

# The Emerging Generation Z Powerhouse

As Baby Boomer spending declines, the impact of Generation X and the Millennial generation on retail spending will increase in importance. Retailers need to reach these newer consumers and prepare for the future by not only targeting them, but their "Generation Z" children. Generation Z (ages 10-17) is predicted to comprise 40% of the North American population by 2020, bringing a differentiated view from their Millennial and Generation X parents to the retail industry. Recognizing the differences between these consumer segments and understanding the implications of their influence on parent purchasing decisions will be critical in successfully targeting and serving these consumers. Farla Efros, President of HRC Retail Advisory, believes that "retailers must be nimble in order to adapt to the needs of the Generation Z consumers and their parents to be relevant to these consumers".

HRC recently commissioned proprietary custom research to gain insights into Generation Z's shopping preferences and their influence on the spending behavior of their parents. One of the key findings of HRC's research was that Generation Z had a significant influence over most household merchandise buying categories. Over 75 percent of Generation Z respondents said they have at least some influence on their parents' spending decisions, while 82% of their parents believe that their Generation Z children have a growing influence on their household purchasing decisions.



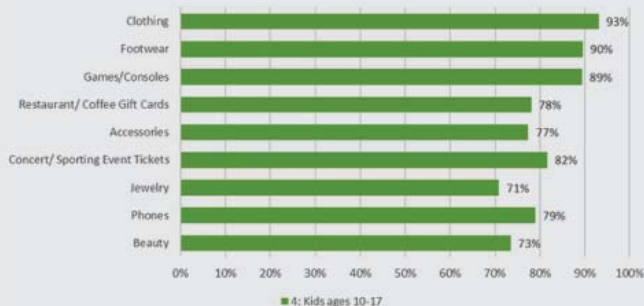
## Study Demographics

- 3,100 participants from US and Canada
- 4 groups were studied: Millennials, Millennial parents, Generation-X parents, and Generation Z (Kids ages 10 to 17)

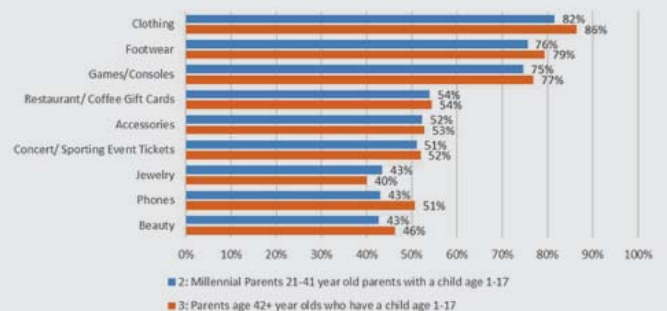
## Top Five Study Findings

**Generation Z is Influencing What Parents Buy.** Generation Z has a strong voice in the household, expect to be heard, and influence what their parents buy. Eighty-two percent of parents surveyed admitted that their children have some influence over purchase decisions this seems to conflict with the 50% statement in the preceding paragraph, while as much as 93 percent of the Generation Z respondents say they have some influence in certain categories such as clothing (93%), footwear (90%), accessories (77%) and cosmetics (73%).

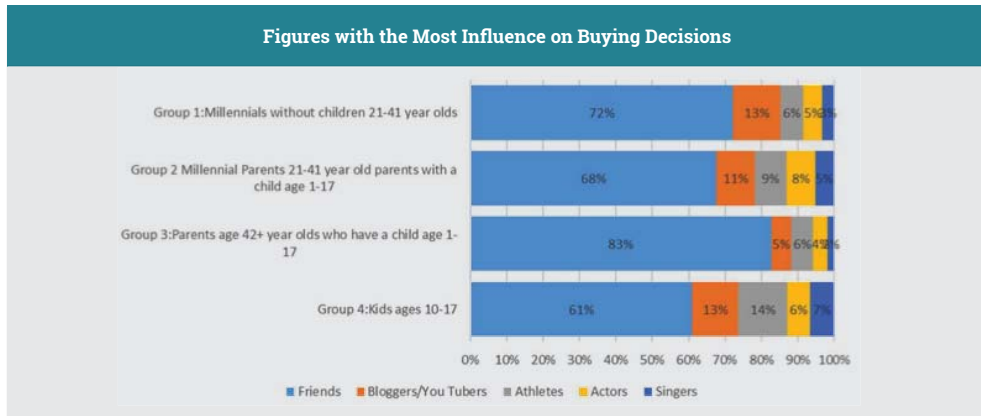
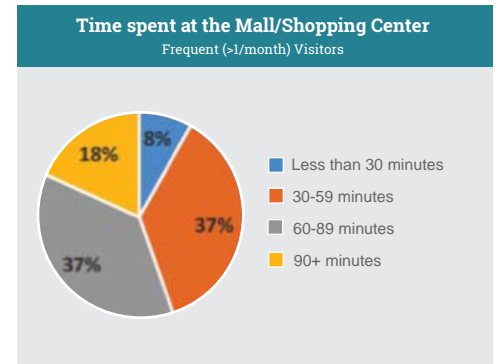
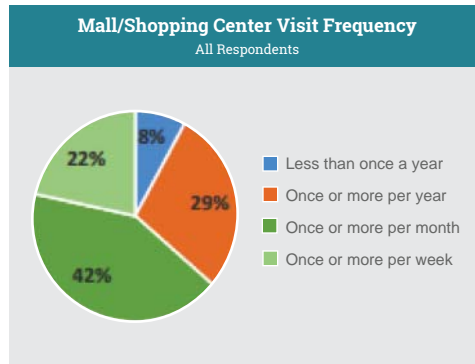
**Kids who say they have at least some influence on their parents buying decisions**



