



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, scrutinised 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.

Broadly defined as those born in 1998 and after, this group already makes up 30% of the global population and circa 22% in China. In little over a decade, this cohort will become the largest consumer base - presenting vast opportunities for businesses.

But what about Generation Z today? As the oldest members turn 21 this year, and enter adulthood and the workplace, the opportunity for business is already mounting. 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. With nearly 2,000 respondents from China, the study also provides a rigorous insights on the young consumers in China. Our research covers over 12 million data points to provide valuable insight into this already misinterpreted generation, revealing many of the values and attitudes already displayed by this group of young consumers - and influencers.

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.



A word on generational research

Generational research has long been recognised 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 and national 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 and national 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.

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

Who are Generation Z?

THE GENERATIONS

| | | |
|------------|--------------|-----------|
| 1928-1945 | 1946-1964 | 1965-1980 |
| Silent Gen | Baby Boomers | Gen X |

While the definitive years are still to be agreed (clearer generational boundaries will likely emerge over time), it's generally accepted that Generation Z include those born sometime between 1998 and 2016.

Members of this demographic grew up, or were born into, an era defined by political and economic turmoil. The financial crisis of 2007, and ongoing terrorist attacks that took place six years earlier, meant childhood was a time of relative hardship set against a backdrop of increasing anxiety for many Gen Zers, as both the 'war on terror' and Great Recession took hold.

And while 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.

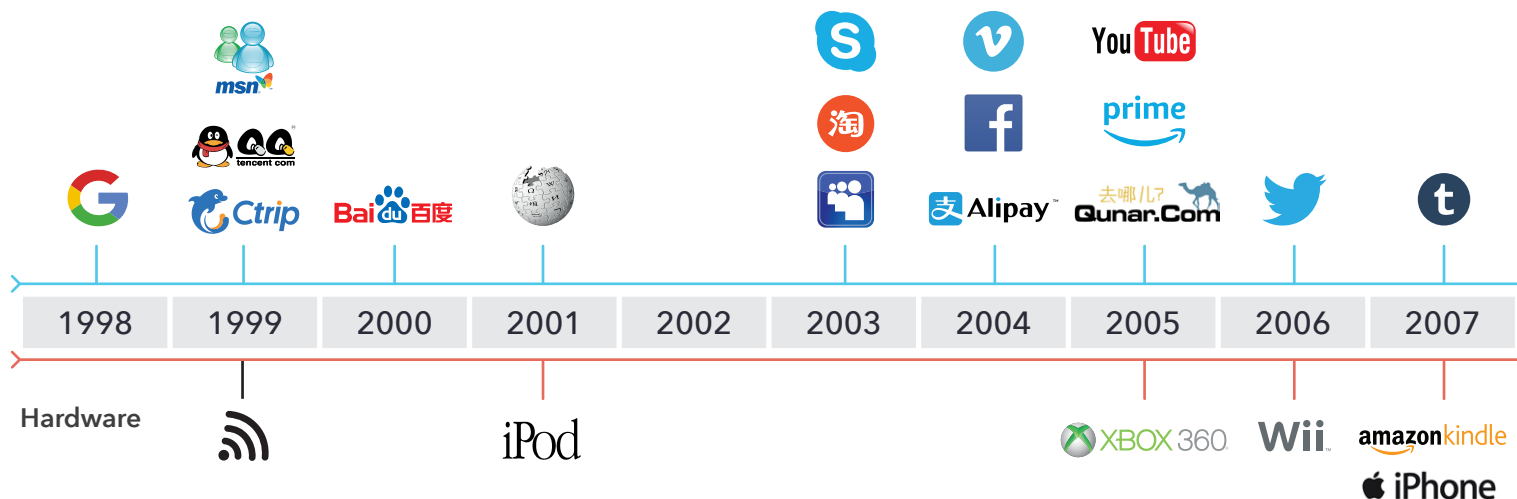
Yet despite these events, Gen Zers are not necessarily defined by these geo-political tumultuous times. Born alongside the commercialisation of the World Wide Web, this group is surely better defined by the era of unprecedented technological change that has followed.

For growing up alongside the internet and the subsequent dawn of social media, meant a childhood punctuated by the many seismic events (South China Sea Territorial Disputes, US-China Trade War, Donald Trump's Presidency, Brexit) directly influenced by this medium. Add to all this contemporary events and trends involving rights and equality - such as the Syrian Civil War and the refugee crisis, the legalisation of gay marriage, the #metoo movement and the rise in populism across the Western world - and it becomes clear that Generation Z have lived through, or were born into, times of extraordinary change.

Today, as the oldest Gen Zers come of age, we're starting to grasp just how much these worldwide events may have influenced and defined the characteristics of these young consumers. We're seeing how concerns around social responsibility are affecting purchase decisions, for example, and that opportunities for family, human rights and environment are the most significant issues for this group of people.

