

# Move over, Millennials: Generation Z is changing the consumer landscape

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## Abstract

*For years, brands have been focusing on Millennials, but a new generation is here and they are already changing the consumer landscape: Generation Z (or Gen Z). This paper looks at who Gen Z is, what they value and how they differ from the previous generation. The oldest members of Gen Z are in college and about to enter the workplace, the youngest are still in middle school. This is the generation that grew up with Amazon and Netflix and information at their fingertips. They are savvy consumers and do not trust brands. When it comes to advertising, they like it real — real people who look like them and not airbrushed perfection. As for customer services, they like it personalised and efficient. They expect companies to use the most up-to-the-minute data to customise their shopping and buying experience, both online and offline. Earning their loyalty will be a challenge, and brands will need to rethink their marketing strategies.*

## Keywords

*Generation Z, Millennials, social media influencers, YouTube, Coca-Cola, Barbie, Dell*

## INTRODUCTION

Cynical, savvy and armed with information at their fingertips, the newest generation of consumers is here. Meet Generation Z (Gen Z). Brands take note: they are not an easy sell.

They have lived through the Great Recession and watched their parents struggle to make ends meet, they have seen the cost of college spiral out of reach, and through the media have witnessed

acts of terrorism abroad and at home. They expect the worst because they have seen the worst over and over. In many ways they have grown up faster than their Millennial predecessors who were raised to believe that they are special and that anything is possible for them. Gen Z was taught that resilience is the surest way to survive in an uncertain world. Their view of themselves and the world at large is sober and clear-eyed.

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They are 70 million strong<sup>1</sup> in the USA and growing, and they make up about 30 per cent of the population worldwide. Their oldest members are now entering the workforce and the youngest are still in middle school.

Given the hardships they have seen growing up and the challenges they face ahead, Gen Z does not put much stock in politicians or in the government or in your brand. This poses a big challenge for marketers. Their loyalty must be earned and companies seeking to woo them — either as potential employees or as consumers — will have to work hard to capture their attention. Understanding who they are and what makes them tick is the first step in gaining their attention.

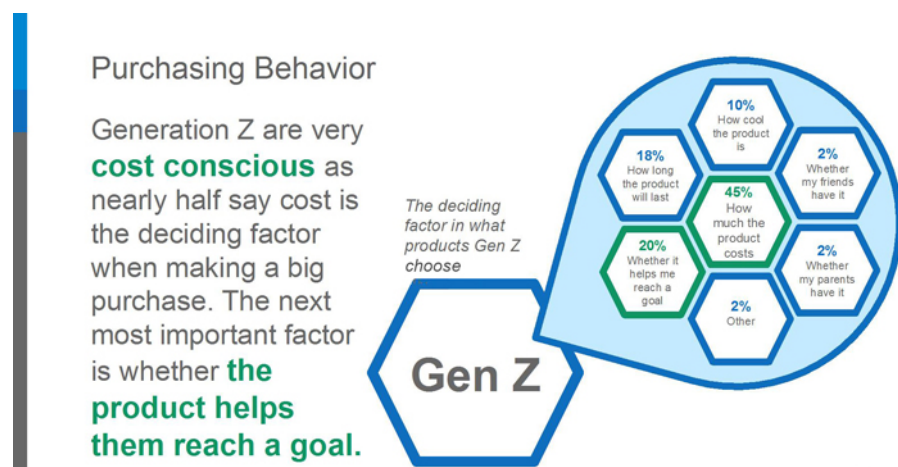
## ENGAGING GEN Z

Economist Milton Friedman said that the role of public companies is to maximise value for shareholders. But Jack Ma, the Chinese business magnate and philanthropist who founded Alibaba, has a different take. He said that a company's role is, first,

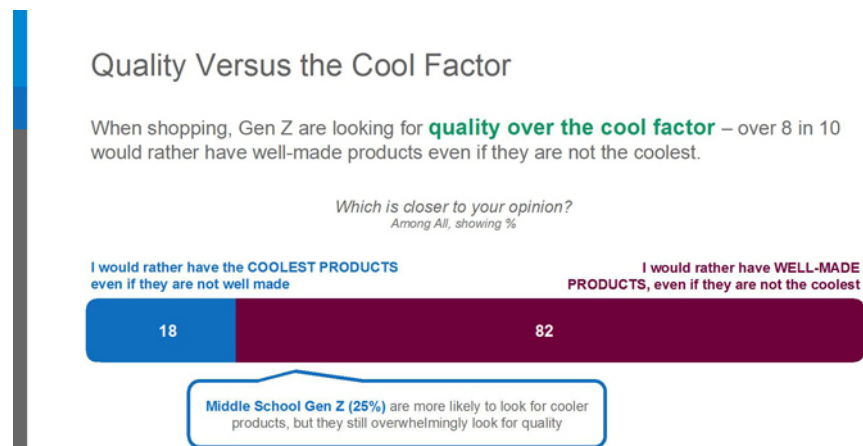
to consider consumers, then employees and, next, shareholders. This approach jibes with the Gen Z ethos of putting people before profits. How a company treats its employees and its community is just as important to them as how it sells its products. With so many brands to choose from, Gen Z will gravitate towards those it deems to be good corporate citizens.

It is important to note that they are not frivolous shoppers: they are highly practical ones. Gen Z looks for value and wants products that will help them reach their goals. They know how to research prices, quality and other factors that might influence their buying decisions. And they are not easily swayed. Millennials view shopping as a “CPU” cost per use while Gen Z has an investor, long term mind-set. They might ask: ‘Is this a quality product that will retain its value so that I can sell it?’