**Parents who say their children have at least some influence on their buying decisions**

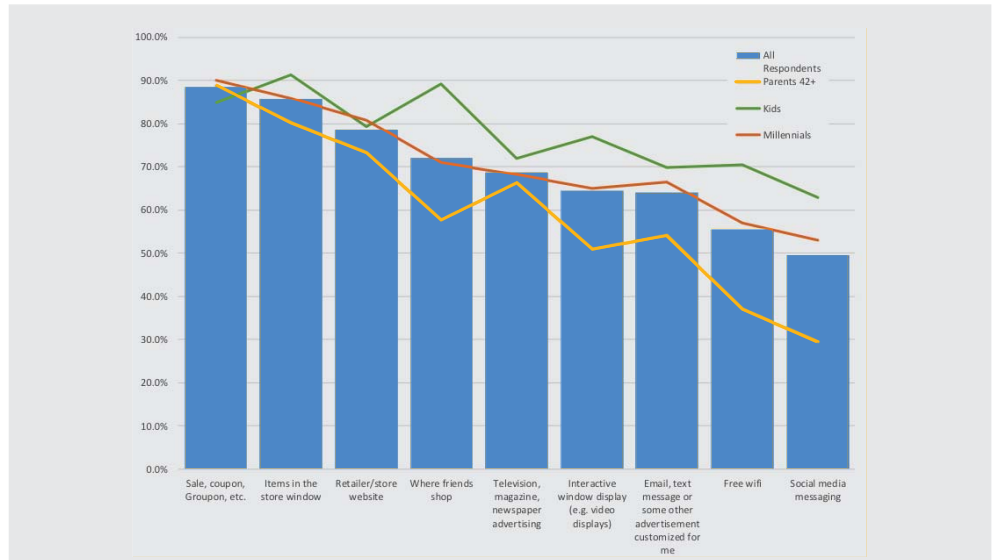


**Generation Z's Go to the Mall.** Seventy-two percent of Generation Z respondents said they visited the mall at least once a month. Of these high-frequency visitors, 60 percent of Generation Z respondents said they spend at least an hour in the mall each time they go and visit 4.4 stores per trip. Fifty-seven percent of these Generation Z high-frequency visitors go to the mall with a clear intention of making a purchase for themselves (ie. they are not going to browse).



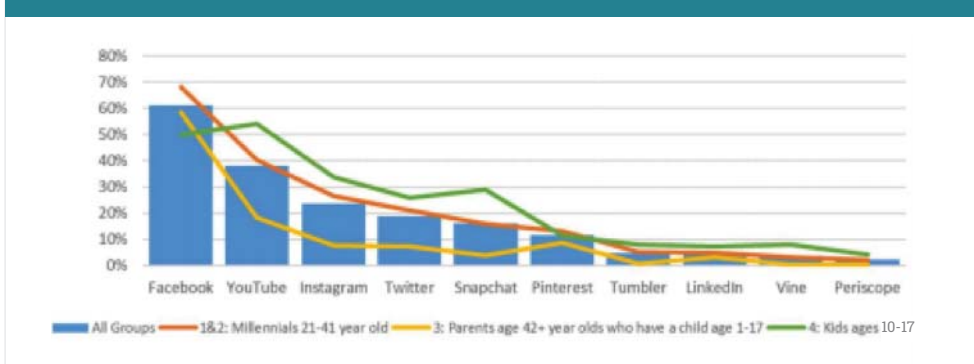
**Generation Z is Influenced Most by Friends, Not Celebrities.** Friends were deemed the most influential by 61% of Generation Z respondents, followed by bloggers/YouTubers (13%) and athletes (14%). Celebrity endorsements by actors and singers ranked the lowest, at 6% and 7% respectively. Retailers need to consider the implications of this as they select spokespersons to represent their brands.