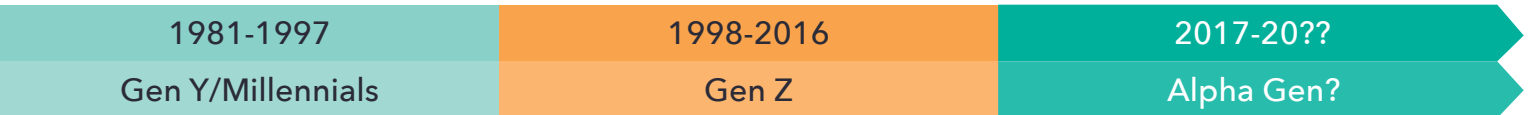
TECHNOLOGY TIMELINE, 1998-2017

Software/Apps



“Compared with Millennials we Generation Z, have more of our own characteristics. We stay true to ourselves, independent but not lonely, entertainment is our top priority.”

Male, 20



The research paints a layered and textured portrait. It shows how, more than any other generation, this one is subject to influence from friends and online advertising, but also, the extent to which this cohort wants to stand out as individuals. Driving these seemingly contradictory forces is, most likely, the irrefutable influence of social media.

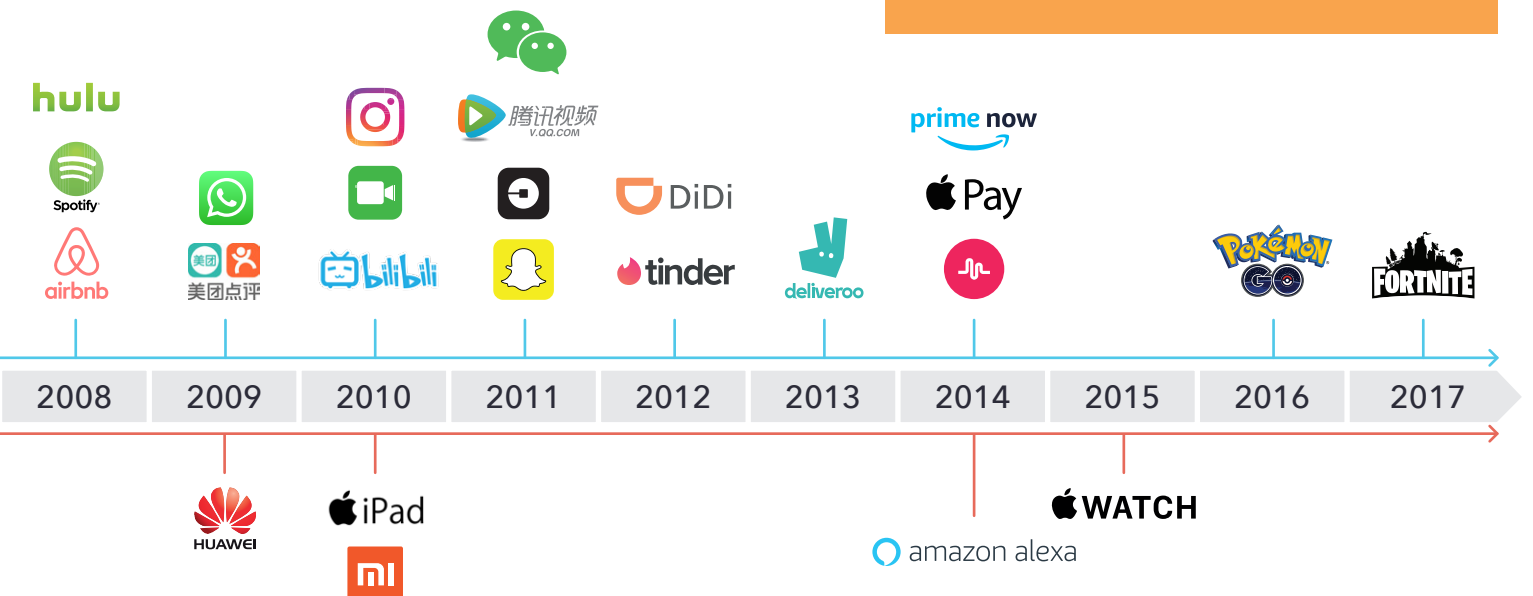
Growing up with Weibo, WeChat and Youku/iQiyi and more recently, Douyin, KuaiShou and Bilibili, it's no surprise that Generation Z are prolific and masterful social media users: adept at manipulating the medium to build influence, make money and discover brands and new ideas. As the first generation to know nothing but life with social media platforms like WeChat Moments, Gen Z socialize, source news, watch videos and carve out multiple identities. These young adults, teens and tweens don't 'go online', they live online.

