



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, scrutinized 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.

THE GENERATIONS

1928-1945	1946-1964	1965-1980	1981-1997	1998-2016	2017-20??
Silent Gen	Baby Boomers	Gen X	Gen Y/Millennials	Gen Z	Alpha Gen?

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.

Members of this demographic grew up, or were born into, an era defined by political and economic turmoil. And while the US and the rest of 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-politically tumultuous times. Born alongside the commercialization of the World Wide Web, this group is surely equally defined by the era of unprecedented technological change that has followed.

But what does this mean for retailers? In little over a decade, Generation Z will account for a third of all consumers worldwide - presenting vast opportunities for businesses. Spending ~\$450B, this group already accounts for almost 4% of total household spend in the US, 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.

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

Given Gen Z's rising commercial importance, 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 already displayed by this group of young consumers – and influencers – both in the US and the world as a whole.

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.



WHY GEN Z ACCOUNT FOR MORE HOUSEHOLD SPEND IN DEVELOPING ECONOMIES

There's more of them

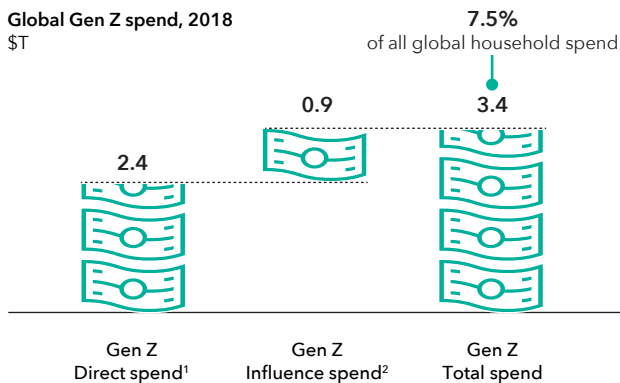
In developing countries such as Nigeria and Pakistan, over 40% of the population are Generation Z. In our surveyed countries, Gen Z represent a larger percentage of the population in Brazil and Turkey (around a third of the population)– significantly more than in Western countries like the UK and the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

They leave school and enter the workforce earlier

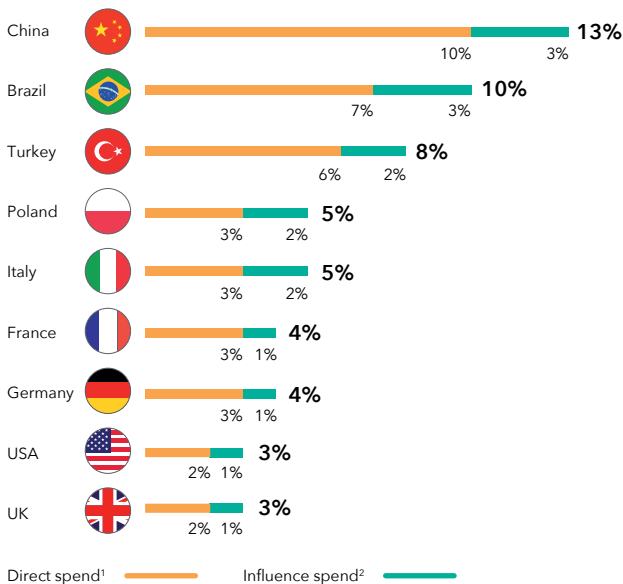
In developing countries Gen Z are more likely to be employed, having left school at an earlier age. This means they are already contributing to household earning and spending earlier than their peers in developed countries.

GEN Z SPEND

Global Gen Z spend, 2018
\$T



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



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

² 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



A WORD ON GENERATIONAL RESEARCH

Generational research has long been recognized 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 behaviors 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.

Our key findings



Think global

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

Female, 20, US



Create just unique enough

"There are tons of brands I love! Mainly because they are just my style."

Male, 16, US



Focus on experience

"Experiences of having to step out of my comfort zone have shaped my character most."

Female, 17, US



Leverage the (social) network effect

"I will 'reward' brands...
I'll buy more from that
company, tell my friends
about them and suggest
products from their
website."

Female, 20, UK



Appeal to sustainability and social justice

"What would initially arise in
my mind would be our need
to be a part of something
meaningful and substantial
because of our constant
demand for helping
problems bigger than us."

Male, 18, US



Finding 1

Think 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. We see this homogenizing effect reflected in the fact that, compared with older generations, there is the greatest similarity in behavior and attitudes among the Gen Z respondents across all nine countries we surveyed.

