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Out with the Old, In with the New: The Rise of Gen Z

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Out with the Old,

In with the

NEW

The Rise of Gen Z

By Chloë Breckenridge

Right now, one in five Americans belongs to Generation Z. By 2020 there will be 84.7 million “Gen Zers” in the U.S. and 2.6 billion worldwide.¹ While many industries have targeted their marketing efforts towards millennials, the rising generation will become crucial for brand survival. Understanding the similarities and differences between millennial and Z generations will allow marketers to see why Gen Z is the most important generation for companies to focus on in the future.

Who makes up the Millennial generation?

Millennials continue to be a powerhouse generation, with 72 million individuals in the United States alone.² They are between the ages of 25 and 42, with the older millennials classified as those between ages 33 and 42 and with younger millennials classified between the ages of 25 and 32.³

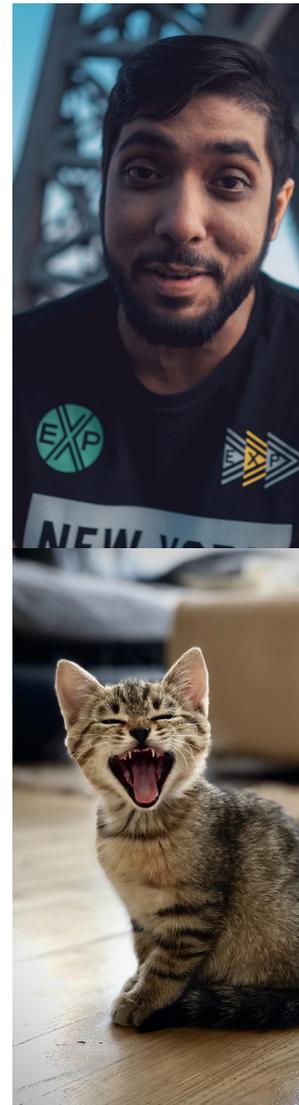
Contrary to popular stereotypes, more than 70% of millennials are employed and hardworking. They see their job as a way to define who they are, and over half will work as long as they say they are able to in order to become financially secure.⁴

Most millennials don't hold a positive view of the world. About 33% believe the American Dream to be unachievable. However, they aren't afraid of change; many of them are progressive and don't hold on to traditional values, which makes marketing difficult because marketers may need to alienate older, traditional customers in order to focus on millennials.⁵

Who makes up Generation Z?

Gen Z, also referred to as “iGen” or “post-millennials,” is defined as the combined 90 million 13- to 24-year-olds that impact the American consumer economy.⁶ Gen Z has a combined income of up to \$480 billion, not including the \$25 billion their parents spend on them. The combined income of both groups is spent on categories such as clothing, entertainment, and personal care items.⁷ The spending habits of Gen Z, along with their parents' influence, clearly have a big impact on industries.

For years, businesses have focused on millennials, but now that needs to change. Gen Z, with approximately 90 million individuals in the United States, is entering the workforce and surpassing the



sheer number of millennials.⁸ Industries that keep their focus on millennials will miss future opportunities with Gen Z.

Not only should companies shift their attention to Gen Z instead of millennials but companies also need to focus on the diversity within Gen Z. They make up a little over one-fifth of America's population and are the most racially and ethnically diverse group to ever live in the United States.⁹ Their views on life and what is important are impacted by their diversity, so industries need to recognize what this generation values in order to be successful.

Regarding Gen Z, Jean Twenge, a professor of psychology at San Diego State University, states, "Their expectations are lower, they're not as confident . . . They're not viewing the world through rose-colored glasses. They are less optimistic about economic opportunity and student debt. As a result, Gen Z likes to play it safe. They are more risk-averse than previous generations in terms of both attitudes and behavior."¹⁰ With a cautious perspective, Gen Z will not be inclined to take risks for companies they don't fully believe in. They will also be more likely to research their purchases so that they have peace of mind about what they are buying.

However, just because Gen Z looks at the world in a realistic way, they are not necessarily negative. In fact, Gen Z believes that they don't have to work long hours to be successful. About 40% of them are confident that they can do well only working from nine to five.¹¹ With that outlook on working, it's clear that Gen Z believes in efficiency and hard work. As Gen Z enters the workforce, it will be interesting to see how their spending habits change as they continue to believe in their nine-to-five workdays.

What are the differences?

It is a critical mistake to assume that millennials and Gen Zers are the same. Even though both groups have some aspects in common, Gen Z differs from millennials in how they choose their brands, what makes them loyal, and what their loyalty types are.

How does Gen Z choose brands?

Gen Z tends to pick brands that have the same worldviews as they do. Gen Z chooses brands that are socially responsible and eco-friendly, but are cool and fun at the same time. They care about how they look online and in real life; they want to make a statement about their values. If a brand can make Gen Zers feel confident about themselves while expressing who they are, the brand will have a chance of retaining those Gen Zers.

Gen Z is also influenced by social media, which makes sense with a nickname like "iGen." They are likely to be influenced by friends, celebrities, and influencers, something which previous generations were not as strongly influenced by.

To connect with Gen Z, companies need to be aware of the social media influencers in a Gen Z's life, as well as the personal influencers (i.e. family and friends).