This doesn't mean they're not concerned by their social media use, however. Over 45% worry about the wider impact social media has on society, while 40% are concerned by the effects social media has on their health.



Rinsta vs Finsta

Millennials may have popularised the selfie and 'humble brag', but we see a trend for multiple account user among Gen Zers, suggesting a focus on carefully curated personas. Furthermore, this generation is the least likely to limit their social media audience to those they know in real life and are more comfortable about sharing their information, such as birthday and relationship status on social media compared to other surveyed countries. The result? The birth of multiple account holders with a mix of fake and private accounts (often known as finsta in the west) for close friends and family and polished and public "regular" account (rinsta) across social media platforms, such as WeChat and Weibo.



Generation Spender?

Generation Z are frequently labelled the 'stay-at-home generation'. Evidence suggests that the rise in streaming, online communities and instant communication channels has produced a generation that socialises less outside and more inside.

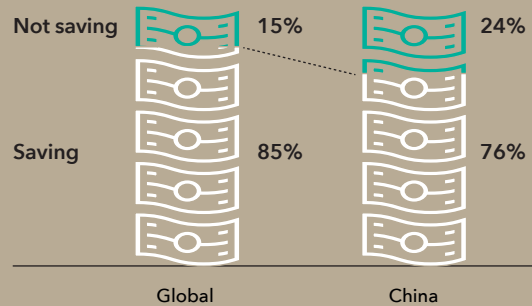
However, that's not to say that Generation Z doesn't spend of course. At RMB4.0 tn, this group already accounts for circa 13% of the total household spending in China which is highest around the world, even though the vast majority are teenagers or even younger.

Gen Z in China have different spending attitudes and behaviors to their global peers and older generations. With a more optimistic attitude in future prospects and stronger family dependency, they have lower willingness to save and sometimes refer themselves as "moonlight clan", meaning carefree spenders who empty their wallets at the end of every month. Overall, circa 76% of them are currently saving compared to 85% of Gen Z across the globe.

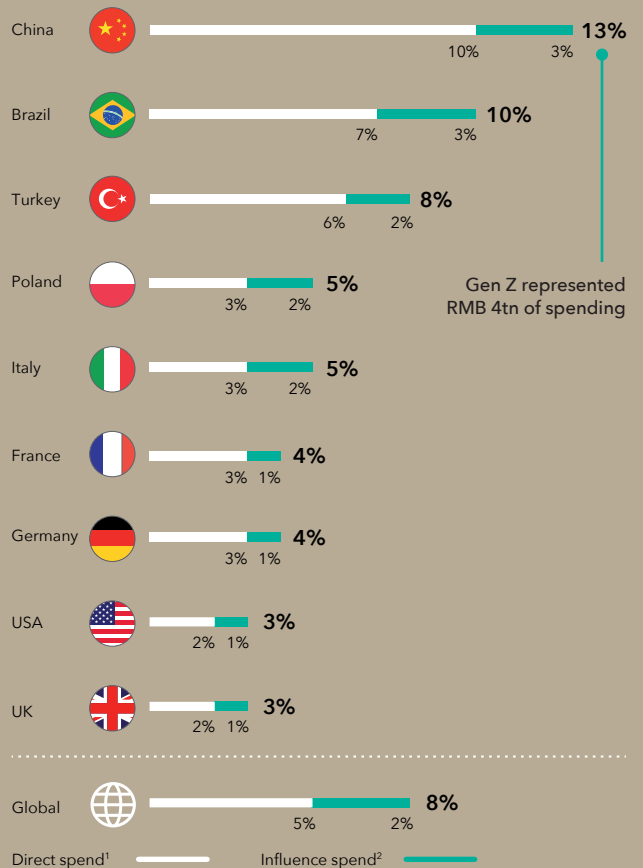
GEN Z SHARE OF HOUSEHOLD SPEND

Gen Z saving behavior

% of survey respondents, Global vs China



Share of 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 Influence 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



“What makes us different from any other generation is that we are more cautious and pragmatic. We grew up during a global recession, war, and terrorism. When planning our futures we seek stability and security rather than the optimism and flexibility of Millennials.”

Female, 20

Why Chinese Gen Z have lower willingness to save

One child policy
 Since the launch of the one-child policy in 1980, many Gen Zers are born as the only child in their family. Being the single child, Gen Zers are more likely to receive generous financial supports from their parents for their personal spending than older generations and gain a more freedom to a just enjoy life attitude.

Unaffordable housing
 Many Generation Z are still young and live with family. Compared to older generations, like Millennials, they are less motivated to save money in the hope of buying their own apartment in a real estate environment that has become unaffordable.

