



# A generation without borders

Embracing Generation Z

In partnership with



**OC&C**  
Strategy consultants

uncommon sense



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# Introduction

Needy, entitled, ethical - as the first generation to grow up under the public gaze of the internet, Millennials must be the most talked about, scrutinised generation to date. Yet now, just as brands finally start understanding this demographic, a new group is making its way onto the consumer landscape: Generation Z.

Broadly defined as those born in 1998 and after, this group already makes up 30% of the global population and circa 50% in parts of Africa. In little over a decade, Generation Z will account for a third of all consumers worldwide - presenting vast opportunities for businesses.

But what about Generation Z today? As the oldest members turn 21 this year, and enter adulthood and the workplace, the opportunity for business is already mounting. Businesses - as both brands and employers - are under increasing pressure to understand who these new consumers are and what they want.

This study aims to help businesses do just that. Spanning four generations, nine countries and 15,500 respondents, *A generation without borders* is the widest geographical study of Gen Z consumers to date. Through rigorous analysis of over 12 million data points, our research provides valuable insight into this already misinterpreted generation, revealing many of the values and attitudes displayed by this group of young consumers - and influencers.

Because like the Millennials before them, Generation Z are anything but passive consumers. With this generation we enter the age of the influenced and the influencer, the *finsta* and the *rinsta*, the activist and the individual.

Welcome to Generation Z.



## A word on generational research

Generational research has long been recognised as a valuable method of understanding people according to the economic, political, technological and, increasingly, environmental context in which they were born and came of age. Rather than stereotype individuals, generational research explores the impact that global events have on age-specific communities. By viewing consumers through a generational lens, we can look for trends and shifts in perspectives that transcend age, gender and nationality, which are attributable to global factors instead.

But as with all generational studies, our findings have certain limitations. We can't offer longitudinal perspectives, so for example, we can't compare the shopping habits of teenage Baby Boomers with Generation Z. While every effort has been made to present findings that are not attributable to age, making allowances for age-specific behaviours remains a critical challenge of this type of study. To help you draw your own meanings from our research, we've presented data alongside our interpretations throughout.

In little over a decade, Generation Z will account for 33% of all consumers worldwide - presenting vast opportunities for businesses

# Who are Generation Z?

## THE GENERATIONS

1928-1945	1946-1964	1965-1980
Silent Gen	Baby Boomers	Gen X

While the definitive years are still to be agreed (clearer generational boundaries will likely emerge over time), it's generally accepted that Generation Z includes those born sometime between 1998 and 2016.

Members of this demographic grew up, or were born into, an era defined by political and economic turmoil. The financial crisis of 2007, and the 9/11 attacks that took place six years earlier, meant childhood was a time of relative hardship set against a backdrop of increasing anxiety for many Western Gen Zers, as both the 'war on terror' and Great Recession took hold.

And while the Western world struggled, this generation also witnessed the rapid development of the BRIC nations and, more specifically, China's transformation from 'third world' to the next potential superpower.

Yet despite these events, Gen Zers are not necessarily defined by these geo-political tumultuous times. Born alongside the commercialisation of the World Wide Web, this group is surely better defined by the era of unprecedented technological change that has followed.

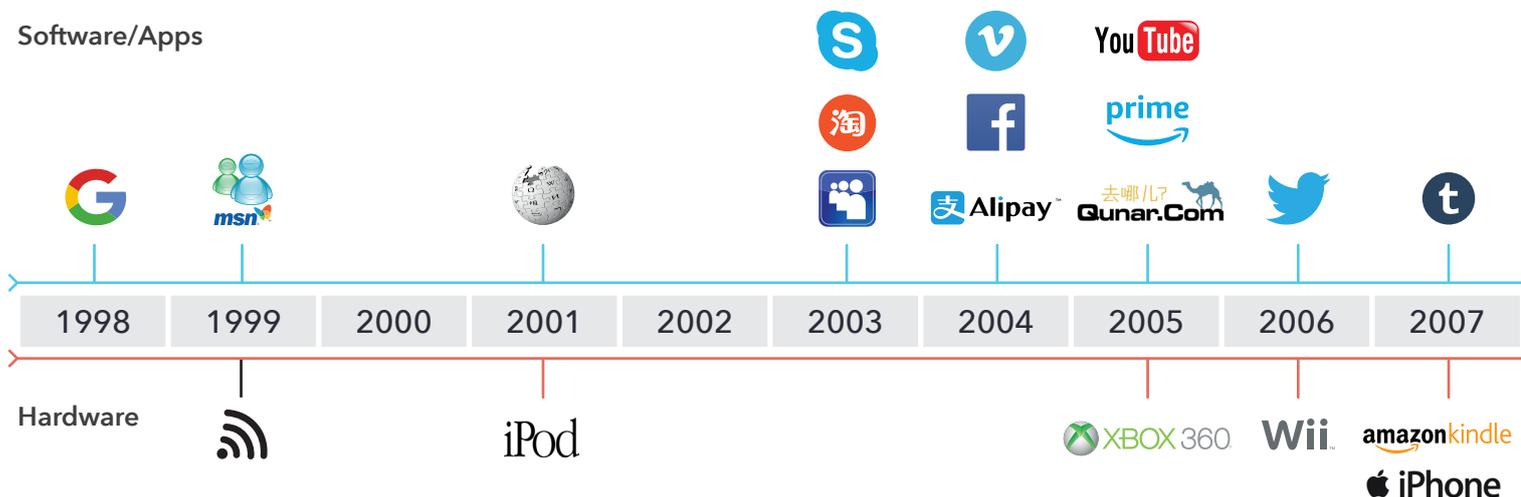
For growing up alongside the internet and the subsequent dawn of social media, meant a childhood punctuated by the many seismic events (the Arab Spring, Donald Trump's Presidency, Brexit) directly influenced by this medium.

Add to all this contemporary events and trends involving rights and equality - such as the Syrian Civil War and the refugee crisis, the legalisation of gay marriage, the #metoo movement and the rise in populism across the Western world - and it becomes clear that Generation Z have lived through, or were born into, times of extraordinary change.

Today, as the oldest Gen Zers come of age, we're starting to grasp just how much these worldwide events may have influenced and defined the characteristics of these young consumers. We're seeing how concerns around social responsibility are affecting purchase decisions, for example, and that equality and diversity - not the environment - are the most significant issues for this group of people.

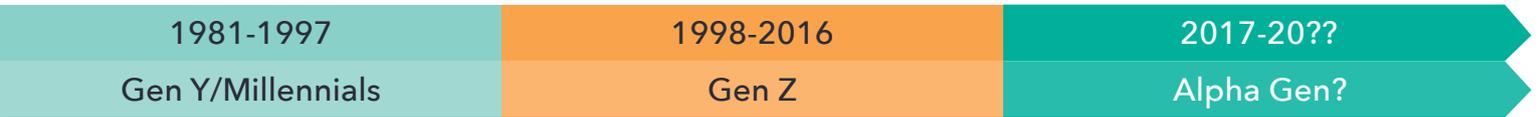
## TECHNOLOGY TIMELINE, 1998-2017

### Software/Apps



“When I think of Generation Z, the first thing that comes to mind is change.”

Female, 20, USA



The research paints a layered and textured portrait. It shows how, more than any other generation, this one is subject to influence from celebrities and friends, but also, the extent to which this cohort wants to stand out as individuals. Driving these seemingly contradictory forces is, most likely, the irrefutable influence of social media.