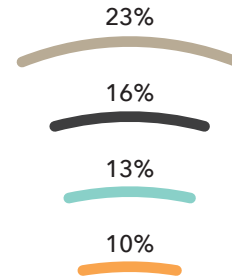
As brands expand further into new and developing markets, often through leveraging the power of truly global celebrities and influencers, Gen Zers increasingly share access to the same products and services across borders. As a result, online and in the media at least, the world can look surprisingly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

This global convergence of consumer attitudes necessitates a re-thinking of customer segmentation strategy. As geographic segmentation becomes less important, it is critical to identify the deeper trends that differentiate consumer groups, and adjust your offer accordingly.

ATTITUDES AND BEHAVIORS ACROSS COUNTRIES ARE MOST SIMILAR IN GEN Z

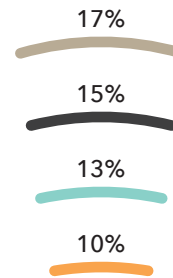
Differences in Attitudes, Behaviors and Purchase Criteria across countries by generation - global
(% Delta between highest and lowest countries)

Attitudes



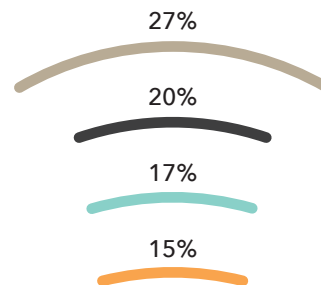
Example Question
To what extent do you agree with the following: "I feel happy and content with my life?"

Behaviors



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

ACTION POINTS



STEP 1

CHOOSE YOUR AXES OF SEGMENTATION

Traditional segmentation axes - usually along lines of geography, age, purchase behaviors and affluence - are increasingly less relevant for this global generation. New axes, fueled 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 'global 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 global segmentation is in adjusting your products and messaging to make them most relevant for your chosen segments. Retailers such as Nike and H&M are able to respond to different 'tribes' around the world through rapid reactive production as they identify consumer requests at the global level, as well as adjusting their tone of voice as they seek to engage those different tribes.



STEP 3

REVISIT YOUR SEGMENTATION REGULARLY

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

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

Female, 20, US

Finding 2

Create just unique enough

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 desire for individuality.

The desire to feel unique informs what Gen Z want from retailers, with high demand for bespoke and limited edition compared to prior generations. When it comes to choosing products and brands, Gen Z consumers look for clothing, accessories and even groceries that are unique or unusual.

One way in which US Gen Zers differ from the global cohort is in their view of mainstream brands. Globally, Gen Z express a stronger preference for well-known brands than prior generations, while in the US Gen Z report less of a preference than Millennials or even Gen X. This may reflect a US-specific trend wherein Gen Zers seek to express their individuality by identifying with more niche brand-names.

This is not to say that Gen Z are less willing to support mainstream brands, but rather that they will support them for different reasons. Whereas prior generations might gravitate toward major brands due to trust and reputation alone, Gen Z expect brands to also provide an outlet to broadcast their individual identities and values.

ACTION POINTS

STEP 1

IDENTIFY WHAT YOU AIM TO ACHIEVE BY DIFFERENTIATING YOUR BRAND(S)

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 websites and mobile apps are natural personalization tools
- 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 color through to packaging and even customer support.
- **Personalization** - 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 favorite brands, allows consumers to customize their own sneakers through their NikeiD offering. The online customization 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.

“There are tons of brands I love! Mainly because they are just my style.”

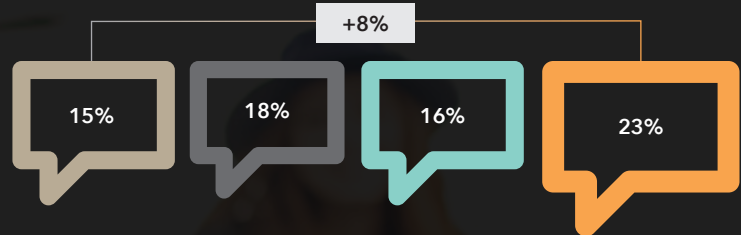
Male, 16, US

GEN Z PLACE MORE IMPORTANCE ON BEING UNIQUE

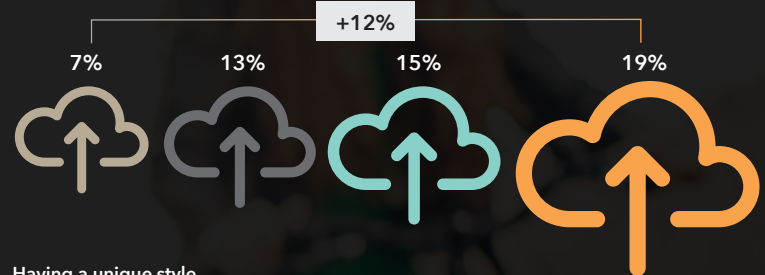
Importance of uniqueness

% identifying the statement as “Very important”