Optimism on future prospects
 Unlike many of their global peers who are born in times of economic recessions and political instability, Chinese Gen Zers grew up in an environment of rapid economic growth. With an improved household income and continual urbanization, Gen Zers have become more optimistic about the future than their global peers, reducing their willingness to save money further.

Gen Z attitudes of the future¹
 % of survey respondents, Global vs China



¹ To what extent would you agree with the following statements about your happiness and confidence?
 Source: OC&C Gen Z Survey, August 2018

Our key findings Gen Z are:



More global

"Compared with the millennial generation, Generation Z are more open and western."

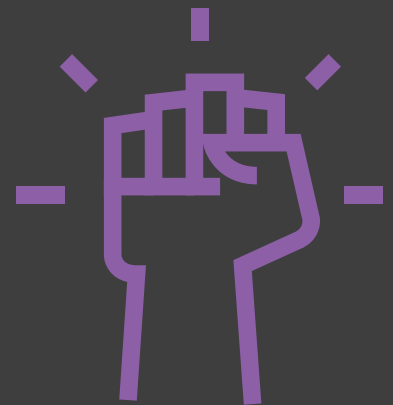
Female, 16



Under the influence

"...there's lots of information on Weibo, it can help me find out many things. I follow many celebrities."

Male, 20



More demanding

"Brands need to work more to retain their customers (since our choices have really gotten pretty limitless) - I would like it if they increased their offerings and make it easier to find things that you're looking for."

Female, 20



Eager to stand out

"Generation Z is more focused on innovation and uniqueness."

Male, 19



After experiences

"The experiences I have had, they do define me in a way - not so that I can show off about them, but what they have taught me is really valuable."

Male, 20



Pro social (responsibility)

"It is really important for me for brands to use their social capital to speak up when its necessary... brands are becoming lifestyle choices for many of us in my generation and if I'm going to affiliate myself with a brand then they have to have decent values."

Female, 20



“Compared with the Millennial generation, Generation Z are more open and western.”

Female, 16



Gen Z are more 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.

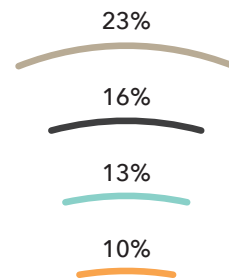
Compared with older generations, we see greatest similarities in behaviors and attitudes in the Gen Z respondents of all nine countries we surveyed. This suggests a homogenising effect that is almost certainly being driven by technology - primarily the internet, but also the increasing accessibility of low cost travel. The internet and social channels make it ever easier for this online Generation to share ideas and access the same information and media.

Brands and celebrities appear to be playing their part in this trend too. As brands expand further into developing markets such as China, often through leveraging the power of truly global celebrities and influencers, Gen Zers increasingly share access to the same products and services. As a result, online and in the media at least, the world can look surprisingly similar for Gen Zers.

ATTITUDES AND BEHAVIORS ACROSS COUNTRIES ARE MOST SIMILAR IN GEN Z

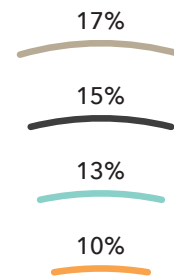
Differences in Attitudes, Behaviors and Purchase Criteria across countries by generation
(% Delta between highest and lowest countries)

Attitudes



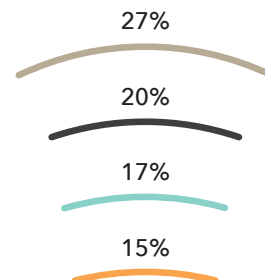
Example Question
To what extent do you agree with the following: "I am worried about the future of the global economy?"

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



Gen Z are under the influence

Influence plays a huge role in the life of Gen Zers. As Gen Zers in China consume more digital content compared to their international peers, both as a source for information and entertainment (e.g. news, gaming), they report higher level of online influence on their life choices. Compared to older generations, they are more likely to be influenced by friends, celebrities and online influencers (bloggers), particularly in style.

This tendency towards influence is reflected in their purchase decisions too. We see traditional purchase journeys disrupted as online inspirations play a bigger role, and mobile and social media channels contribute more to Gen Z's purchase decisions compared to older generations.

So whereas Generation X, the Millennials and Gen Z may all shop online and are all influenced by social media, Gen Z's list of influence extended further on online media channels. Brands', friends' and celebrities' social media and blogs have bigger influences for Gen Z than for older generations.

We see young people diverging from traditional sources of brand discovery too. When asked to select brand discovery channels, just 6% of Gen Zers selected, 'Seeing the brand when out shopping' compared with 18% of baby boomers and 8% of Gen Xers. Instead, friends have greater influence on their brand discovery, with over 20% selecting these channels. While family continues to be an important discovery channel, its influence has reduced for Gen Zers as they focus more on online sources.