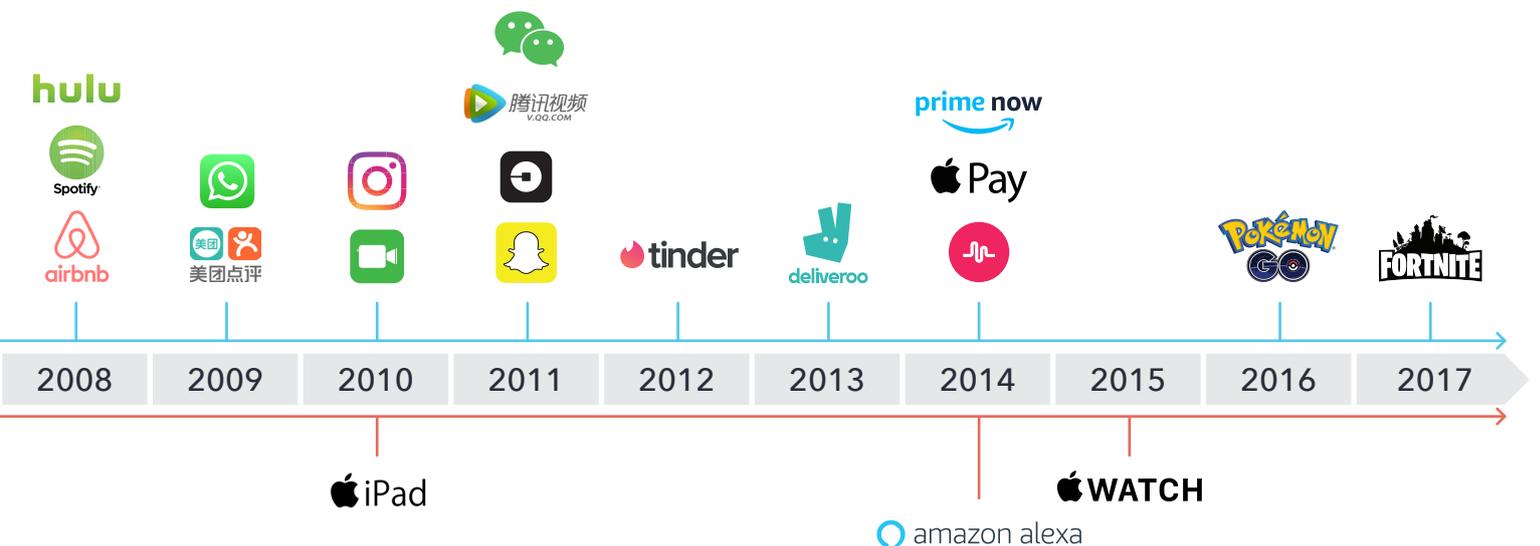
Growing up with Facebook, YouTube and WhatsApp, it's no surprise that Generation Z are prolific and masterful social media users: adept at manipulating the medium to build influence, make money and discover brands and new ideas. As the first generation to know nothing but life with Snapchat and Renren, platforms like these are where Gen Z socialise, source news, watch videos and carve out multiple identities. These young adults, teens and tweens, don't 'go online', they live online.

This doesn't mean they're not concerned by their social media use, however. Over 50% worry about the wider impact social media has on society, while two in five are concerned by the effects social media has on their health.



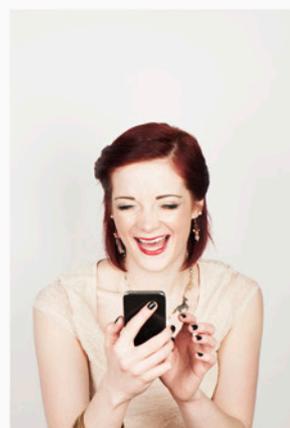
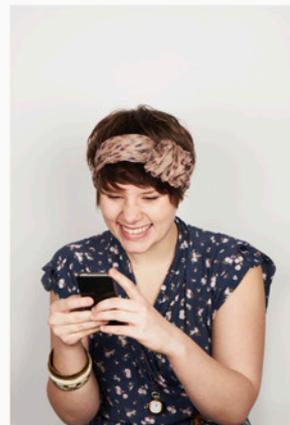
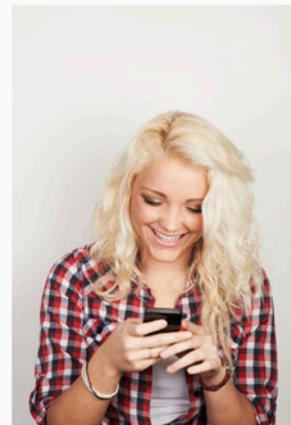
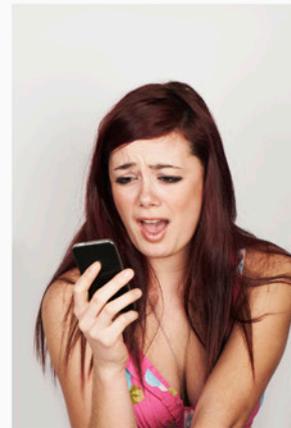
From selfies to finstas

Millennials may have popularised the selfie and 'humble brag', but we see a trend for multiple account use among Gen Zers, suggesting a focus on carefully curated personas. Furthermore, this generation is the least likely to limit their social media audience to those they know in real life. The result? The birth of the finsta, the so-called 'fake' and private Instagram account for close friends and family only, and the rinsta, the polished and public 'regular' account. And it's not just Instagram - Gen Z report having multiple accounts across social media platforms.



“What makes us different from any other generation is that we are more cautious and pragmatic. We grew up during a global recession, war, and terrorism. When planning our futures we seek stability and security rather than the optimism and flexibility of Millennials.”

Female, 20, UK



# Generation **Sensible,** or Generation **Spend?**

Generation Z are frequently labelled the 'sensible, stay-at-home generation'. Evidence suggests that the rise in streaming, online communities and instant communication channels has produced a generation that socialises less outside and more inside.

We see these 'sensible' attitudes reflected in our research too. Growing up in times of economic and political uncertainty has clearly had an impact on this group of young consumers. Over 35% are regularly saving for big purchases, with 12% saving for retirement already.

That's not to say that Generation Z doesn't spend of course. At US\$3.4 trillion, this group already accounts for over 7% of total household spend, even though the vast majority are teenagers or even younger. At the moment, Gen Z's spend over-indexes in technology (e.g. their mobile phones and media subscriptions) and clothing, with Gen Z in China, Brazil and Turkey accounting for more household spend than their Western peers.

## Why Gen Z account for more household spend in developing economies

### There are more of them

In developing countries such as Nigeria and Pakistan, over 40% of the population are Generation Z. In our surveyed countries, Gen Z represent a larger percentage of the population in Brazil and Turkey (around a third of the population) - significantly more than in Western countries like the UK and the US (around a fifth).



### They leave school and enter the workforce earlier

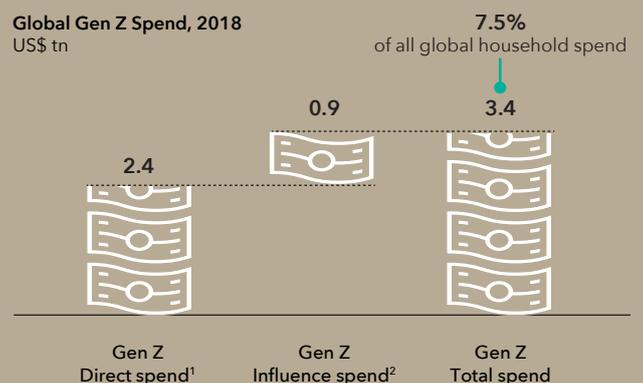
In developing countries Gen Z are more likely to be in employment having left school at an earlier age. This means they are already contributing to household earning and spending earlier than their peers in developed countries.

