

## ‘Millennials on Steroids’: Is Your Brand Ready for Generation Z?

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It is a generational rite: complaining about “kids these days” and their habits and proclivities, grouching about the world they’re growing up in, and romanticizing generations past who were “perfect in every way.” Parents in the 1960s were horrified by their children’s risqué **Elvis Presley**-style dance moves and loud rock n’ roll (as portrayed in the musical, *Bye Bye Birdie*). When the baby boomers grew up, they derided Generation X as the **MTV** Generation, a bunch of lazy disaffected slackers. As Gen Xers settle into middle age, they moan about the millennials (or Generation Y): entitled products of helicopter parenting and an ‘everybody-gets-a-trophy’ ethos.

And now here comes Generation Z, the post-millennials loosely defined as those born between the mid- to late-1990s and 2010. Gen Z, which represents about a quarter of the U.S. population, is coming of age in the Era of Instagram; coming of age post-the Great Recession, and coming of age when an African American president and multiple women running for the title is a political reality. (This group hasn’t been the source of any generational angst yet, but give it time.)

Many Gen Z-ers are still just kids — the oldest members of this demographic are graduating from college now — but since today’s teenagers are the workers and consumers of tomorrow, marketers and employers are eager to get a handle on them. They want to know how this generation differs from others, its values, how it interacts with **brands**, and what its members want to spend money on — or perhaps, more accurately, how the parents of Gen Z-ers are spending money on their behalf.

It’s still early days for Gen Z, but already one defining characteristic is abundantly clear: This generation is WiFi enabled. If the millennials are the “**digital** natives” — so named because of their comfort and seemingly innate facility with **digital** technology — then this age bracket might be the ‘Internet-in-its-pocket’ generation, according to [David Bell](#), professor of **marketing** at **Wharton**.

“The big difference between this generation and others is the fact that kids today carry personalized computers around with them in their pockets all the time,” he says. “They can exchange information, communicate and share ideas, and [companies and **brands**] have 24/7

access to provide them with opportunities to shop.”

While the millennials don’t remember a world without computers, Gen Z does not know a world without constant, immediate and convenient access to the web. Their ease with **digital** technology presents both opportunities and challenges for the companies that want to reach them. On one hand, companies have a lot more information about these young people as their **digital** footprints are rich with data about their likes, dislikes and purchasing predilections. On the other hand, companies don’t know what to do with that information.

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There’s another problem, too, says Keith Niedermeier, an adjunct professor of **marketing** at **Wharton**. Gen Z is elusive. “Traditionally, **brands** love to target people in their teens, despite their lower purchasing power, because they want to lock in loyalty early in the game,” he notes. “However, the conventional wisdom now is that [Generation Z is fickle, harder to reach and harder to lock in.?Twitter](#) As a result, there seems to be a lot of inaction inertia on the part of companies.”

### **A Generation ‘That Doesn’t See Boundaries’**

Age groups are often studied through the lens of “generational cohort theory,” which is the notion that things that take place during your childhood and adolescence forever shape your worldview. “Socio-historical events leave a big impression on your life and influence your attitudes towards things like sex, music and money,” says [Barbara Kahn](#), **marketing** professor and director of the [Jay H. Baker Retailing Center](#) at **Wharton**.

“We have already seen cohort theory in action in terms of Depression-era children and sexual revolution-era baby boomers,” she adds. “We can start to extrapolate the primary forces shaping Generation Z and what that means for the companies that want to market to them.”

Take money, for instance. The biggest financial event of Gen Z’s lifetime is the Great Recession, which began in 2007 and is widely considered the worst global downturn since World War II. Even if members of Gen Z are too young to remember the massive stock market losses and high unemployment rate of that period, the aftermath of the downturn will likely influence their attitude toward money, says **Kahn**. “They won’t be like their Depression-era penny-pinching great grandparents, but they won’t be like free-spending Gen X either,” says **Kahn**. “They likely won’t see job security in the same way.”

Members of Gen Z will likely be more financially conservative than their Gen Y counterparts, adds Dan Schawbel, the managing partner of Millennial **Branding**, a New York-based consulting firm and the author of *Promote Yourself*. “They’ve seen millennials suffer under the

weight of student loans; they've seen them be underemployed and they've witnessed their delayed adulthood," he says. "[Members of Gen Z] don't want that."

The changing racial demographics of the U.S. is also shaping Gen Z's outlook. Gen Z is the most diverse of any generation in the U.S.: Around the time the [2020 Census is conducted](#), more than half of all U.S. children are expected to be part of a minority race or ethnic group. What's more, this generation tends to have a more positive attitude than older generations about the U.S. becoming more ethnically diverse: Nearly half say it's a good thing, and only one in nine think it is a negative, according to a [study](#) by Magid Generational Strategies, the consulting firm.

"Because this generation is extremely ethnically diverse, they embrace diversity and they embrace differences," says **Nancy Breiling Nessel**, the founder of **GettingGenZ.com**, the consulting firm. "They are inclusive. They are accepting. This is a unique quality that separates them from prior generations, and a quality these prior generations will learn from Gen Z."

Their inclusive nature is evident in other ways, too. Research show young people are more likely to support [same sex marriage](#) and [transgender rights](#). "This is a generation that doesn't see boundaries. Gender doesn't mean what it used to," says **Kahn**. "This generation is coming-of-age in the era of Caitlin Jenner. They will likely be more open-minded as a result."