Despite their age, Gen Zers are already influencing their peers by readily interacting with brands online and on social media. On average, over 20% of Gen Zers interact with brands via online media frequently, including following brands' social media, watching videos online video, asking questions and writing online reviews. This generation already knows its mind and isn't afraid to speak it.



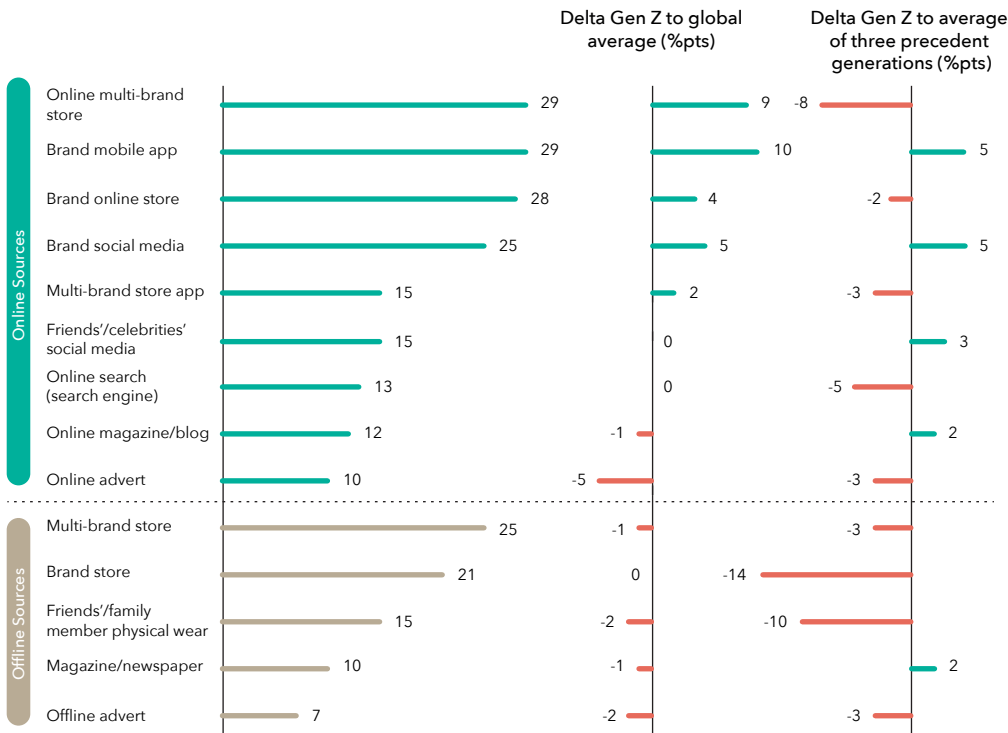
“...there's lots of information on Weibo, it can help me find out many things. I follow many celebrities!”