### China and the one-child policy

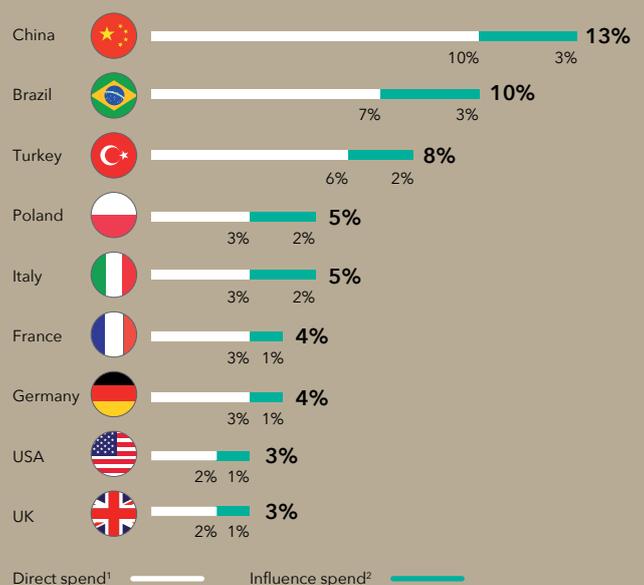
Since the launch of the one-child policy in 1980, many Gen Zers in China were born as the only child in their family. Being only children, Gen Zers are more likely to receive generous financial support from their parents than older generations.

## GEN Z SPEND

Global Gen Z Spend, 2018  
US\$ tn



## Gen Z share of household spend, by surveyed country (%)



<sup>1</sup> Direct spend: Gen Z spending their own money (either earned or money received from parents/guardians/relatives, e.g. allowance/pocket money)

<sup>2</sup> Influenced spend: household spending where Gen Z influences either the amount spent or the items bought (i.e. can be items not bought specifically for Gen Z)

Source: UN; World Bank; CEIC; National Bureau of Statistics of China; OC&C Gen Z Survey, August 2018

# Our key findings Gen Z are:



## More global

"With how social media spreads news around, we are very educated in how the world is."

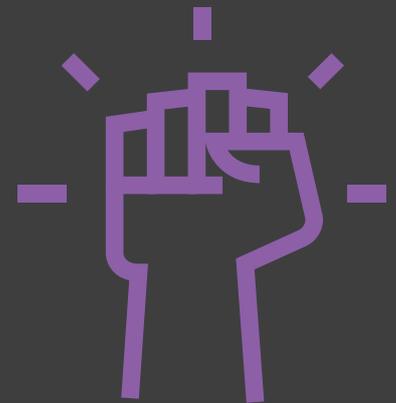
Female, 20, US



## Under the influence

"I keep up with celebrities, influencers, and sometimes brands through Instagram."

Female, 17, US



## More demanding

"Brands need to work more to retain their customers (since our choices have really gotten pretty limitless) - I would like it if they increased their offerings and make it easier to find things that you're looking for."

Female, 20, US



## Eager to stand out

"Generation Z is more focussed on innovation and uniqueness."

Male, 19, China



## After experiences

"The experiences I have had, they do define me in a way - not so that I can show off about them, but what they have taught me is really valuable."

Male, 20, UK



## Pro social (responsibility)

"Ethics and message are most important to me... you cannot expect people to buy your products if your ethics are trash."

Female, 17, US



“With how social media spreads news around, we are very educated in how the world is.”

Female, 20, US



# Gen Z are more global

From attitudes to spending, to their outlook on the future, Gen Zers across the globe are resembling each other more than any other generation.

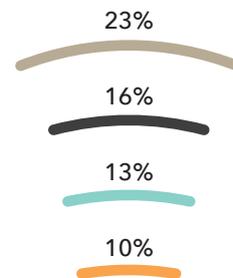
Compared with older generations, we see greatest similarities in behaviours and attitudes in the Gen Z respondents of all nine countries we surveyed. This suggests a homogenising effect that is almost certainly being driven by technology - primarily the internet, but also the increasing accessibility of low cost travel. The internet and social channels make it ever easier for this online generation to share ideas and access the same information and media.

Brands and celebrities appear to be playing their part in this trend too. As brands expand further into new and developing markets, often through leveraging the power of truly global celebrities and influencers, Gen Zers increasingly share access to the same products and services. As a result, online and in the media at least, the world can look surprisingly similar for Gen Zers in Germany or the US.

## ATTITUDES AND BEHAVIOURS ACROSS COUNTRIES ARE MOST SIMILAR IN GEN Z

Differences in Attitudes, Behaviours and Purchase Criteria across countries by generation  
(% Delta between highest and lowest countries)

### Attitudes



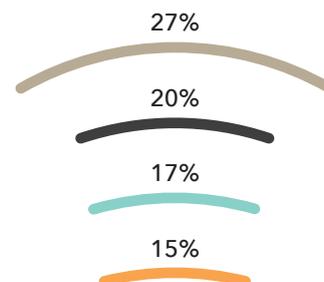
**Example Question**  
To what extent do you agree with the following: "I am worried about the future of the global economy?"

### Behaviours



**Example Question**  
How frequently do you make purchases through social media platforms?

### Purchase Criteria



**Example Question**  
Which of the following elements are most important to you when buying clothes?

Baby Boomers — Gen X —  
Millennials — Gen Z —

Source: OC&C Gen Z Survey, August 2018



# Gen Z are under the influence

Influence plays a huge role in the life of Gen Zers. They report higher levels of influence on their life choices than older generations, and are more likely to be influenced by friends and celebrities than older generations.

This tendency towards influence is reflected in their purchase decisions too. We see traditional purchase journeys disrupted as a much wider set of inspirations contribute to Gen Z's purchase decisions. So whereas Generation X, the Millennials and Gen Z may all shop online and are all influenced by a brand's social media (though Gen X less so), Gen Z's list of influence extends further and is more evenly spread. Mobile apps, friends' and celebrities' social media and blogs are bigger influences for Gen Z than for older generations.

We see young people diverging from traditional sources of brand discovery too. When asked to select brand discovery channels, just 8% of Gen Zers selected, 'Seeing the brand when out shopping' compared with 24% of Baby Boomers and 17% of Gen Xers. Instead, friends and family are the two most important discovery channels for this group, with more than a third selecting these channels.

Despite their age, Gen Zers are already influencing their peers by readily interacting with brands online and on social media. Gen Z are the most likely generation to follow brands and retailers on social media, to repost brands' own posts and to write online reviews. This generation already knows its mind and isn't afraid to speak it.



“I keep up with celebrities, influencers, and sometimes brands through Instagram.”  
Female, 17, US

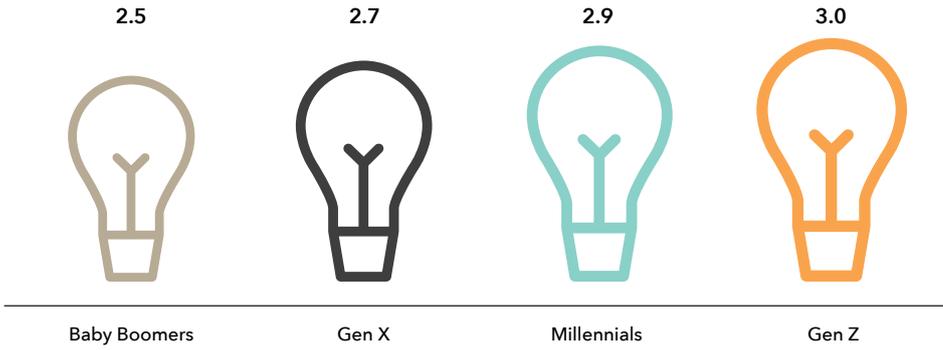
“I will 'reward' brands... I'll buy more from that company, tell my friends about them and suggest products from their website.”  
Female, 20, US

