remained at those banks. And thankfully, the government did the right thing and stepped in. Thankfully for me, not everyone else feels that was the right decision, which we'll get into. But that was sort of a big shockwave that went through the economy. Many thought that was going to create a rippling effect throughout the banking system.

Matt: But the reality is that despite the fact that CNN was talking about Silicon Valley Bank and Signature Bank, most consumers don't really bank with those banks. Those are specialty banks that cater much more towards businesses. The case of Silicon Valley Bank much more towards tech businesses and many consumers didn't really look at that as news that impacted them. And in many ways what happened with those banks and a few other smaller ones that were impacted hasn't really impacted the way that they look at trusting their banking institution. In fact, consumer trust in banks remains high despite the bank collapsing so that's generally a good thing. The last thing you want is widespread contagion and fear throughout the banking system and bank runs. And many thought that that was going to happen. But the people who thought they were going to happen were in a quite insular environment. And I don't think we're as in touch as much with the broader consumer base. And we often see that happen in the technology space where you have things that happen that impact a very small group of people and somehow they try to extrapolate that into the American public. And normally those two things don't necessarily really translate. 62% of consumers do indeed trust their chosen bank and that numbers remain quite stable over time. So it's not something that we think has really impacted the consumer yet, but that doesn't mean they're feeling good about the news. Obviously one thing that we start to see through talking to consumers through our Suzy platform is those that are aware of what happened with Silicon Valley Bank and Signature. Many of those people believe that there was a bailout that shouldn't have happened. Now I believe that a lot of this is just a misconception because the reality is the banks really weren't bailed out, the depositors were. So I expected to be able to put money into a bank and be able to take it out. And I think most people that put money in the bank, whether you're putting $2 in the bank or $20 million in the bank for their business, expect to be able to take it out. And don't expect to have to do the due diligence to know that that bank actually has risk to your deposits. The same way that if you order a burger at a restaurant, you shouldn't think that they sell salmonella in the burger and that you have to investigate the meat you're going to eat before you eat it. Right. You make the assumption that you're eating somewhere safe.

Matt: People really look at banking kind of the same way. What wasn't bailed out was the shareholders and the management of these banks. They are losing their jobs and the banks got taken over. But I do think that there's a general perception that the 1% got bailed out and that these banks got bailed out and they shouldn't have. And it should have been a lesson learned from a completely different situation in 2008 where traditional banks themselves actually, and the executives arguably were bailed out. But that's definitely a prevailing sentiment that we're actually starting to see. Many feel that the banking crisis that happened is not over. Mohamed El-Erian, who's a really top rated economist, thinks that we are going to have an economic contagion coming out of this. Now we are here on April 5 today and there's no economic contagion yet, but that doesn't mean it's not going to happen. So I don't know if we're out of the risk, out of the woods rather from the risk of any type of banking contagion that could happen as a result of some of these events that we've seen. But we also have no indication that there are other risks happening, especially with the large banks, so to speak, the core banks that I think really our entire economic structure lives on. 82% of consumers going back to the impact of inflation have felt a cost of living increase over the past year. And I think that it's hard not to. I think that most consumers are either feeling it in terms of their rent increasing if they're renting. People who are looking at buying a new home obviously now find it much harder to purchase a home and find it far less affordable because interest rates are higher and the cost of a mortgage is much higher. Interest rates are creeping up on credit cards and as I mentioned, they're also creeping up on everyday expense items, including utilities, basic utilities that consumers pay, and of course food and gasoline. So many areas that consumers are feeling the cost of living increase. And again the issue has been that since companies are seeing uncertainty, they are no longer increasing wages to the propensity that the cost is increasing.