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They're likely to be more independent-minded, too. "Unlike millennials, [who are] the children of boomers, [Gen Z's] parents — Generation X — are not helicopter parents," says **Kahn**. "They don't seem to be quite as involved in every detail of their children's lives, which is probably a good thing. The criticism of millennials is that they got too much attention, they have a greater sense of entitlement, and they never grow up and never leave the nest. You won't expect to see that with Gen Z."

## What to Expect

What then should we expect to see from Gen Z? And how will this generation evolve as consumers based on its behavior and values as teens? The ways in which members of this generation spend their time and money provide early clues. (Hint: they spend most of both online.) Nearly three-quarters of teens have, or have access to, a smartphone and 92% of them report going online daily. A quarter of Gen Z-ers say they go online "almost constantly," according to a [study](#) this year by the Pew Research Center. According to a [study](#) by BI Intelligence, Generation Z spends 9% of its income online — the highest percentage of all the generations.

"Generation Z are like millennials on steroids," says **Schawbel**, the consultant. "They are

millennials amplified. The minute they were born, they already had a domain name and a Facebook profile and Twitter feed. **Social** media is second nature to them. Even members of Gen Z who don't necessarily think they're tech savvy absolutely are. Technology is as an extension of their self-expression."

But members of Gen Z are not wedded to any one form of Internet-enabled self-expression. They [spread themselves](#) around: Kids who are 19 and younger gravitate toward **social** networks like Snapchat, Secret and Whisper. "They are forcing older generations to adopt these platforms in order to connect with them," says **Schawbel**.

This fragmented media use presents a challenge for companies trying to reach members of Generation Z, says **Wharton's Niedermeier**. "It's not easy to get to them in a mass way," he says. "They use so many different **social** networks and they're also highly influenced by others' opinions and word of mouth, which makes it much harder to spin a **brand** story."

In the past, he says, companies saw great value in investing in **brands**. After all, when a customer trusts a **brand**, they are loyal to it. "For the customer, there is trust and reduced risk with known **brands**. When you buy a pair of **Nikes**, as opposed to another **brand**, you trust what you're buying and you know the company will stand by those shoes. The data you use is your own experience," he says.

But Gen Y and Gen Z tend to crowdsource that data much, much more. They scrutinize online reviews on sites like **Yelp** and **TripAdvisor** and canvas **social** media for others' input. The upshot for companies is that they will have to put more resources toward managing and influencing opinions online to build exposure, **brand** awareness and loyalty. Companies might, for instance, hire **brand** ambassadors and create incentive structures for customers to talk about **brands**.

It's also critical that firms react quickly to negative opinions expressed online and get in front of negative stories. "It's a challenge when there are people and channels who are talking about your **brand** and who are influential, but the **brand** doesn't necessarily know [or control] them," says **Wharton's Bell**.

"It could be someone who's a viral sensation on YouTube or Vine or someone who has a national following on Twitter," he adds. "It's a challenge for the **brand** when the person who's really influential at reaching your target market isn't necessarily on your team, so to speak."

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—Dan Schawbel

Moreover, staying on this generation's radar screen is tricky because it "operates with different norms," Bell says. "The lines have blurred and the **brand** is more of a person than it used to be. People in this generation are 'friends' with **brands** and communicate with **brands** in the same way they are friends with and communicate with actual people."

## Purchasing Power

Generation Z does not have a lot of its own money (yet), of course, but this doesn't necessarily mean its members lack purchasing power. According to a [report](#) by Sparks and Honey, the **brand** strategy firm, the average upwardly mobile Gen Z-er receives an allowance of \$16.90 per week, which collectively amounts to \$44 billion a year. Apart from their own pocket money, today's tweens and teens have considerable influence on household purchases compared to previous generations. About 93% of parents of Gen Z-ers say their children have at least some sway on their family's spending, according to the [Cassandra Report: Gen Z](#).

This generation's spending patterns depart from the millennials'. Generation Y prefers to [spend money on experiences](#) as opposed to material objects. Similarly, that generation cares more about access to products and services rather than ownership of them. Note the popularity of **Airbnb**, the lodging company, **Zipcar**, the car sharing company, and **Bixi** and **Hubway**, the public bike sharing systems in Montreal and Boston respectively, among this generation.

Yet the early survey data on Gen Z indicates that today's young people are more open to traditional ideas of ownership. About two-thirds of Gen Z-ers say they want to own both houses and cars in their lifetimes, according to [research](#). A recent [Piper Jaffrey survey](#) on teen spending and trends, meanwhile, shows that this generation's favorite **brands** include an assortment of labels found in any American mall: **Ralph Lauren**, **Nike**, **Lululemon**, **Victoria's Secret**, **Vineyard Vines**, **UGG Australia** and **Timberland**.

"This generation is in to stuff," says **Neidermeier**.

Still, he concedes all of these predictions about how Gen Z's behavior and values as children will translate to their purchasing patterns in the future are merely guesswork. "This is a story that's unfolding right in front of our eyes," he says. "We don't know what the future holds. They're still so young, and kids change."

And it's only a matter of time before Gen Z is all grown up and griping about "kids these days."

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