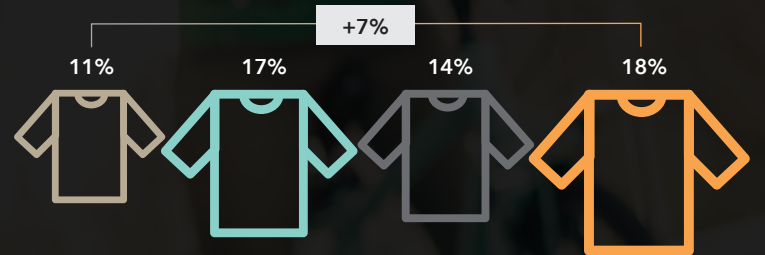
Having unique points of view/opinions



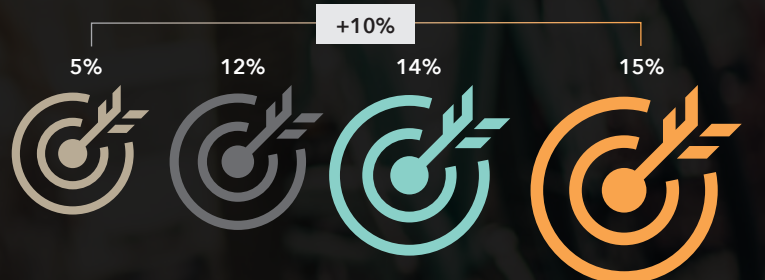
Creating unique content (video, photo, blog, other writing or art)



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

STEP 3

MODIFY YOUR OPERATING MODEL

Across your value chain, there are a series of questions to address in order to ensure you deliver scale customization 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 personalize 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?

Finding 3

Focus on experience


Their predecessors may have coined the phrases FOMO and YOLO, but Gen Z are even more intent on choosing experiences over products than Millennials. 18% of Gen Z respondents strongly agree that they “would rather spend money on experiences than products” - amounting to an increase vs Millennials of 1-2 % pts in the US, and as much as 4-5% shift in Germany.

Brands that succeed with Gen Z will be those that understand what this finding means for their value proposition. The question, then, is how can businesses provide something special beyond the usual retail experience?

“Experiences of having to step out of my comfort zone have shaped my character most.”
Female, 17, US

GEN Z WANT EXPERIENCES

The trend for Millennials wanting experiences has continued with Gen Z and to an even greater degree

 **18%**
of Gen Zers **prefer to spend money on experiences** than on products (vs 17-18% for previous generations and 19% for Gen Z globally)

Gen Zers who favor experiences...



... display lower adherence to brand and a concern for sustainability



... define their identity through experiences and relationships more than appearance and possessions



... are slightly more middle-class than average, although demand for experiences is high across all income groups



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:



STEP 1 ENHANCE THE PURCHASING EXPERIENCE

Making the retail experience an 'experience' can be achieved through various models, from pop-ups for e-retailers, to immersive product experiences, to personalization experiences:

- **Pop-up stores** - These have become a popular strategy for direct-to-consumer brands like ModCloth and online marketplaces like Amazon.
- **Immersive product experiences** - Urban Outfitters employs a flexible model in which stores are conceptualized and stocked differently, making shopping at each store a unique experience. In addition, some stores include experiential features like photo booths, further aligning its proposition with a younger audience. Recently, Urban Outfitters has increased its commitment to personalization, significantly improving its online channel and allowing the 48-year old retailer to continue to attract young consumers.
- **Personalization experiences** - Taking the concept of personalization a step further, Sephora allows customers to try make-up online using a virtual reality try-on application. Offline, Sephora offers personal appointments with make-up professionals to ensure the products customers buy are exactly what they are looking for.



STEP 2 ENHANCE EXISTING CONSUMER EXPERIENCES

This can range from understanding how your product already fits into experiences your consumers are having outside of the purchasing journey to developing products specifically for those experiences. For example, is your product associated with a particular activity, occasion or ritual? Could you sell at the 'point of experience'? Or, do you need to develop new products that will place your brand at the heart of the consumer's experience?