Matt: So at the beginning of the inflationary environment, companies were still feeling the effect of a boom economy. So what started to happen is wages started to go up because it was very competitive to hire talent and unemployment was at an all time low. So although costs were going up, wages were falling. But now what's starting to happen is those costs continue to creep up, although not at the same rate. And at the same time companies are not increasing their wages. In fact, a lot of companies are actually decreasing their headcount, which is the opposite of increasing their wages. So that's when you start to see a little bit of an economic sweet. So I believe that we're going to have some more turbulent times ahead for the consumer. I believe that when you see these economic cycles, it always impacts the edges first. And you saw what happened to the plus side when the boom happened with the fiscal stimulus, when pandemic hit, meaning the company's stocks that first started to boom during the pandemic were the tech companies and it was cryptocurrency and the more speculative parts of the economy. And then what you start to see is everyone starts to win the Walmarts and the targets of the world start to do really well and the impact of the economy really hits Main Street. And then you saw the downturn. And where did the downturn first hit it first hit the tech companies, right? Those are the first companies that start to lay people off in the tech crisis. And just how I think that the tech companies got impacted first positively and now did negatively and then Main Street came next. I think Main Street is coming next because of the downturn. And I don't think the mainstream has really hit the downturn yet, because when you hear about Layoffs right now it is companies like Google and Facebook and Microsoft that are laying people off. But you're not hearing about companies like Walmart and General Electric and more the blue chip companies laying people off. And I think that once some of this economic pain starts to filter down the Main Street, which unfortunately I think will happen and we'll get into why I do think that this economic crisis will then soon hit Main Street. Now hopefully it is a very transitory thing and ultimately with inflation coming down, hopefully that this downturn will be short lived. But the main reason why I believe that this economic downturn is going to hit Main Street is because of this chart. And what this chart shows in very easy terms is the orange line is the amount of consumer debt consumers have and the gray line is the amount of savings that they have.

Matt: So if you look at 2020, you see a massive spike in savings. But consumers didn't have anywhere to go, so they couldn't really spend their money. Yes, they bought things on Amazon, et cetera, but they weren't going to restaurants, they weren't traveling, they weren't making as many lucrative household investments, especially at the beginning of the pandemic. And as people start to feel rich, what starts to happen is what starts to happen when people feel rich and they have too much cash as they start to spend it. And what you can see is over time that gray line went down, it spiked a little bit in 2021 when we had another huge fiscal stimulus. But right now it's really bumping along the bottom of a level in terms of consumer savings. The gray line that it's lower than really it's ever been. In the middle of 2022, it was an all time low, the consumer household savings ratio. And right now at 4.8, it's still lower than it's been at any point since at least 2010. At the same time, if you look at the debt ratio, it's essentially at a level that's dramatically higher, nearly double than it was in 2010. So you have consumers that are essentially continuing to fund their lifestyle through debt at the expense of savings. And what's starting to happen is two things. One, the interest rate on that debt continues to go up. So now all of a sudden, the debt that consumers are servicing, whether it's through their adjustable rate mortgages, whether it's through financing their car, whether it's through credit card debt, certain types of education, or medically based debt, it's going to be more and more expensive to service. And they've essentially dipped into their savings to a point where they can't dip into much more to actually pay down that debt. And what you're going to start to see is a lot of consumers default on their debt, meaning they're not going to be able to make their credit card payments, they're not going to be able to make their mortgage or car payments. And I think there's a really looming crisis coming out, essentially a debt crisis, one of which, which is exacerbated by a huge trend we saw during the boom times during the pandemic called buy now pay later. Buy Now, Pay Later was essentially a bunch of companies, well funded companies, that basically said if you're trying to buy clothing from Abercrombie, instead of buying one pair of jeans for $100, you could buy four pair of jeans and pay $50 today and then pay for the four pair of jeans over the next couple of years. Peloton is a huge example of this, where Peloton partnered with a company called a firm where people were buying $2,600 Peloton bikes during the pandemic and putting very little down, and they were just saying, oh, we'll pay it later. And in aggregate, billions and tens of billions of dollars of debt has been building up from people who overspend during the pandemic, which obviously helped a lot of companies crush their sales numbers.

Matt: Companies like Amazon had quarters during the pandemic that were just otherworldly in terms of the results they had because consumers were spending money on a lot of instances with debt and money that they really didn't have, and they thought the boom times would always continue. So that's a big reason why these debt loads are at an all time high. And unfortunately, buying now pays later, it's disproportionately younger people. Over two thirds of it are younger people who basically tap into these tools. And that's sort of this thing that's kind of building up this sort of debt to savings ratio that I think ultimately is what's going to sting Main Street and make the end consumer have to question am I going to buy a premium brand or am I going to buy a store brand in the future? Am I going to buy a premium brand of toilet paper? Am I going to buy store brand toilet paper? Because those extra dollars count because I have a big credit card bill to pay. And once that happens, you're going to start to see a lot of the larger, more established Main Street based companies, the packaged goods companies, food and beverage companies, the big retailers. They may engage in layoffs which are going to be much larger numbers than we saw with the tech companies. So I hope I'm wrong, obviously, but I just don't see a way out of a very high debt based environment, a very low savings based environment with interest rates the way they are. So at the same time, there's another looming crisis, which is in the commercial real estate space.