What makes Gen Z loyal?

Unlike previous generations, Gen Z is not attached to brands. However, they are still consumers. For Gen Z, ". . . if a product, service or experience does not live up to expectations, they will take their business and their influence elsewhere."¹²

Gen Z picks brands that are trustworthy and relevant. In the age of social media, everything is about what is trending. Brands that are not relevant or trustworthy will fall behind. And brands that fail to keep promises or don't engage with Gen Z won't last either.

Brands also need to be aware of Gen Z's individuality. Technology "should allow the consumer maximum product personalization and customization, to facilitate engagement with major brands while still expressing individuality."¹³

Along with expressing individuality, the Instagram generation expects companies to show how products are used through visuals that are aesthetically pleasing. Gen Z won't support a company or product unless they understand how the product or company works and relates to them. In order to do this, "retailers must improve the online experience and enhance store display and design. Retailers and brands that embody Gen Z values... ultimately win their loyalty [through] personalized experiences, limited-edition merchandise, uncommon products, good-looking stores and authentic brand stories."¹⁴ Each aspect allows Gen Z to express themselves, while still being a part of the company.

What are the types of Gen Z loyalty?

There are three types of loyalty that comprise individuals in Gen Z. To understand how a brand or company can retain Gen Zers, there needs to be an understanding of Brand Devotees, Connectors, and Pragmatists. Figure 1 shows the distribution of these three types.

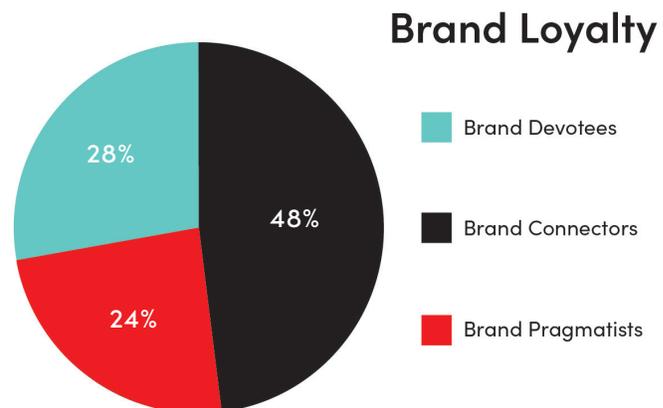
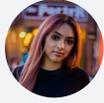


Figure 1: Gen Z and their Three Types of Loyalty



Brand Devotees, 28% of Gen Zers, love to associate themselves with their favorite brand. They also prefer when a brand engages with them. If a brand stops engaging with them, they will find another brand to be loyal to.



Brand Connectors is the largest group among Gen Z, with 48% of survey responders falling in this category. They value authenticity and want their voices to be heard, though they are more tolerant than Brand Devotees and won't jump ship the moment a brand makes a mistake. To keep connectors happy, brands need to be adaptable and flexible.



Brand Pragmatists, the smallest group with 24%, "know what they like and like what they know."¹⁵ They are similar to past generations because they will continue to buy from the same brand for a long time once they make up their minds. In the future, brands should focus on Brand Devotees and Brand Connectors if they hope to retain Gen Z loyalty.

With a majority of both groups having an entrepreneurial spirit, the way to connect with millennials and Gen Z is to offer them opportunities to give feedback about brands and companies.

What now?

Without an understanding of Gen Z and their values, companies will suffer. No one likes to be left out, and that includes Gen Z, even if what they're being left out of is marketing strategies.

Companies don't need to throw away all their knowledge of millennials and every other generation out there. But by only focusing on millennials in the coming years, companies will be leaving out a large demographic that is essential to their future survival.

As Gen Z enters the American economy, industries need to recognize the difference between millennials and Gen Z and start devoting more effort to reaching their younger market. 🏠

Layout by Priscilla Wright Barker

Notes

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17 Boesel, "Marketing to Gen Z."

What do Gen Z and Millennials have in common?

Like Gen Z, most millennials are tech savvy. While millennials didn't grow up with a phone in hand, they know their way around social media and online websites.¹⁶ Because of both generations' technological abilities, advertising on social media and websites is an effective way to target millennials and Gen Zers.

Besides technology, both millennials and Gen Zers want to be involved with the brands and companies they like. When brands ask for feedback and interaction, they feel like they are involved and impacting businesses.¹⁷

Figure 2 shows that over half of Gen Z and millennials have an entrepreneurial spirit.

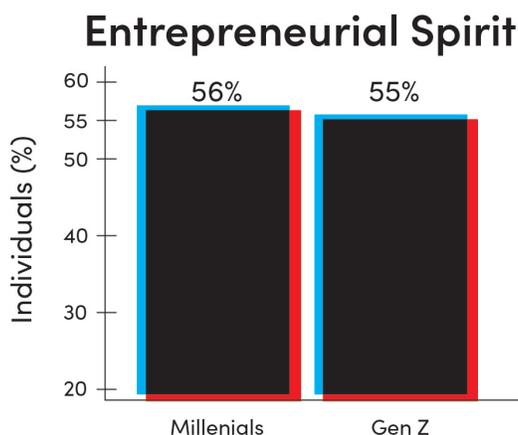


Figure 2: Entrepreneurial Spirit of both Generations