**Generation Z Responds to Social Pressures and Digital Tactics.** Although sales and coupons were strong influencers, Generation Z respondents said they would be more likely to enter a store based on where friends shop (89%) and items in the store window (91%), than sales or coupons (85%). Digital tactics such as interactive window displays; email, text, and social media messaging; and free Wi-Fi have also had more influence with Generation Z than with any other group.

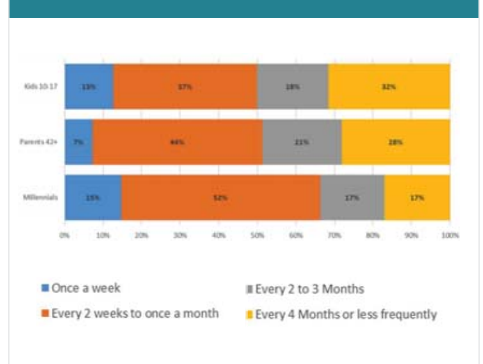


**Generation Z Prefers YouTube Over Facebook.** 54% of Generation Z respondents stated that they do research on YouTube daily in order to gather information. This is a significant deviation from Millennials who named Facebook as their most visited social media platform. Generation Z visits Facebook (50%), with daily visits to Instagram (34%) and Snapchat (29%) more frequently than older generations as well.

### Daily Engagement by Social Media Platform



### Buy Online Frequency



**Generation Z is Already Buying Online, and Often.** Of the Generation Z respondents, 50% stated that they buy online at least once each month. Of those buying online within the last 12 months, 77% stated that they have purchased from Amazon, and 34% from eBay.

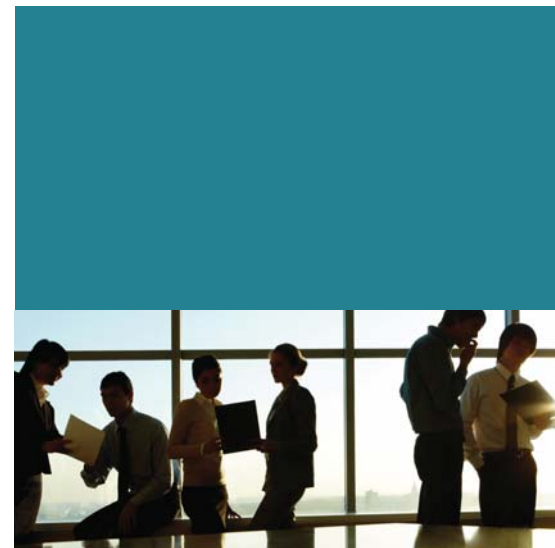
Generation Z is the first generation that was raised with the internet, developing preferences and capabilities uniquely their own. They were “Born Seamless and expect Seamless”. They are thoughtful, caring, giving and are self-starters. Their quest to be in control can impact the behavior of parents and friends, and can influence what is purchased for them (69% of Generation Z respondents said they prefer to receive a gift card and 73% will give a gift card). They ask their friends for advice and seek recognition. They have a short attention span and on average, they are using 5 screens versus 2 for Millennials. They spend on average 7.6 hours per day socializing with friends. Their focus is on product and touch as well as access.

Understanding where they spend their time, what most strongly influences their buying decisions, and where they gather information is an integral part in communicating with them and forging relationships.

**Based on the research, Efros notes that retailers will need to offer compelling branded experiences that are more aspirational, with store staff acting like brand ambassadors to succeed”. Efros says that Retailers will need to consider the following five factors to most effectively serve Generation Z consumers:**

1. Depict them as diverse (ethnically, socially, fashionably)
2. Communicate more frequently in short bursts using content: Talk to them in images, emoji’s, and videos
3. Allow them to personalize, give them control and preferences
4. Talk to them about values and social causes, they are curious and caring
5. Instead creating demand using Hollywood celebrities, use real people or internet / YouTube stars to market your brand

Appealing to this group at a young age can have a huge impact on retailers’ long term customer retention and brand loyalty. Social media and digital advertising will be dominant in marketing strategies targeted to Generation Z – but retailers must adopt these mediums in interactive ways to inspire and engage this emerging generation of consumers. These tactics should be included as a part of strategic growth planning, and retailers should devote an increasing percentage of marketing budget to start targeting this emerging, growing and influential consumer segment. Remember this group has Digital in their DNA!



For more information about how HRC can assist your company to more profitably adapt to this omni-channel environment, please contact:

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