Matt: So many downtown centers in America that used to be very vibrant with commercial real estate and offices now have a ton of vacancy. And we are doing this webinar right now over the Internet, almost at Zoom, but we're using a different platform but the same thing and it's incredibly efficient. Most of you are in your homes, maybe some of you are in your office. I'm in our office, but I certainly don't come into our office five days a week, nor do I need to, nor do our employees. The world has changed and yes, many companies are trying to force consumers back to the office, but I don't think there's one person that could say that we're going to go back to a nine to six, five day a week working routine ever again. I think it's safe to say those days are over with. And the problem with that is you have millions of square footage of commercial office space in major cities around the country that have big debt payments that are due that they're not going to be able to service because they don't have people that are inhabiting the space anymore. And that ultimately is going to have a trickle down impact as well. So I think those are the two things that we still have to contend with. The commercial real estate bus that is looming and coming up and the impact of record low savings, record high consumer debt are the two things that I think are going to happen. And obviously as a result of all this, you're going to start to see a lot of small businesses continue to get hurt. Reason being that a lot of these banks who think that consumers aren't going to be able to pay back their credit card bills or people who have taken major loans from them to buy office buildings aren't going to be able to pay back their loans.

Matt: What starts to happen is credit officers at banks start to tighten their credit parameters, meaning it's now much harder for small businesses to access financing and loans. And that's going to hurt small businesses as well. And small businesses are a massive part of the overall economy as well. So you can start to see how the trickle down impact might be going from Silicon Valley, who obviously have gotten hit dramatically over the last six to nine months, both from a valuation standpoint, and from layoffs happening to more of Main Street. And again, now you see companies really of all types reacting, not just the tech companies. We saw Disney begin their layoffs and you're really seeing it kind of across the board. And this just came out today. So talk about being at the moment at the speed of culture. What we like to do with Suzy. This just got announced by ADP that private payrolls only grew by 145,000 in the US in March, which is way below expectations. So basically the only area you could see in the bottom headline that really is continuing to fare well is the leisure and hospitality space, which I think is going to continue to boom over the summertime. I think the service industry is catching up for obviously a horrible 2020 and a pretty bad 2021. The one place people still want to spend right now, if anywhere, is in travel and experiences, especially the younger generation. And I think that's an area that's going to continue to hold up as we enter the summer months. So what about the future of finances? Obviously we went through the COVID Pandemic and just in terms of how consumers look at money and how they manage money and how they spend their money has also changed. And it's obvious that change has been exacerbated as a result of this economic downturn.

Matt: Well, first and foremost, 63% of consumers are preferring digital payments over traditional methods. The COVID Pandemic ushered in a new way for consumers to look at money different ways where they can pay each other, whether it be obviously cryptocurrency, but more so, tools like Venmo and PayPal have really taken off and many younger consumers, Gen Z especially, really just don't believe in cash anymore. And they are natives. What makes Gen Z different from Millennials is that millennials are the first generation that grew up with the internet in the household. Gen Z is the first generation that grew up with the mobile device in the household, and more so with Gen Z as an appendage to their body. And that mobile device does a lot of things, one of which allows them to pay for things. So since they've had a phone in their hand, which in many instances was age six or seven or eight, they've understood that this is not just a device to be on TikTok, but. Also a device that enables you to pay for things with tools like Apple Pay. And as a dad of two kids that are in high school, I can tell you that the only way they pay for stuff is through Apple Pay and through digital payments. And I think ultimately, as these younger consumers become in the workforce, ultimately what they're going to see is that they can drive a lot of change in terms of should cash really even exist now? Will cash go away? Probably not. But I think as these younger consumers that grew up with the phone in their hands will see over time, cash is going to take much less of a role in our society.