STEP 3 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, Capital One has achieved branding success by launching a series of cafes called Capital One Café, where customers can enjoy locally sourced refreshments, free Wi-Fi, and free money coaching. This venture has allowed the brand to put its stamp onto a novel format and separate itself from its competitors.

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



Finding 4

Leverage the (social) network effect

Gen Z are already showing signs of being enthusiastic researchers, but in different ways than prior generations. Gen Z are much more targeted in their engagement, relying on fewer research channels than Millennials or Gen X. In particular, they are less likely to use multi-brand platforms like Amazon or eBay and more likely to favor more brand-specific digital sources like branded apps and social media accounts.

There is also a trend toward a preference for curated content and product recommendations - Gen Z is more likely than older generations to turn to a trusted blogger's list of top-10 products, vs. a Google or Amazon search. Notably, a brand website is no longer enough, as Gen Z expect more interactive and dynamic content and increasingly turn to peers and trusted influencers for inspiration.

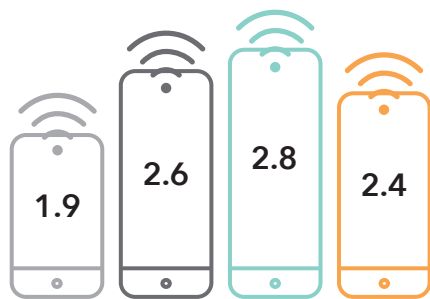
This narrowing of research and inspiration channels suggests a consumer who's possibly better informed and who's most certainly more demanding - an evolution that will have implications for brands trying to access these youngest consumers, particularly in terms of marketing mix spend allocation.



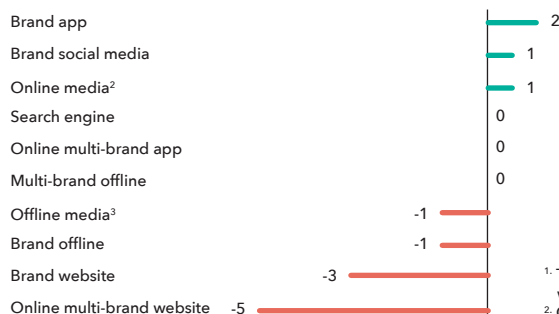
GEN Z DO MORE PURCHASE RESEARCH ONLINE DIRECTLY WITH BRANDS

Research channels - US¹

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



Gen Z vs average of three precedent generations (%pts)



Baby Boomers — Gen X — Millennials — Gen Z

¹ Thinking about your most recent clothing purchase, what did you use to research the product or check prices?
² Online news sites, magazines, blogs
³ Newspapers and magazines

Source: OC&C Gen Z Survey, August 2018

“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

ACTION POINTS

STEP 1

INVEST IN BRAND-SPECIFIC ENGAGEMENT PLATFORMS

It’s no longer enough to get your product on store shelves or in Amazon search results - to stand out from the crowd, you need to develop digital content and spaces where customers can interact and participate with your brand, and share their opinions and experiences with each-other:

- Hair and beauty retailer Sephora has succeeded with this strategy by building 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.

STEP 2

CULTIVATE INFLUENCER ALLIES TO ADVOCATE FOR YOUR BRAND

Social media is a powerful tool for finding the personalities that your customers look to for inspiration and allying with them to promote your brand. “Super fans” were always important, but their power has been amplified through social media platforms that give their message a broader reach.

- Fashion Nova, considered by Google’s Year in Search to be 2018’s top fashion brand by number of searches, sells almost entirely through social media: its Instagram following exceeds 14 million, and it works with a network of over 3,000 influencers.

STEP 3

HARNESS DIGITIZED PEER-TO-PEER SOCIAL SELLING

The new wave of peer-to-peer selling is fundamentally different and more powerful than in the pre-social network era. Digitization has made this channel:

- **More efficient** - Social sellers have instant access to their entire on-line network, and are no longer limited by time and geography
- **More two-way** - Social selling activity is no longer just a way to reach a wider audience, but also an instrument to gauge customer needs and feedback, enabling faster and more dynamic product innovation
- **More centralized** - P2P selling no longer entails surrendering the customer relationship. Brands can now capture as much or more customer data as could be generated by more traditional, direct channels, and can maintain contact even as the peer-to-peer sales force changes and evolves.

Beauty brand Glossier launched in 2014 as a spin-off to a successful beauty blog. They added a P2P sales rep program in 2017, and plan to further emphasize social selling with a website that will blur the boundary between social media and ecommerce:

- Rodan & Fields transitioned to an almost entirely peer-to-peer selling model in 2007 which it has since digitized: it now promotes before-and-after posts from sellers on its social media, equips its sellers with e-commerce websites. This strategy has grown revenue to over \$1.5B in 2017, up from just \$3M ten years earlier.