# GEN Z CONSULT MORE SOURCES FOR PRODUCT INSPIRATION

## Sources of clothing purchase inspiration<sup>1</sup>

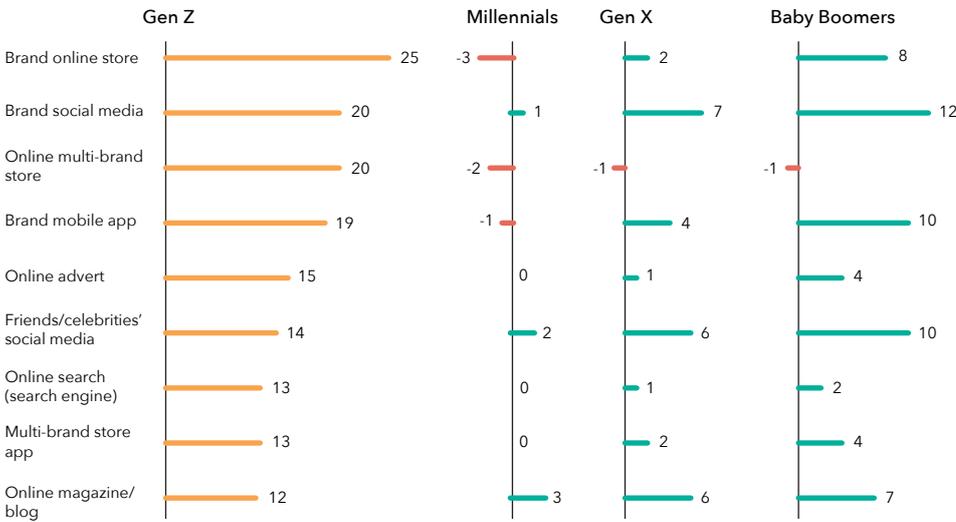
### Average number of sources for purchase inspiration

# Sources (Online and offline)



## Gen Z online sources of inspiration

% Selecting answer as source of inspiration for most recent purchase



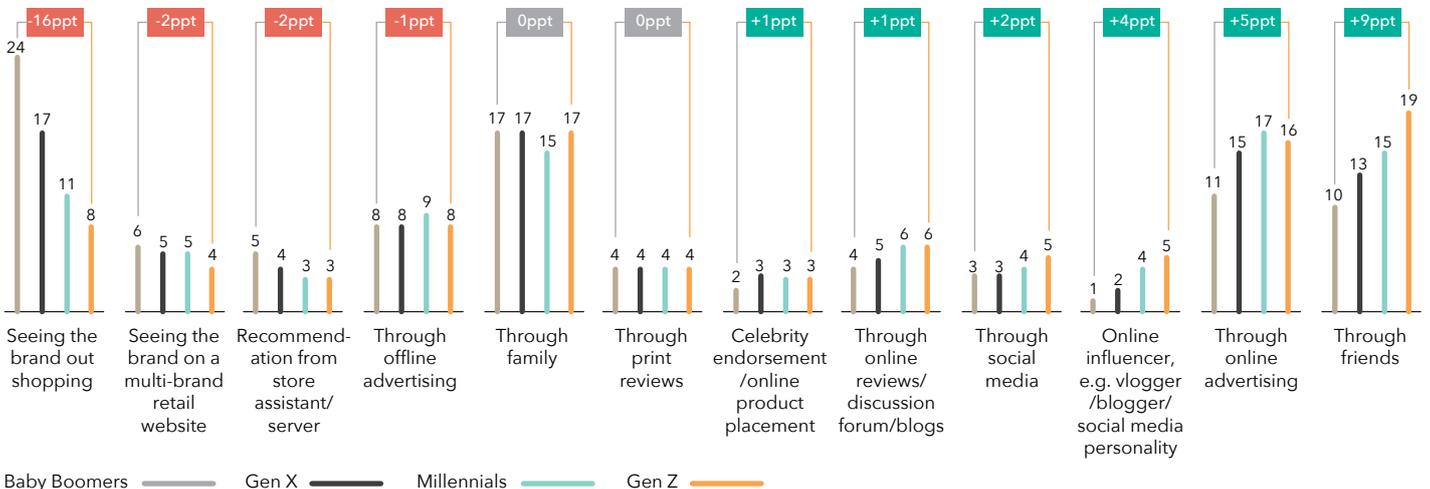
1. Thinking about your most recent clothing purchase, did any of the following inspire the purchase?

Source: OC&C Gen Z Survey, August 2018

# GEN Z'S CHANGING CHANNELS FOR BRAND DISCOVERY

## Brand discovery<sup>1</sup> (Clothing & Beauty) - by channel

% of survey respondents (for last brand discovered)



1. Thinking about the last time you were introduced to a new brand that you subsequently bought yourself, how did you discover the brand?

Source: OC&C Gen Z Survey, August 2018



# Gen Z are more demanding

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While price and quality remain the most important criteria for choosing retailers, Gen Z have a wider set of KPCs than older generations. This group places a higher value on secondary factors such as style, sustainability, uniqueness and flexibility, and attaches more importance to a brand's ethics. We see this trend reflected in food shopping too, where Generation Z places greater value on factors like curation and sustainability.

Furthermore, Gen Z are already showing signs of being enthusiastic researchers, though not quite to the same degree as Millennials. They are much more likely to go directly to brands' online channels to research and price-check products before they buy than older generations. Interestingly, Gen Z appear much more targeted in their research as they are less likely to use broader search channels such as search engines or multi-brand platforms. This research channel shift we have observed will have implications for brands trying to access these youngest consumers, particularly in terms of marketing mix spend allocation.

This combination of a wider set of purchase criteria and more targeted research before making a purchase, suggests a consumer who's possibly better informed and who's most certainly more demanding.



“Brands need to work more to retain their customers (since our choices have really gotten pretty limitless) – I would like it if they increased their offerings and make it easier to find things that you’re looking for.”

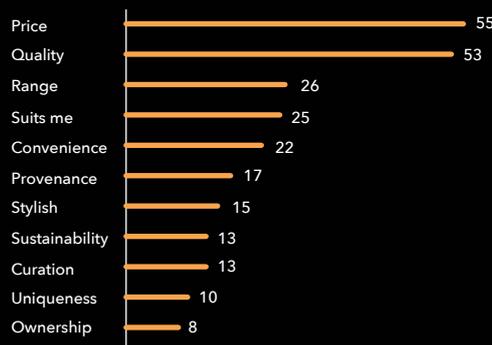
Female, 20, US

### GEN Z HAVE DIFFERENT KPCs

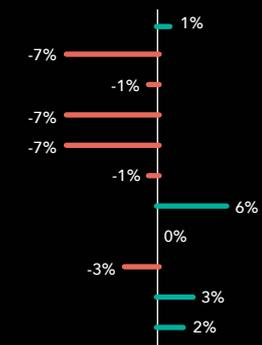
Key purchase criteria for clothing<sup>1</sup>

Importance of criteria for Gen Z

% respondents selecting criteria in their top 3 most important



Gen Z vs average of other generations  
%pt delta



1. When shopping for the following products, what are your top priorities? [Clothing]

Source: OC&C Gen Z Survey, August 2018

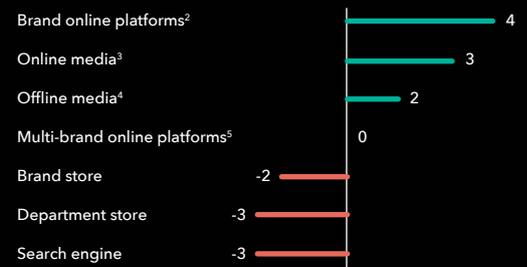
### GEN Z DO MORE PURCHASE RESEARCH ONLINE DIRECTLY WITH BRANDS

Research channels<sup>1</sup>

Average number of channels used for research  
# Sources (Online and offline channels)



Gen Z vs average of other generations



Baby Boomers — Gen X — Millennials — Gen Z —

<sup>1</sup> Thinking about your most recent clothing purchase, what did you use to research the product or check prices?