Matt: Women and younger consumers, in terms of electronic banking are people that are much more likely to bank electronically. So in terms of companies and banking institutions, they're looking at women and younger consumers as really their ideal customer profile is people who are really adopting this new way to bank. Consumers are obviously still embracing credit cards, clearly per the last data point I had in terms of rising interest rates. But credit cards are really pervasive right now, and consumers are using it more often than they did three years ago, because they're using cash far less often, because they're doing a lot more E-commerce, and because credit cards are much easier to access now, especially with tools like Apple Pay, it just fits much more into the everyday way that they do business. Even tools like if you go into the local coffee shop, they're probably using something like Square or Toast or one of these very sleek looking, iPad looking things at checkout where they always ask you to leave a tip, even though you've never had in the past. Leave a tip for coffee. Everyone's asking you to do it now, right? Those are everywhere. And it's really making it much easier for consumers to use credit cards, and they're definitely leaning much more in. One interesting thing that came out of the research is that 40% of consumers are now open to opening an online only bank account. And that is a major shift. When I grew up and I'm a Gen Xer, I remember my parents going into the bank all the time. They would go to the bank to get money. They'd go to the bank to talk to the banker. People would go to the bank to get a loan or a mortgage, you name it. The banking locations were sort of core to the banking experience and where trust was established. But really what we start to see since the pandemic and it's really exacerbating now as less consumers are commuting to work and a lot of financial institutions are looking at their expense base. Is this whole notion of bank branches could actually be something that ten years from now, we look back at, like, blockbuster locations. Like, it may not exist anymore, or if it does, it's going to be in a far less pervasive form.

Matt: Right now if you go to most major cities you're going to see the main banks that operate there with many locations and the reality is that most of the things that consumers do in the bank, they really don't have to be in a bank to do. In fact, there is a Bank of America location where I live in Brooklyn, where there are no bankers there, but there are screens with high def interactive cameras where you can actually talk to a banker. But that banker is not near the city, and they can actually have money dispensed through a bank machine. Like they're there, but they aren't there. So I think that could be the future. It's much more scalable, much more cost effective and I definitely think it's a change we're going to see. And because of that, that's why consumers are much more open to an online only bank account. Obviously creates a big opportunity for fintech and other upstarts that want to enter the space. Obviously a huge business trend this year. Probably the most exciting that I've personally seen since the dawn of social media in 2005 is artificial intelligence. And these AI language, large language learning tools that are out there like ChatGPT are really opening people's eyes to the possibility of the next wave of computing. And I think one of the first areas we're going to start to see impact consumers is the area of wealth management. Right now 28% of consumers say they use a financial advisor, 21% are using investment apps like Wealthfront to basically make their decisions. But ultimately as this technology becomes more reliable, you're going to start to see consumers lean into artificial intelligence tools which don't have the management fees that a lot of financial advisors have to help them craft their portfolio and make investment decisions based on their wealth and their risk profile. And I think that's going to be a huge sea change to massive companies out there who have built incredible businesses like UBS and Goldman Sachs, et cetera in the wealth management space.

Matt: I think artificial intelligence is coming for that space and it's going to be to the benefit of consumers. But a lot of these big companies are definitely going to have to reinvent their go to market strategy for sure. So to wrap things up for here in terms of before we get the questions, weathering the storm. So what are consumers doing and what is their mindset in terms of weathering this financial storm that we are currently in? We mentioned throughout this webinar today that the banking crisis definitely kept the US closer to a recession and there's definitely an existential seismic risk of that happening and again there's a world and at the end of this year, the fourth quarter, the economy is really ticking up. Again, nobody really knows. So people are looking at data points but the reason nobody really knows is there's no historical context for this before, because there was never a COVID pandemic that hit a modern society before. And because of that, nobody really understands how all this is going to play out, which, again, is both frightening and a bit exhilarating, because as an entrepreneur, it allows us to make moves, take risks, and try to be the one that can figure its way out of this as a market leader, which is something that we certainly intend to do. So in terms of companies, companies are reducing their staff and they're rethinking their budgets. That's happening everywhere. Companies are looking at their balance sheet, they're looking at their expenditures, and they're saying, where can we cut, where do we need to invest, where don't we need to invest? Because cash, the value of cash today is much more valuable and cash is much more scarce than it was in the past. And consumers really have already sort of been weathering this for some time because as I mentioned earlier, the onset of inflation really starts to occur towards the end of 2021, but really throughout 2022. And as a result, over 40% of consumers haven't made any investments in the last six months. 48% of women are not planning on making any investments in the next six months. So you're starting to see this impact different types of people socioeconomic levels by gender, et cetera, differently. But ultimately people are really scared and they're holding back on investments. What's interesting is where consumers are investing. A lot of consumers are investing in retirement, they're investing in high yield accounts, and a lot of consumers are still investing in cryptocurrency, which is something that everybody thought was kind of dead. But if you look at the return year to date, bitcoin actually has by far the biggest return now. It had a massive drop last year, but it's up well over 50% this year.