Finding 5

Appeal to sustainability and social justice

We saw conscious consumption go mainstream with Millennials, and Gen Z look to be continuing the trend. That said, Gen Z's concerns are expanding to include not just environmental issues, but also the social justice issues that have been making headlines.

Testing a range of ethical issues showed equality, human rights, animal welfare and diversity to be the 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 more committed to solving diversity issues.

As socially conscious consumers, Gen Z have high expectations of brands to respect and even advocate the causes they identify with. Furthermore 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), so sincere support for social justice issues, backed up by real investment and action, is key.

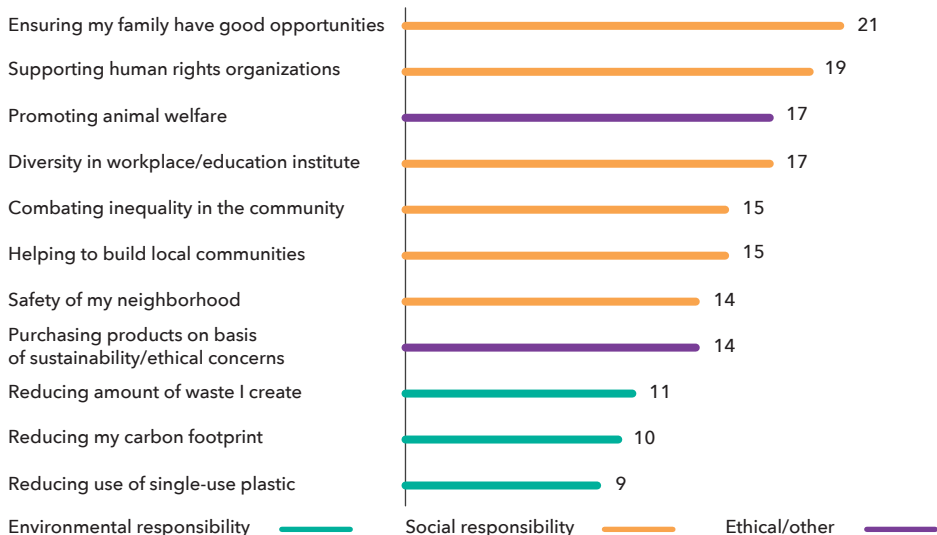
The following action points and brand examples, show how retailers can create ethical positioning that goes beyond the basics to really engage Generation Z.

GEN Z PRIORITIZE SOCIAL RESPONSIBILITY

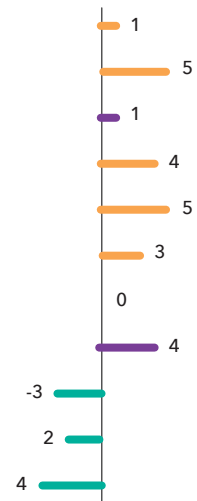
Social responsibility attitudes

% Respondents stating "I am fully committed to this" - US

Generation Z



Delta vs Average Previous Generations



Source: OC&C Gen Z Survey, August 2018

“I think Generation Z is about looking at the past and realizing the imperfections with the world that was handed to us. We see the problems that we’ve inherited. We see the errors in the ways that those before us have lived. And what’s amazing about this Generation is our power to affect and create change. We aren’t tolerating or accepting the life that’s been given to us.”

Female, 18, US

ACTION POINTS



STEP 1 FORMULATE AND 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 YOUR VALUES PART OF YOUR BRAND DNA

From reviewing your supply chain to ensure 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 center of everything your business does. Be active and transparent, rather than reactive and vague. This generation expects more than CSR afterthoughts or lip service



STEP 3 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 organization. For example, Unilever publicly launched an initiative to increase female representation in leadership through hiring and employee-targeted campaigns such as #Unstereotype. This has led to women comprising 47% of management roles in the company, up from 38% in 2010. Coca-Cola has.



STEP 4 SHOWCASE 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 and communicated at every possible touchpoint will be compelling for these youngest consumers.

- Anastasia Beverly Hills, Cover FX, and E.L.F. Cosmetics are among many make-up brands that have publicly committed to a “cruelty-free” catalogue of products that were not tested on animals, part of a broader campaign to appeal to Gen Z and Millennials.
- 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.”

What next?

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

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





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 survey panel and platform to deliver our data-driven insights.

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