Male, 20

SOURCES OF CLOTHING PURCHASE INSPIRATION¹

Gen Z sources of inspiration

% Selecting answer as source of inspiration for most recent purchase



1. Thinking about your most recent clothing purchase, did any of the following inspire the purchase?

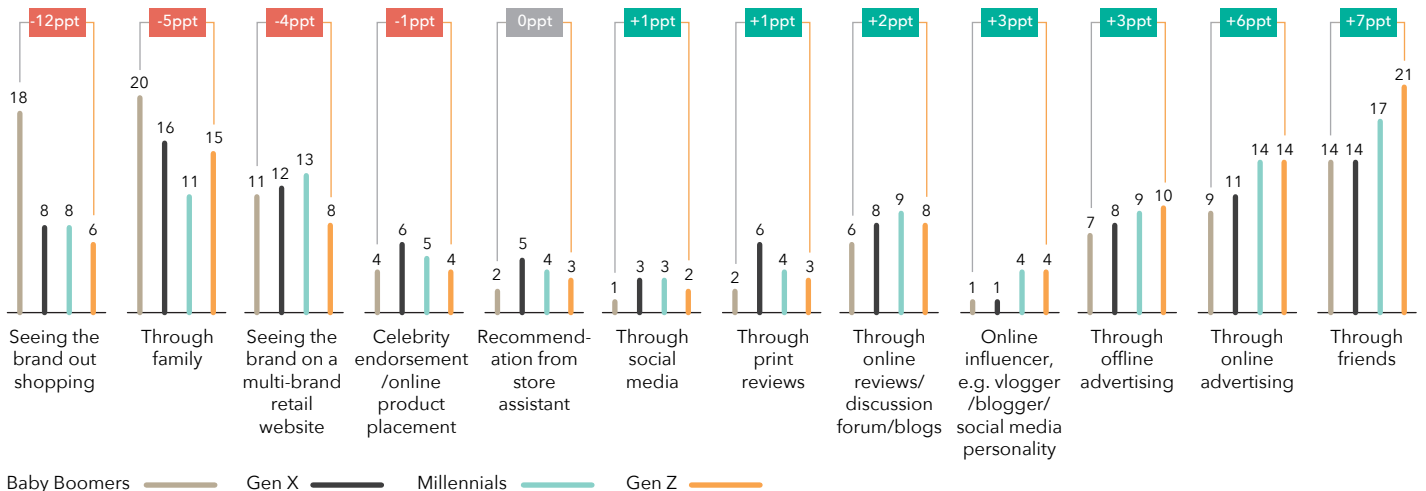
Source: OC&C Gen Z Survey, August 2018

“I will ‘reward’ brands... I’ll buy more from that company, tell my friends about them and suggest products from their website.”
 Female, 20

GEN Z'S CHANGING CHANNELS FOR BRAND DISCOVERY

Brand discovery¹ (Clothing & Beauty) - by channel

% of survey respondents (for last brand discovered)



¹ Thinking about the last time you were introduced to a new brand that you subsequently bought yourself, how did you discover the brand?

Source: OC&C Gen Z Survey, August 2018



Gen Z are more demanding

On average, Chinese Gen Zers place greater emphasis on product quality and demand a wider set of factors than their global peers. Compared to older generations, while quality and price remain the most important criteria for choosing retailers, Gen Zers have a slightly different set of KPCs. This group places a higher value on secondary factors such as curation, style, convenience and range.

Furthermore, Gen Zers continue to show signs of being enthusiastic online researchers, with reduced use of offline channels. While traditional online channels, like websites and search engine continue to be important, Gen Zers are much more likely to go directly to mobile channels to research and price-check products than older generations. This research channel shift we have observed will have implications for brands trying to access these youngest consumers, particularly in terms of marketing mix spend allocation.

This combination of a wider set of purchase criteria and more online and mobile focused research before making a purchase, suggests a customer who's possibly better informed and who's most certainly more demanding.



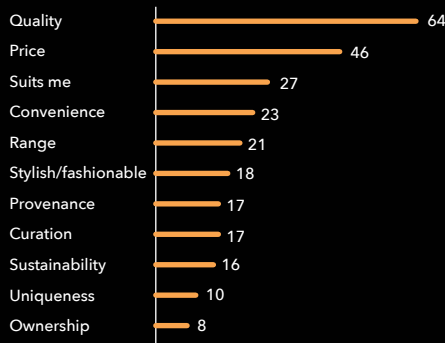
“Brands need to work more to retain their customers (since our choices have really gotten pretty limitless) – I would like it if they increased their offerings and make it easier to find things that you’re looking for.”

Female, 20

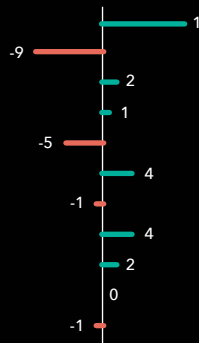
GEN Z HAVE DIFFERENT KPCs

Key purchase criteria for clothing¹

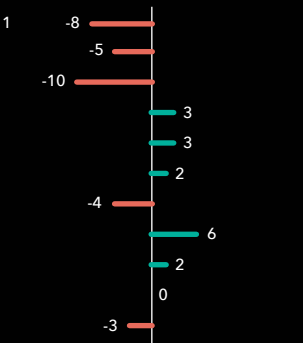
Importance of criteria for Chinese Gen Z



Chinese Gen Z vs global average



Delta Gen Z to average of three precedent generations (%pts)