Matt: So many people think in a world where maybe you can't trust your money in the bank, there are those who think that in a world of a bank run or some type of contagion in the financial system, that Bitcoin is the place to be. It's obviously still very much the Wild West. We're only a couple of months removed from this huge FTX crisis that we saw where there is billions of dollars that kind of evaporated through a crypto based company in the Bahamas called FTX. So we don't really know how crypto is going to take hold, but one thing is for sure is it hasn't gone away and it's probably not going anywhere now. Most of the other secondary coins have gone away besides Ethereum, many of which have kind of faded away. But Bitcoin definitely still looks like it has staying power. The question is, what are the consumer applications for Bitcoin, if any, that are going to be needed to really make it take hold across consumers? So how are the consumers feeling about the economy today? Well, first and foremost, every new layoff announcement people see, and this just came out yesterday, now that Apple is flirting with layouts, not sure if it's true or not, but that was kind of the last big company that hasn't done layouts yet in the technology space.

Matt: A lot of consumers still are very uneasy and this is definitely a Main Street story now. It's not just a business story anymore. Consumers have their eye on what's happening. Consumer confidence has kind of leveled off. You could see this chart kind of tells a story of the Pandemic. I mean, this is the consumer confidence index. It's a gauge that many in Wall Street look at to see how confident consumers are about the state of the economy. And as I mentioned, leading up to the Pandemic in 2020, it was a pretty consistent ride up from the collapse in 2008 in terms of consumer confidence all the way up to the Pandemic in 2020. Then we had a drop like we've never seen in history in a short period of time besides 2008 of consumers. Just the confidence dropped off. And then you could see in 2021 the impact of the stimulus got it back to a place that was nearly at an all time high. And then we had a huge drop due to inflation. And now we're kind of bouncing around a level that while much lower than we saw pre pandemic is definitely higher than at most points over the last 15 years. So yes, consumers don't feel great about the economy, but they feel greater about the economy than they did in 2011, 2012, which was five years removed from the 2008 crisis. So it's all relative, so to speak. But I think that consumers still feel some type of viability in the economy for sure.

Matt: Just looking at historical context where they have concerns, they have concern over grocery prices. Basically the concern is nearly the same today than it was a year ago in terms of concern over grocery prices. And the same sentiment exists about gasoline and larger utilities as well. They're concerned about those rising prices. So who are going to be the winners coming out of this? It really remains to be seen. There are certain banks that are taking advantage of other banks going down. Like first citizens bought a large chunk of Silicon Valley Banks. And you're seeing this in every industry where there are going to be some companies that are going to be really distressed as a result of what's happening and other companies are going to take advantage of it. And of course, I mentioned earlier Bitcoin and some of these cryptocurrencies in this turbulent environment, it could provide an opportunity as well. So it really remains to be seen. But ultimately every company is really looking at their expenditures, the consumer, and where things are going in a way that maybe they haven't in the past, in making decisions. So that's basically what I had today. I'm just going to look through some comments and if anybody has questions, it would be great to share them. Phil just shared a question. What do you think is going to happen with the AI boom? Should we be worried about security? So, Phil, I don't really know enough about the AI boom, nor is anybody yet in terms of what his long term impact is going to be. I mean, the reality is that this is something that is so new, we're really just like six months, six weeks, seven weeks maybe into this AI boom, and no one really knows what the long term implications of it are going to be.

