

# Gen Z: The Future of Consumer Engagement

AN EBOOK BY 212 MEDIA STUDIOS

By 2050, Generation Z—often called Gen Z—will have taken over the Millennials' title as the dominant buying force in consumer markets. In fact, their influence is already wielding significant power. Forward-thinking businesses that want to appeal to this influential generation of buyers should focus on understanding what drives their motivations and purchases—and ultimately, their loyalty.

Some of Gen Z's trademark identifiers include risk aversion, cost-consciousness, and a deep desire for truth and authenticity. Having grown up during the recession, Gen Z is skeptical of anything uncertain—and that skepticism directs them to approach the world differently than the generations before them.



# The Transition to Generation Z

Companies have worked tirelessly for years to develop products and marketing campaigns specifically tailored to the needs, desires, and experiences of Millennials. As natives of the digital world, the Millennial demographic represented a landmark shift from previous “analog” generations, which created a new set of unique marketing challenges.

With the world at consumers’ fingertips, it was harder than ever to stand out. Luckily, Millennials grew up in a time of economic prosperity, making them idealistic and more willing to spend money. Just when the marketplace was feeling comfortable with digital, technology-powered engagement and had embraced the self-focused mindset of the “me generation,” a new wave of young consumers is turning the norm on its head.

While some expected Generation Z to be the Millennial Generation 2.0, it is becoming increasingly clear that this set of consumers has completely different values. For example, even though both generations are digitally savvy and actively engage on social media, experts have found that they use the platforms differently. According to McKinsey & Company, Millennials look to the “hive mind” to learn about the most popular, collective opinion, while Gen Z draws on the opinions of individual experts.<sup>1</sup>

Generation Z has witnessed major economic downturns, making them hesitant to spend too much or take significant risks. When members of Gen Z do spend their closely guarded dollars, they care less about brand loyalty and more about supporting companies they believe in and getting good value for their money.

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# Risk-Aversion: Access vs. Ownership

The Millennial days of “retail therapy” don’t apply to Gen Z. This new generation of consumers has watched pensions evaporate, banks fail, and world governmental debt skyrocket. They’ve seen middle-class friends and family struggle just to get by, and they have witnessed regular political brawls over the future of everything from healthcare to college loan interest rates. All these events leave this generation exceedingly cautious about where they place their trust.

Because Gen Z is more pragmatic and realistic than past generations, they gravitate toward the “sharing economy.” They believe in playing it safe by avoiding ownership and keeping their assets liquid, purchasing only the necessities. The last thing they want is to follow their parents into a world of debt and uncertainty. As a result, “consumption” has taken on a new meaning. Generation Z sees consumption as having access to products or services—not necessarily owning them. Opportunities such as car-sharing, video-streaming, or other subscription services are considered safer investments.

What does this mean for businesses? Experts say traditional consumer-goods companies should consider creating platforms of products, services, and experiences that aggregate or connect customers around brands without requiring ownership. For example, some car manufacturers are renting vehicles directly to consumers, while sporting-goods businesses are offering opportunities for people to access equipment, coaching, and like-minded communities.<sup>2</sup>



# Risk-Aversion: Access vs. Ownership (Continued)

Another way to influence Gen Z's purchasing behavior is to turn their wants into needs. Gen Z is more likely to spend money on products and services they consider necessities, so establishing your company as a supplier of those necessities will put these young consumers on the path toward a purchase. For example, 88% of Gen Z believes a smartphone is a necessity, not a luxury—even though humanity existed for thousands of years before the first smartphone was invented.

If you want to win Gen Z's loyalty, convince them that your service or product is essential—not optional.

**This new generation of consumers doesn't want to take risks, so it's up to you to frame your business as a necessity for their success. Put together a strategy that eliminates all their doubt.**



# Cost-Consciousness

For Gen Z, a key aspect of risk aversion is lowering expenses. These consumers are skeptical of the market, always wondering if it will crash and threaten their livelihood—and they will not spend money if they don't think they're getting a good value.

According to a Business Insider survey, price is Gen Z's primary motivator when deciding where to shop.<sup>3</sup> As a result of Gen Z's thriftiness, establishing brand loyalty is becoming increasingly difficult. "There really isn't loyalty like in the past," says Marcie Merriman, the executive director for growth strategy and retail innovations at Ernst & Young. "[Gen Z consumers] are highly informed and want to take charge of their lives and their futures."

While Gen Z is budget-conscious, they are also very in touch with what their peers think of them—partially due to their unfettered access to social media. Therefore, they're willing to commit to products that make them look good and offer a good value—whether through affordability or long-term reliability.<sup>4</sup> Generation Z does its research before making purchases, so the best way for brands to achieve customer support from this age group is to pursue consistency. If Gen Z finds your products and services to be steady and reliable, they are more likely to keep coming back to you.