1. When shopping for the following products, what are your top priorities? [Clothing]

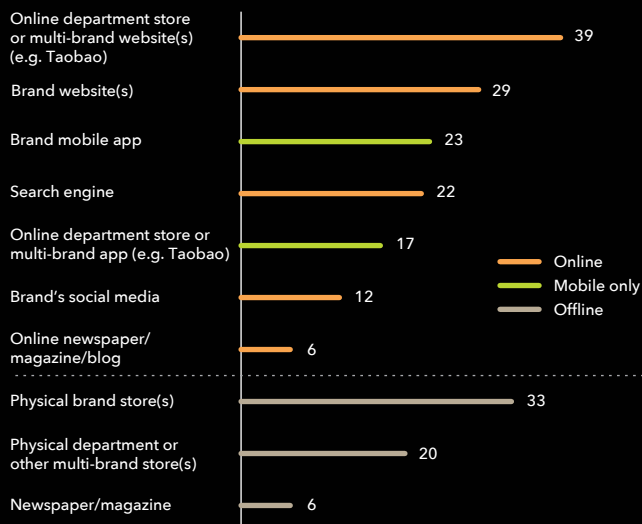
Source: OC&C Gen Z Survey, August 2018

GEN Z DO MORE RESEARCH ONLINE DIRECTLY WITH BRANDS

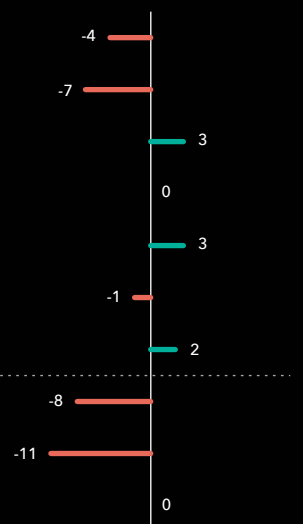
Channels used for research¹

Gen Z sources for research

% Selecting answer as source of research for most recent purchase



Delta Gen Z to average of three precedent generations (%pts)



1. Thinking about your most recent clothing purchase, what did you use to research the product or check prices?

Source: OC&C Gen Z Survey, August 2018



! Gen Z want to stand out

Chinese Gen Zers have a strong desire to stand out and feel unique than their global peers. We see this reflected in their attitude even towards their own opinions – nearly a third believe having a unique point of view is very important – as well as their views on style and creativity.

The desire to feel unique directly informs what Gen Z want from retailers, with demand for bespoke and limited edition stay high among this generation. This demand for uniqueness also reflected in their reduced interest in mainstream brands; Gen Zers expressed lower interest than Generation X and Millennials in purchasing well-known brands and wearing products with visible branding.

“Generation Z is more focused on innovation and uniqueness.”

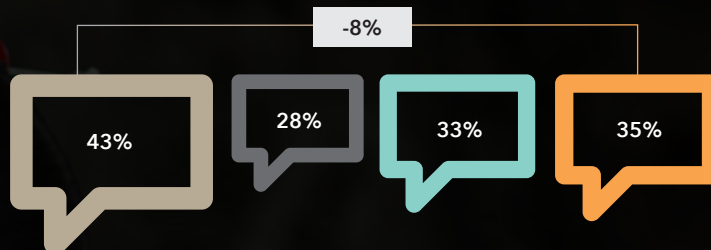
Male, 19



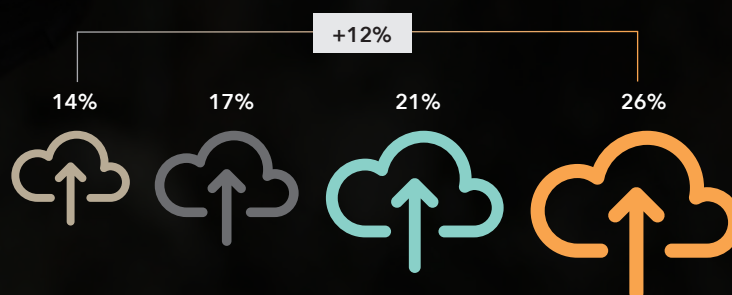
GEN Z PLACE MORE IMPORTANCE ON BEING UNIQUE

Importance of uniqueness
% stating the response was "very important"

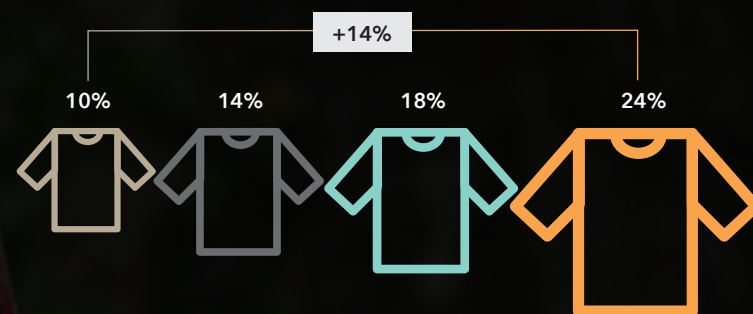
Having unique points of view/opinions



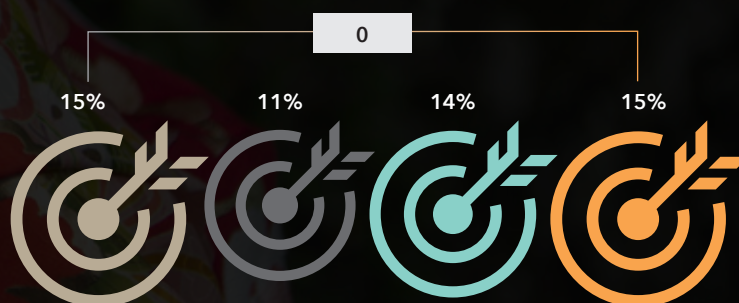
Creating unique content (video, photo, blog, other writing or art)



Having a unique style



Having unusual hobbies/interests



Baby Boomers — Gen X — Millennials — Gen Z —

Source: OC&C Gen Z Survey, August 2018

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



Gen Z want experiences

Gen Z are more intent on choosing experiences over products than all older generations and the swing between Millennials and Gen Z in China is second largest across all countries we surveyed. Over 11% of Gen Z respondents strongly agree that they “would rather spend money on experiences than products” as compared to 6 - 7% in older generations.