<sup>2</sup> Brand website, mobile app and social media

<sup>3</sup> Online news sites, magazines, blogs

<sup>4</sup> Newspapers and magazines

<sup>5</sup> Multi-brands websites, mobile app (e.g. Amazon)

Source: OC&C Gen Z Survey, August 2018



# ! Gen Z want to stand out

In a world where everyone has a platform through social media, many Gen Zers have a strong desire to stand out and feel unique. We see this reflected in their attitude even towards their own opinions - nearly a quarter believe having a unique point of view is very important - as well as their views on style, hobbies and creativity.

The desire to feel unique directly informs what Gen Z want from retailers, with demand for bespoke and limited edition highest among this generation. This increased demand for uniqueness in their product choices was observed across both clothing (see page 15 Gen Z have different KPCs chart) and beauty and grooming products. Furthermore, when asked about food shopping, interest in unusual or exotic products was highest amongst this generation. But this doesn't mean Gen Z are completely dismissing mainstream brands; of the four generations, Gen Zers expressed the strongest desire to purchase well-known brands and wear products with visible branding.

“Generation Z is more focussed on innovation and uniqueness.”

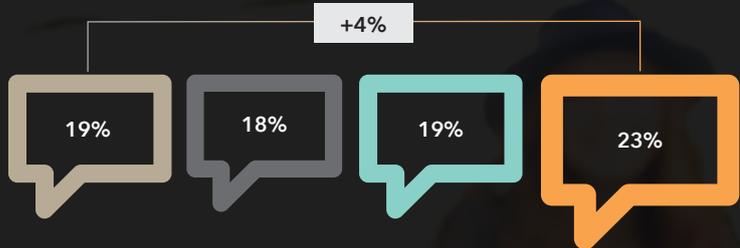
Male, 19, China



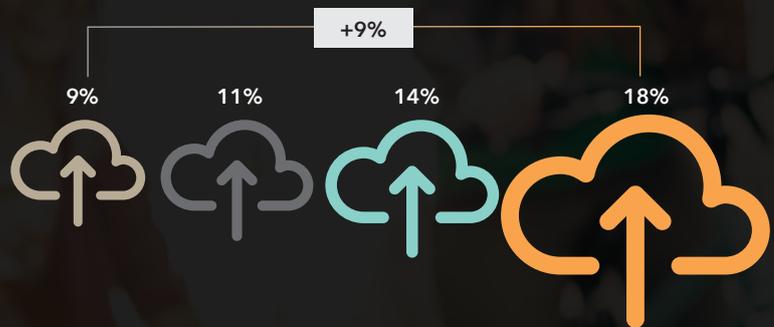
## GEN Z PLACE MORE IMPORTANCE ON BEING UNIQUE

Importance of uniqueness  
% identifying the statement as "Very important"

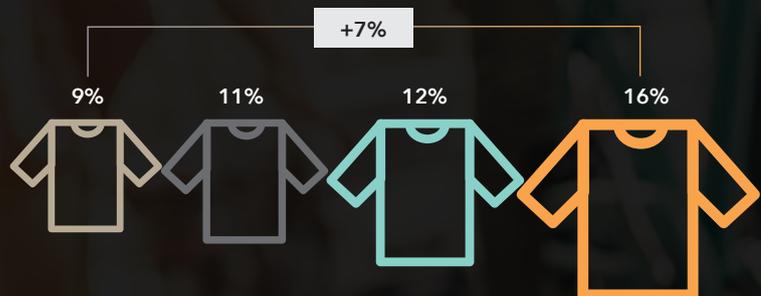
Having unique points of view/opinions



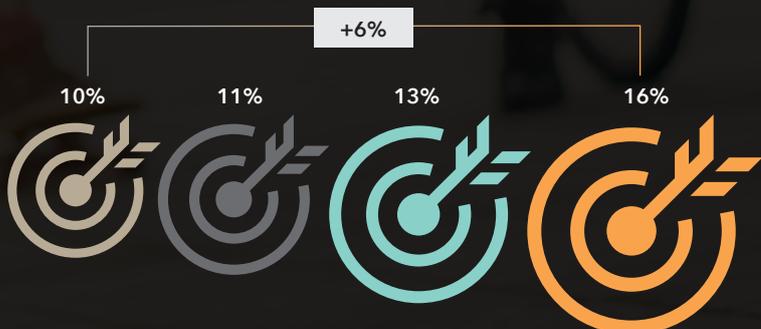
Creating unique content (video, photo, blog, other writing or art)



Having a unique style



Having unusual hobbies/interests



Baby Boomers — Gen X — Millennials — Gen Z —

Source: OC&C Gen Z Survey, August 2018; OC&C analysis



Almost a fifth of Gen Z respondents strongly agree that they “would rather spend money on experiences than products”



## Gen Z want experiences

Their predecessors may have coined the phrases FOMO and YOLO, but Gen Z are even more intent on choosing experiences over products than Millennials. Almost a fifth of Gen Z respondents strongly agree that they “would rather spend money on experiences than products”.

Across the countries we surveyed, the largest swing between Millennials and Gen Z were observed in Germany and China with 4-5 %pt increases in those wanting experiences over products.

Interestingly, this desire for experiences appears to be, at least partly, correlated with lower materialism and a concern for sustainability. And while the Gen Zers who place particular value on experience tend to be slightly wealthier on average, we still see this trend reflected across all income brackets.



“The experiences I have had, they do define me in a way - not so that I can show off about them, but what they have taught me is really valuable.”

Male, 20, UK

# Gen Z are pro social (responsibility)

We saw conscious consumption go mainstream with Millennials, and Gen Z look to be continuing the trend. In particular, issues of social responsibility have captured the attention of Gen Z.

Testing a range of ethical issues showed animal welfare, equality, diversity and human rights are most important to Gen Z overall. Our data also reveals national differences that appear to directly reflect the political climate of the country. In China, Gen Z are more concerned by human rights issues, while American Gen Zers (the most racially and ethnically diverse generation in the US) are most committed to solving diversity issues. It has been widely reported that Gen Z exhibit much more fluidity in terms of gender and sexuality than previous generations - as a result they are much more aware of issues surrounding diversity and tolerance.

Our data shows that for several of the social issues in which Gen Z are most engaged - combatting inequality, supporting human rights and encouraging diversity - this group are the most engaged generation overall. However, our data doesn't suggest that older generations are less socially responsible than Generation Z. Rather, this generation has selected a different set of concerns to focus on from those prior.

Gen Z's social values are not just reflected in how they interact with one another or society in general, but are reflected in their consumer behaviours as well: a higher percentage of Gen Zers choose brands that reflect their ethos.

## GEN Z PRIORITISE SOCIAL RESPONSIBILITY

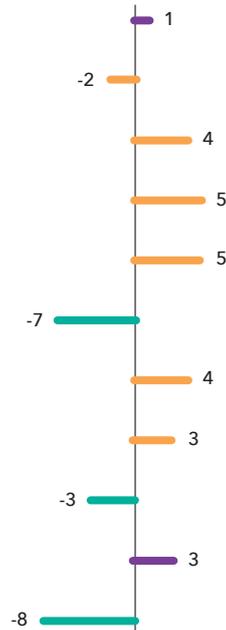
### Responsibility attitudes

% Respondents stating "I am fully committed to this"

#### Generation Z



#### Delta vs Average Previous Generations



Environmental responsibility  Social responsibility  Ethical/Other 

Source: OC&C Gen Z Survey, August 2018



“When you think about new things you buy you never think of the environmental costs before you are done with using the product.”

Female, 20, US

“Ethics and message are most important to me... you cannot expect people to buy your products if your ethics are trash.”

Female, 17, US

“I think we’re a more open-minded generation, as we’re on the whole very tolerant and accepting of different races, religions and sexualities than in the past, and aren’t afraid to voice our opinions to protect certain groups’ rights.”