## Cost-Consciousness (Continued)

Consider Nike's tactic of putting consumers on treadmills—right in the store—in an effort to educate them about their running styles and help them select the shoe best suited to their unique needs. The sales staff videotaped customers and played the footage back, pointing out strides and other tendencies. Consumers appreciated the extra time and attention, which added to their feelings of brand loyalty.<sup>5</sup> By personalizing the consumer experience, Nike established their running shoes as necessities for each individual customer and built consumers' confidence in their brand.

Gen Z is not easily fooled. The same old stories and tactics won't work for them. That means it's even more important for your company to create a convincing value proposition. Without it, customers will pass you by in favor of something better.

**Don't let your brand go overlooked—  
catch Gen Z's attention with a targeted, personalized strategy.**



# Truth & Authenticity

Because Generation Z has access to unlimited amounts of information, they want to verify everything they see or hear. If the data they're looking for isn't easily accessible, they are automatically skeptical. In contrast, if they see brands being open and honest in their advertising efforts, it becomes much easier to win their support.

Additionally, Gen Z is more exposed to word-of-mouth marketing than any generation before it—which means they rely on the opinions of the communities they trust. According to one survey, 86% of Gen Z reads online reviews before making a purchase, and 68% say they read three or more reviews.<sup>6</sup> A brand's consistent reputation matters, and Gen Z is diligent about gathering data before making decisions.

The collaboration and positive peer association allowed by the internet and social media tools are key to tapping into Gen Z's buying power. In fact, one study found that 63% of Gen Z customers prefer to see "real people" in ads.<sup>7</sup> Today's businesses must accommodate and encourage initiatives that promote positive, authentic relationships with Gen Z buyers. They don't trust an intangible caricature of a business executive taking their money—but if they can associate faces and positive feedback with brands, they'll feel more comfortable.

As an example of an effective campaign, consider American Eagle's lifestyle and underwear brand, Aerie, which banned retouching on all its promotional photos in 2014. In response, the company saw 18 consecutive quarters of double-digit growth,

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## Truth & Authenticity (Continued)

with same-store sales up by 14% in the first quarter of 2019.<sup>8</sup> In contrast, Victoria's Secret—a competing brand that has not implemented such forward-thinking changes—saw a five percent drop after the first quarter of 2019.<sup>9</sup> Gen Z isn't looking for airbrushed, flawless performances from their brands; they want companies that are genuine and relatable.

One key pillar of creating an authentic image is pursuing ethical, socially conscious initiatives. Fifty-six percent of Gen Z consider themselves to be socially conscious, and more than 50% report that knowing a brand is socially conscious influences their purchasing decisions.<sup>10</sup> Companies that want to win consistent support from Gen Z must devise strategies based on a strong sense of identity, purpose, and values. To do this, some companies manufacture products from recycled materials, use fewer resources, or donate a portion of profits to worthy causes. These business models will become even more crucial over time as Gen Z grows into a stronger market force.

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# Changing Market Demands

Over the next several decades, Generation Z will gain more spending power. Businesses that understand what drives this emergent generation will succeed, while those who fail to address developing demands will be left behind.

Products and services that allow the risk-averse, cost-conscious Gen Z to feel they are getting added value for their dollars will stand out and win this generation's hard-to-obtain loyalty. When they feel they've made a safe investment, members of Gen Z will keep coming back to your business—and they're likely to bring their friends.

Don't miss the opportunity to build a strong foundational relationship with your Generation Z audience. As marketing demands change and consumers expectations evolve, you need to be ahead of the curve.

**To start developing your brand into an image that attracts the next generation, reach out to us.**



# Resources

1. <https://www.mckinsey.com/industries/retail/our-insights/the-young-and-the-restless-generation-z-in-america>
2. <https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/true-gen-generation-z-and-its-implications-for-companies>
3. <https://www.businessinsider.com/gen-z-shopping-habits-kill-brands-2019-7>
4. <https://blog.hubspot.com/marketing/what-gen-z-spends-money-on>
5. <https://www.businessinsider.com/how-brands-can-educate-customers-2013-4>
6. <https://www.convinceandconvert.com/word-of-mouth/gen-z-statistics/>
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9. <http://investors.lb.com/news-releases/news-release-details/l-brands-reports-first-quarter-2019-results>
10. <https://www.marketingdive.com/news/more-than-half-of-gen-z-favors-socially-conscious-brands-study-finds/523127/>



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