When it comes to tech products, Gen Z loyalty is especially hard for brands to come by. With technology rapidly changing, they are more likely to choose what is best in class at that moment over a brand name. They are savvy shoppers who do



**Figure 1** Generation Z and their purchasing behaviour



**Figure 2** For Gen Z, quality trumps cool

their homework online before plunking down their hard-earned cash.

Nearly half of Generation Z says that cost is the deciding factor when making a big purchase. The next most important consideration is whether the product helps them reach a goal (Figure 1).<sup>2</sup>

Quality trumps cool for this generation, even for its youngest members. More than eight in ten of those in Gen Z would rather have well-made products even if they are not the coolest (Figure 2).

### PRACTICALITY OVER PASSION

When it comes to choosing a career and what to study in college, Gen Z applies that same practicality. Millennials may struggle to turn following their passions into earning a living; Gen Z does not grapple with such dilemmas. In fact, 62 per cent say they go to college to learn skills, and not to study something they love. And when they enter the workforce, the generation that grew up during the Great Recession has one goal in mind: earning money. While beer keg Fridays

and foosball tables might appeal to their older colleagues, Gen Z is not impressed. Even though they are not yet at working age they are already thinking about their priorities and prefer making money over a fun work environment.

They have lightning-fast access to information through technology and use it to help make buying decisions. If they want to know the best price for a new PlayStation or mobile phone, they know where to search. If they want to locate the most skateboard-friendly parks, they know how to tap their peers through social media channels. Gone are the days when teenagers relied on their parents to navigate the world. Gen Z knows what to look for and how to find it. Parents may know exactly what their teens are doing during the day thanks to Facebook, Snapchat, Instagram and other social media sites, but they have no idea what the teens are up to when they come home and get online.<sup>1</sup>

They do not need us, but we need them when it comes to technology. They are skilled researchers and savvy shoppers and are becoming an economic force to

be reckoned with. Even if your brand is not targeting Gen Z today, they are an important indicator of where the future of all consumer behavior is headed.

### THE OPTIMIZATION GENERATION

The generation that grew up with Netflix, Amazon, Zappos and next day delivery expects to get what they want when they want it. They value efficiency and are accustomed to excellent customer service and woe to the company that does not deliver both. Brand loyalty is not given easily. Companies will need to earn it.

Gen Z wants to make the world a better place. They have the idealism to envision a better future and the skills and savvy to make it happen whether it is helping the poor, saving the environment or ending homelessness. In a recent US survey, nearly three-fourths agreed that they could make 'a big impact in the world'.<sup>3</sup>

That can-do mindset reflects their early lessons in resilience. Gen Z is not afraid to fail. Around half see failure as an opportunity to get up and try again. They have seen thousands of workers lose their jobs in their lifetimes, leading many to become much more self-sufficient than previous generations. They have an entrepreneurial mindset. In fact, many have had entrepreneurship training in school and some even started nonprofits or social enterprises in their youth.

So, how should brands approach the new generation?

Social media is a good place to start — YouTube, to be exact. It is not only their favourite network it also their favourite social app. Gen Z likes it when brands engage with them there and on other social media. They like good content, even if it comes from brands themselves. A recent survey found 63 per cent like sponsored videos.<sup>4</sup>

### CASE STUDY:

#### Dell and social influencers in Brazil

Purchasing decisions used to be informed by word of mouth, but Gen Z places a great deal of trust in social media influencers whose opinions are considered more genuine and unscripted than those of movie, television or sports stars.<sup>5</sup> The concept of friend and influencer is being redefined as an e-relationship — a relationship with someone you do not really know but who feels as real as a person you see every day.

In Brazil, Dell developed a marketing campaign for teens just before the 2015 Christmas season. The company partnered with YouTube influencer and humour blog Jovem Nerd using YouTube videos, Facebook and Twitter to give youth the information they needed to make a case with their parents for a Dell laptop for Christmas. Of the 37,000 teens identified for the campaign, 15 per cent bought Dell computers. It was an incredibly successful project, because Dell knew how to harness the power of social media influencers.

### CASE STUDY:

#### Barbie and gender neutrality

Gen Z wants to see real people who reflect their world, with different skin colours, body types and income levels. They are not buying into the models with perfectly windblown hair and airbrushed skin. For brands, it is time to tell stories of people who are not perfect. Take a lesson from clothing retailer Old Navy, which made a splash in 2016 with an ad featuring a racially mixed family — just the kind of ad that Gen Z likes.

Mattel broke new ground when it featured a young boy in a Barbie commercial for the first time in 2015 and adeptly embraced the gender-neutrality movement.<sup>6</sup> The doll was called Moschino Barbie and it flew off the shelves.

## THE SOCIAL CONTRACT

Gen are more social media savvy than the Millennials who learned the hard way that social media posts live online forever. They are more cautious and concerned about privacy. They understand that Pandora's Box has been opened and there is no going back, but in exchange for their data Gen Z expects a lot in return. They want a customised experience with communications tailored just for them and personalised customer service. They expect brands to understand who they are and what they want.

Young consumers also expect that the brands will use the most up-to-date information about them, not information that is six months old. And they do not want their relationship with brands to be passive. They want it to be participatory. As a brand, you need to know what your consumer is doing right now to have that conversation.

## CONCLUSION

Gen Z is smart enough to know when they are being targeted and can see through the airbrushed perfection of traditional

advertising, so brands must keep it real in order to reach them. They want to see their world reflected in the advertising world. And they expect brands to know and understand the world they live in. The traditional notion of return on investment has given way to a new measure of marketing success: return on relationship. Gen Z values experience over material things and they want a relationship with brands that involves active participation. They worry about sharing their personal data but understand that there is no turning back. It will not be an easy sell, but understanding who Gen Z is and what this generation values are the first steps towards earning their loyalty.

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