Female, 20, UK



### Gen Z and the environment (it's complicated)



At first glance, social issues appear to be more important than environmental ones for Gen Z. Just 13% of this group say they're trying to cut down on using single-use plastic, compared with 30% of Baby Boomers and 15% of Millennials. From these results it's possible to suggest that Gen Z are more 'committed' to solving issues which require less of a lifestyle change. Yet Gen Z are concerned about their consumption: a quarter (27%) prefer buying products that can be used repeatedly and more than a third (37%) try to buy and keep only what they truly need. They're engaged with sustainability when it comes to food shopping too, with one fifth selecting this as a key purchase criteria - more than Millennials and Gen X.



# What does this mean for businesses?

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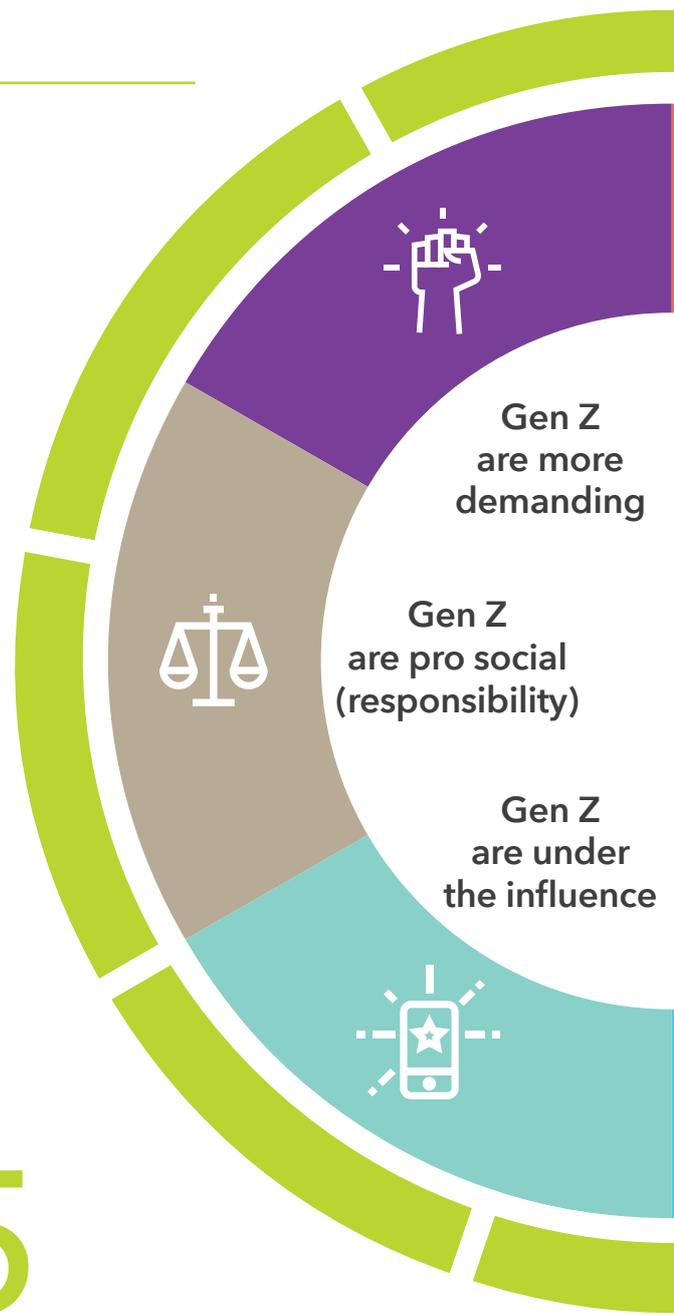
GET YOUR  
STORY  
STRAIGHT

6

ETHICS  
BEYOND  
COMPLIANCE

5

THE (SOCIAL)  
NETWORK EFFECT



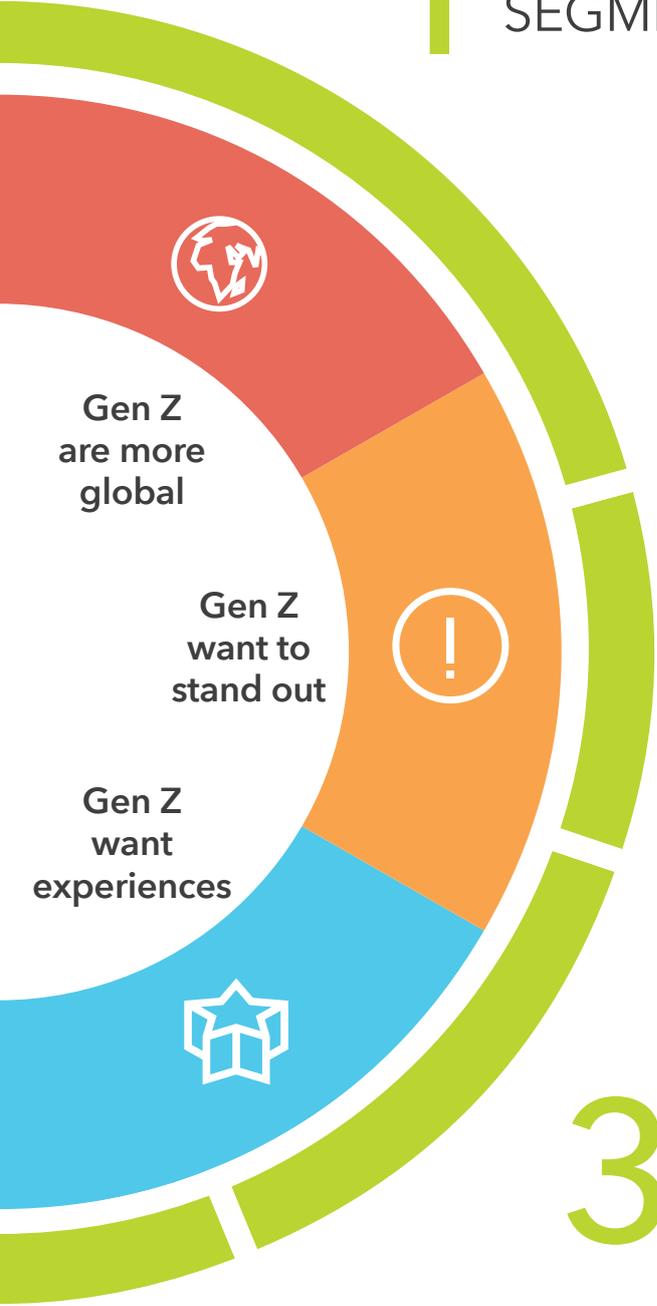
**We have mapped a set of implications for brands and retailers against our key findings.**

As our research demonstrates, understanding the Gen Z consumer is far from straightforward. We see this group displaying their own distinct consumer patterns, while sharing attitudes with older generations and carrying forward trends established by the Millennials.

This latter point is of particular significance. Our research disproves the theory that certain Millennial trends (such as the appeal of experiences over possessions) are fads, suggesting the socially conscious, experience-led consumer is here to stay for a while.

But of course that's not to say this generation are simply an extension of the Millennials. Our data-driven insights identify several key trends particular to this demographic and the actions brands must consider when targeting this very distinct new consumer.

**1 THE NEW SEGMENTATION**



**2 JUST UNIQUE ENOUGH**

**3 DRIVING VALUE FROM EXPERIENCE**

**4 CONSUMER COMMUNITIES**

# Implication 1

## The new segmentation



As the first generation born after the commercialisation of the internet, this cohort has grown up with more access to entertainment, brands and celebrity than any other group. Meanwhile, the rise in social media and online news broadcasting has turbocharged global awareness of campaigns, ideas and issues - while making communicating about these issues easier than ever before. As a result, we see the emergence of country-agnostic tribes sharing attitudes and behaviours. These new, borderless and globalised consumers are hungry for unique products, services and experiences.

### ACTION POINTS

#### STEP 1 CHOOSE YOUR AXES OF SEGMENTATION

Traditional segmentation axes - often along lines of geography, age, purchase behaviours and affluence - are increasingly less relevant for this global generation. New axes, fuelled by the internet and social media - value sets, influence groups, experience types or even celebrity following - cut through the traditional axes. Though as with traditional segmentation, the 'new segmentation' should reveal consumer groups with distinctive purchasing habits and brand preferences to make them actionable.