Matt: We've seen applications already that make consumers and businesses far more efficient, whether it's writing things or creating videos or analyzing data or creating business plans or coding, and we're really so early on, but I think this is going to be a way that's going to change the world. I think anybody who's listening right now should spend ten to 20% of their week understanding these AI tools and how they work, because it will future proof your career, and I think it remains to be seen again how it's going to impact things. Monica said when it comes to these sentiments about our current state, how's it different amongst the four generations. That's a great question. And while I don't have data off the top of my head to share, what I can tell you is that the younger generations are not set up to live the life that their parents did. And you look at the data and it's kind of been prevalent over time that since the boomers, nearly every generation after that made less than their parents did. And I think that it's a scary time for younger people, especially younger people entering the workforce because of the layoffs that are happening, because of the uncertainty. But at the same time, many who entered the economy and the workforce in 2008 or near 2000 after the .com bubble burst like I did, found opportunities. So I think it's really going to force younger people to maybe remove some of the sense of entitlement they've gotten during the pandemic and the boom times and understand that they need to put in their work and they need to work hard just like previous generations.

Matt: I do think the boomers who are in the retirement space, they have their own set of concerns right now just in terms of the fluctuations of the market and just making sure that their savings are safe. And when you look at people like Gen Xers, they're worried about Social Security and things like that that really could be called into question. We have a debt ceiling that we've basically reached as a country. America's debt is at an all time high. So what's going to come of the US and their standing as a superpower on a global basis? What's going to come of the economy and our debt? What's going to come of our relationship with China and our dependence on imports? Those are all questions that are going to impact people financially, economically, over the years to come. I saw a point, I was reading that Gen Z uses electronic payments like Apple pay more often than physical cards in cash. What do you think companies should do to adapt to this? I mean, that's a great question, Charlene. I think that ultimately you have to be in a consideration set for consumers using your technology. And Apple obviously has built a great ecosystem. How is it going to change what consumers buy? It remains to be seen, but I think for sure it's going to be easier for consumers to purchase things right now than ever before, and it'll be interesting to see how that unveils. Noel said while AI can give superpowers to everyone, there's always a need for adults in the room. And I agree.

Matt: Ultimately those who think AI is going to eliminate jobs are right and wrong because certain jobs will be eliminated, but new jobs will be formed. And I think that that's why I think it's so incumbent on all of us, if we want to advance in our careers, to really understand how these tools work and how you can use them to your benefit and your company's benefit for sure. Mally wrote interesting thoughts about increased debt, the amount of young people and she brings up social media keeping up with the Joneses. I couldn't agree with you more, Molly. I think. As somebody who didn't grow up with Instagram, I can only imagine the stress that Gen Z feels right now in this sort of FOMO environment where they're on social media all day and on TikTok all day comparing themselves to other people that they feel like are always happy and live rich lifestyles. And it makes them sometimes overspend and spend beyond their means. And I think while social media has done so much good in the world, in a lot of ways, it's also exacerbated a lot of the debt and overspending and obviously a lot of the mental health issues that we've seen in our culture. So I think that's definitely very much correlated and connected, for sure. I got a call from Amy. What are your thoughts on the call to pause AI developments and usage? That's a great question, Amy. I don't think it's possible at this point. I think the cat's out of the bag.

Matt: I read somewhere that the entire ChatGPT program can fit on the thumb drive. And when you have that powerful of a technology that is that portable, I don't think shutting it off is a possibility right now. I think it's out there and I think it's up to the government and it's up to responsible companies to steward this technology in the right way. But obviously, just like with the internet itself, it's going to come with a lot of opportunity and a lot of risk. And then finally, Brian wrote, electronic payments are much more prevalent elsewhere. A lot of Asia skipped credit cards and went straight to electronic pay. True. So the US. Has definitely been behind a lot of other developed nations in terms of its fintech evolution. A lot of that was due to tremendous regulation in the financial services space that got deregulated and really opened up for this fintech boom. So I do think that there's a lot of catching up that's going to happen for sure. So that's all I have for everyone today. Just wishing everyone a great rest of the week, great rest of the quarter, great rest of the year, and hope to see everybody soon on this webinar and on the podcast and in person. So thanks to everyone and thanks to my Suzy team, Katie and Charlene and our production team. Until next time, we'll see you soon. Thanks so much everyone. Take care.

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