#### STEP 2 ADJUST YOUR OFFER FOR YOUR CHOSEN SEGMENTS

Understanding and defining the right segmentation for your industry can prove critical in developing and nurturing your brand, but the real power of the new segmentation is in adjusting your products and messaging to make them most relevant for your chosen segments. International retailers Zara and ASOS are able to respond to different 'tribes' around the world through rapid reactive production as they identify consumer requests at the global level, in addition to adjusting their tone of voice for each of those tribes.

#### STEP 3 REVISIT YOUR SEGMENTATION REGULARLY

Given the fluid nature of the new segmentation dimensions, it is important to review and update your segmentation regularly, much more so than for the traditional axes.

# Implication 2

## Just unique enough



When it comes to choosing products and brands, Gen Z consumers look for clothing, accessories and even groceries that are unique or unusual. However, this group also supports mainstream brands and enjoys wearing clothes with recognisable logos. In other words, Gen Z want to stand out, but within defined limits.

### ACTION POINTS

#### STEP 1

##### IDENTIFY THE VALUE FOR YOUR BUSINESS

The benefits from investing in 'just unique enough' are not just attractive, they're critical:

- Increase consumer loyalty through products that speak more clearly to consumers
- Decrease price competition, as products have reduced comparability
- Power your online business, as the website is the natural personalisation tool
- Gain better consumer insights, as you understand the degrees of uniqueness that consumers want.

#### STEP 2

##### CHOOSE YOUR 'UNIQUENESS' MODEL

There are a number of different models to consider, including:

- **'One of a kind'** - Genuinely individual, 'one-off' products and services allow consumers to feel truly unique. There are different individuality dimensions that brands can consider when delivering 'one of a kind' at scale - from changes to fit or colour through to packaging and even customer support
- **Personalisation** - Letting the consumer guide the product aesthetic or specifications makes them feel more individual while delivering a more intimate brand experience. Nike, one of Gen Z's favourite brands, allows consumers to customise their own trainers through their NikeiD offering. The online customisation tool has been a key element in growing their D2C channel
- **Collaborations / limited editions** - Through limited edition ranges and partnerships, mainstream brands can appeal to the Gen Z desire for independent, unique products with less radical changes to their proposition. Clothing brands such as H&M have made collaborations a cornerstone of their product strategies. In particular, luxury collaborations (Moschino, Erdem, Kenzo and Balmain have all collaborated with H&M in recent years) allow consumers to access not only limited edition products but covetable designs that they might not normally be able to afford.

#### STEP 3

##### MODIFY YOUR OPERATING MODEL

Across your value chain, there are a series of questions to address to ensure you deliver scale customisation without damaging your underlying economics.

##### Product design

- How will you design one-of-a-kind products?
- How many choices will your consumers want?

##### Manufacturing

- How will you personalise within traditional manufacturing processes?

##### Sales/merchandising

- What is the right channel to sell to your consumers?
- What is the right inventory strategy?
- How will you cope with product returns?

##### Marketing

- How will you communicate 'individualism' to multiple consumers?

# Implication 3

## Driving value from experience



We know that experiences are important to Gen Z - more so than for Millennials and older generations. The question, then, is how can businesses provide experience as part of their proposition, beyond the usual retail experience?

### ACTION POINTS

Where experiences can really drive value is when they are seamlessly woven into the brand or retail DNA and deliver something that the consumer genuinely wants on an ongoing basis, rather than a one-off. There are three different ways this can be delivered:



#### ENHANCE THE SHOPPING EXPERIENCE

Making the retail experience an 'experience' can be achieved through various models, without necessarily changing the underlying product - from pop-ups for e-retailers, to immersive product experiences, to personalisation experiences:

- **Pop-up stores:** these have become a popular strategy for direct-to-consumer brands like BooHoo and online marketplaces like Amazon
- **Immersive product experiences:** launched in the summer of 2016, *Belong by Game* is a network of gaming arenas across the UK. Each arena hosts its own schedule of events, competitions and community nights. The venture has attracted lots of young consumers and those visiting the arenas have a higher per-head spend than customers of Game's retail-only format.
- **Personalisation experiences:** taking the concept of personalisation a step further, *QUANT-U* by Ecco invites consumers into its experiential store, *W-21* in Amsterdam, to experience 3D printing first hand



#### TAILOR PRODUCTS TO ENHANCE YOUR CONSUMERS' EXPERIENCES

As consumers continue to shift spend to experiences, you can maintain relevance of your brand in a number of ways. By understanding the activities, occasions and rituals associated with usage of your product, you can use marketing to deepen and build on this link. Furthermore, by understanding what other activities and experiences your target consumers may be gravitating to, particularly those bordering your product, you can look at product and category extensions that keep you at the heart of your consumers' experiences.



#### DEVELOP A BRANDED EXPERIENCE

This can include directly monetising experiences around the usage of your product as well as using more tangential experiences to drive value to your brand. For example, Chanel has launched a series of Instagram-ready pop-ups in Asian cities, including cafes and gaming centres. These ventures not only showcase their products in a different setting, but allow the brand to put its stamp onto a novel format outside of traditional retail stores.

# Implication 4

## Consumer communities



Generation Z are prolific social media users. They have more profiles, check their accounts more frequently and spend longer periods of time browsing feeds. As a result, they're more likely to be influenced by friends and celebrities, follow brands, source purchase inspiration and make transactions.

By building online communities, brands and retailers can access and influence these users. The purpose of these communities is not to directly sell products, but to create spaces and opportunities for consumer communities to engage, interact, share knowledge, review products and ultimately grow in their brand advocacy. Clearly, these spaces must be useful, enriching or entertaining for consumers to continue to engage with them.

### ACTION POINTS

The key question for brands and retailers is: how do I get my customers and advocates to interact with each other and build something that new customers want to be part of?



#### CREATE HYPE AROUND YOUR BRAND USING ONLINE PLATFORMS TO ENGAGE AND AMPLIFY SUPER FANS

The leading Turkish jean brand Mavi uses a combination of online platform (I Love Mavi) and the #ilovemavi hashtag to allow users to share pictures of their Mavi outfits and style inspiration. In Turkey Mavi commands 20% of the social media 'buzz' in the apparel market and has double the level of engagement versus its closest competitors.



#### PROVIDE ONLINE SPACES FOR MEMBERS (CUSTOMERS OR OTHERWISE) TO DISCUSS SPECIFIC THEMES OR HOT TOPICS

Hair and beauty retailer, Sephora, has an active online community with sub-groups for members to join conversations relevant to their own interests (e.g. 'acne-prone skin' or 'frizz fighters'), share and receive advice, and get inspired.



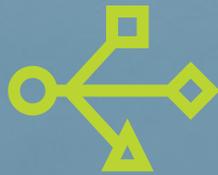
#### BUILD BEYOND YOUR BRAND BY INSPIRING CONSUMERS TO DO SOMETHING MEANINGFUL

Technical-wear brand, Outdoor Voices, has commandeered the #DoingThings hashtag on Instagram, and in doing so built an inspirational community that encourages members to be active on a daily basis.

# Implication 5

## The social network effect

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Our research reveals just how influential friends and family are for Generation Z. This is a demographic led by its peers (for now at least), whose members strive to both emulate and influence each other.

Image-based social media platforms like Instagram and Snapchat underpin this trend. Acting as catalyst, facilitator and broadcaster, they have become a key part of the brand discovery process. In return, Gen Zers expect direct engagement with brands via seamless omnichannel offers - for which integrated social media is key.

The key question for brands and retailers is how to best leverage social media to drive peer-to-peer marketing and selling?



# ACTION POINTS

## STEP 1

### OPTIMISE YOUR OMNICHANNEL STRATEGY

Understand where your target consumers are across all channels, create a borderless and frictionless experience across digital and physical channels, and reallocate marketing budgets to target consumers accordingly. Engage with consumers on social media and integrate 'shop now' options (e.g. Instagram and WeChat), and be ready for within-app payment options as soon as they become available.

## STEP 2

### CHOOSE THE RIGHT PEER-TO-PEER MODEL

There are various different peer-to-peer models that can grow your brand reach and sales. Here we outline some of them.

**Peer-to-peer marketing models** - These models use customers or paid affiliates to market the brand and products to their networks:

- **Affiliate marketing** - Use affiliates to grow brand awareness and drive online traffic. Affiliates sign up to third-party networks and promote products or services through their own social platforms, earning commission on sales made, or on a 'pay per click' basis, tracked by cookies
- **Referral schemes** - Incentivise peer-to-peer marketing by offering rewards that encourage consumers to recommend your brand: Huel's refer a friend scheme has helped accelerate this powdered food start-up's phenomenal success
- **Influencer marketing** - Leverage carefully selected social media influencers to tap into relevant consumer segments; influencers are often paid on a 'per post' basis. Founded by a group of teenagers in 2012, Gymshark has built a 2.7m cult following on Instagram through careful engagement of influencers, and is one of the fastest-growing sport brands as a result

**Peer-to-peer selling models** - Peer-to-peer selling, or 'direct selling' where brands enlist sales reps to sell product directly to consumers, has been transformed in the digital age, and there is a growing overlap between direct-to-consumer models and peer-to-peer selling. Beauty brand Glossier is a good example of the emerging cross-over - launched in 2014 as a spin-off to a successful beauty blog, the online D2C business added in a sales rep programme in 2017 and plans to continue its social selling focus with a website that will blur the boundary of social media and ecommerce.

## STEP 3

### MAKE SURE THE ECONOMICS ARE ROBUST

Particularly for social selling models, ensuring your economics stack up is paramount. It is essential to have a large enough population of potential sellers or advocates, and ensure they are satisfied with the right balance of incentivising product sales versus network growth.

# Implication 6

## Ethics beyond compliance

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As socially conscious consumers, Gen Z have high expectations of brands - attaching even more importance to specific areas of social ethics than previous generations. It's increasingly easy for Gen Z to be informed consumers too: they are willing and able to research brands' supply chains and employment practices, as several brands have discovered (to their detriment).



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These issues will become even more critical as more Gen Zers enter the workforce themselves. After pay, 'doing something meaningful' is their next highest criteria when reviewing employers and career opportunities.

And there is evidence that going above and beyond on matters of social and environmental responsibility can deliver real shareholder value: various studies and indices show that more ethical companies are outperforming their competitors.

The following action points and brand examples show how retailers can create an ethical positioning that goes beyond the basics and that will really engage Generation Z.

## ACTION POINTS

### STEP 1

#### TEST THE STRENGTH OF YOUR SOCIAL PURPOSE

- Is it genuine to your brand?
- Is it relevant to your consumers?
- Is it sufficiently bold and different?
- Is it economically viable?

### STEP 2

#### MAKE A REAL DIFFERENCE, WITH THE RIGHT APPROACH, TO HAVE LASTING IMPACT

- **Make your values part of your brand DNA** - From reviewing your supply chain to meet high ethical standards to ensuring your employment policies and practices are socially responsible, make your values a critical part of your brand DNA that lives front and centre of everything your business does. Be active and transparent, rather than reactive and vague. This generation expects more than CSR afterthoughts or lip service.
- **Get employee buy-in** - Think deeper about how you can better engage your staff to be advocates for your values. Furthermore, be proactive in championing diversity in your organisation. For example, Natura (Brazilian beauty and cosmetics manufacturer that recently acquired ethically-led The Body Shop) has publically committed to have 50% women in leadership positions and to have people with disabilities representing 8% of total employees by 2020.
- **Include your values in your marketing** - Showcase your company values and ethos in your marketing as well as in internal communication. For example, Nike has become a strong champion of ethical issues, and ensures brand and marketing imagery includes diverse ambassadors and voices. Recent campaigns included former NFL quarterback, Colin Kaepernick, alongside the words: "Believe in something. Even if it means sacrificing everything."



# Implication 7

## Get your story straight

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The Gen Z consumer is more demanding, subject to more influence and prone to more complicated purchase cycles. To be heard above the noise, it's essential that brands communicate who they are and what they stand for consistently - the importance of having a crystal clear story has never been greater.



# ACTION POINTS

## STEP 1

### CLARIFY YOUR MISSION

Having a clear mission is crucial. Your mission should:

- Be distinctive
- Address genuine consumer needs
- Be simple and clear
- Create value

## STEP 2

### COMMUNICATE, COMMUNICATE, COMMUNICATE

Think about how to tell your story, both internally and externally:

#### Externally

- **Ensure your brand handwriting is distinctive, and your story is clearly articulated across all channels (and third parties)** – Gen Zers expect to know the brand they're buying from.
  - Gentle Monster, the rapidly growing Korean eyewear brand founded in 2011, has an unusual, experimental style – across both its product range and retail experience. Flagship stores are almost like art galleries, with curated quirky displays changing regularly providing an exciting backdrop to the equally quirky products themselves.
- **Show your values** – Social justice is increasingly important to Gen Z, either for their personal worldviews or for 'being seen' to support the 'right' causes. And while your values don't have to be 'ethical' as such, showing a consistent mission that you've stuck to over time which is communicated at every possible touchpoint will be compelling for these youngest consumers.
  - Lush, a British cosmetics company popular with both Gen Z and Millennials, has a consistent ethical positioning across channels and throughout the retail experience. From a controversial in-store and online campaign about undercover policing in 2018, to packaging that's both as minimal as possible and comes with clear recycling instructions and it is clear to consumers that this is a brand with a voice and a mission
  - US business Warby Parker, the disruptor of the US eyewear industry, has consistently delivered on their original mission statement as they have grown: "We believe that buying glasses should be easy and fun. It should leave you happy and good-looking, with money in your pocket."

#### Internally

- **Weave your mission into the fabric of your organisation and culture.** Your story should inform not just the products you sell and your messaging, but everything about your business – from the way you organise to your values and priorities.
- **Make it a key element of decision making.** The only way your story will permeate all aspects of your business is if it is a consideration in every decision. 'Is this true to our story?' and 'Does it tell our story better, clearer, louder?'

# What next?

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This report outlines our key global findings and topline implications for business, and is designed to serve as an introduction to this vast body of research.

For country- or sector-specific analysis, and to learn more about how we can help you engage with this next generation of consumer, please contact our consumer experts listed on the back page of this report.





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## ABOUT THE REPORT

*A generation without borders* is a landmark study covering nine countries; Brazil, China, France, Germany, Italy, Poland, Turkey, UK and the US, and several consumer sub-sectors, including; apparel, beauty, grocery, alcohol and eating out. In addition to quantitative survey-based research which involved 15,500 respondents, bespoke discussion panels for Gen Zers aged 16 to 20 in the UK, US and China were used to understand these consumers in even greater detail.

## ABOUT THE AUTHORS

*A generation without borders*, the inaugural report on Generation Z as consumers, was conceived, designed and developed by OC&C Strategy Consultants. OC&C were supported by Viga, who provided the global quantitative survey panel and platform to deliver our data-driven insights.

OC&C is a global strategy consulting firm, bringing clear thinking to the most complex issues facing management teams today. Our client roster includes some of the largest corporations and most innovative challengers in the world. Our business is built firmly on the sectors and specialisms where we have deep expertise: Consumer Products, Retail, Leisure, Media, Technology, Private Equity and M&A and B2B Services.

VIGA supports global audience research, powered by proprietary technology that streamlines survey design, audience access, and data delivery - getting vital insights to clients faster.

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