While the Gen Zers who place particular value on experience tend to be slightly wealthier on average, we still see this trend reflected across all income brackets



“The experiences I have had, they do define me in a way – not so that I can show off about them, but what they have taught me is really valuable.”

Male, 20

Gen Z are pro social

We saw conscious consumption go mainstream with Millennials, and Gen Z look to be continuing the trend and have a wider set of issues concerned. In particular, majority of issues of social responsibility have captured greater attention of Gen Z.

Testing a range of social responsibilities issues showed opportunities for family, human rights and reducing single-use plastic are most important to Gen Z in China. While they continue to place greatest emphasis on family, they are most engaged with wider society issues, such as human rights, building local communities and neighbourhood safety than older generations. However, our data doesn't suggest that older generations are less socially responsible than Generation Z. Rather, this generation has selected a different set of concerns from those prior.

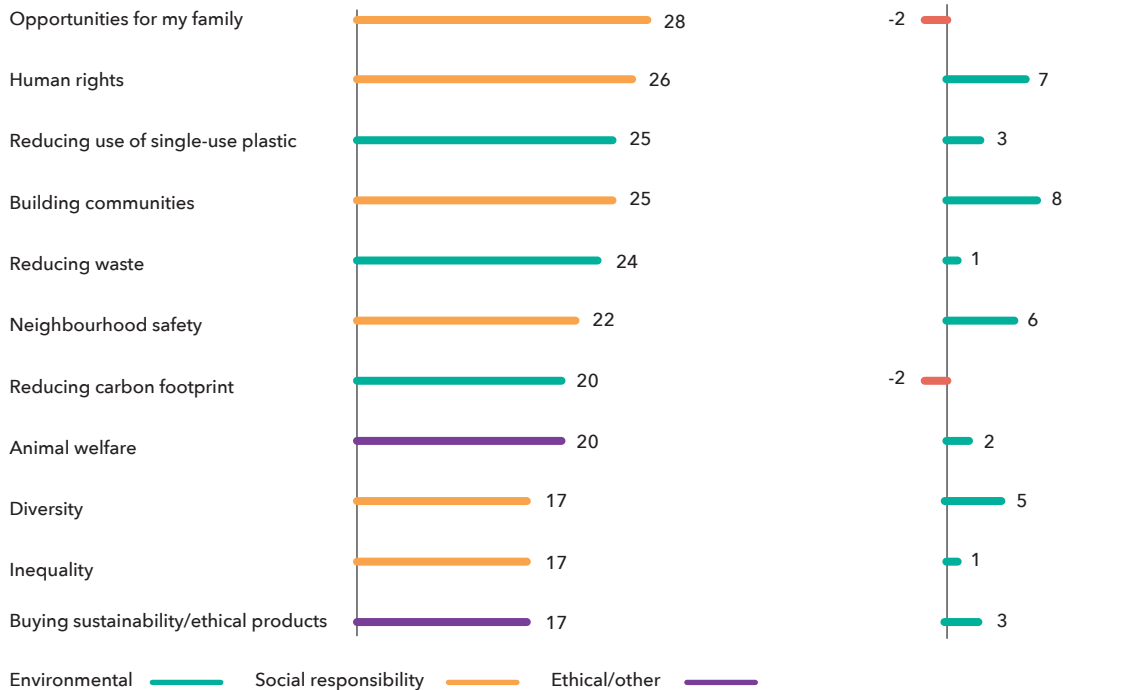
Our data also reveals national differences that appear to directly reflect the political climate of the country. In China, Gen Zers are more concerned by human rights issues, while American Gen Zers (the most racially and ethnically diverse generation in the US) are most committed to solving diversity issues.

GEN Z PRIORITIZE SOCIAL RESPONSIBILITY

Social responsibility attitudes

% Respondents stating "I am fully committed to this"

Generation Z



Source: OC&C Gen Z Survey, August 2018



“It is really important for me for brands to use their social capital to speak up when its necessary... brands are becoming lifestyle choices for many of us in my generation and if I’m going to affiliate myself with a brand then they have to have decent values.”

Female, 20



Gen Z and the environment (it's complicated)



At first glance, Gen Zers seem to be highly engaged in environmental issues - with reducing single-use plastics as one of their top 3 concerns and show greater engagement than Millennials and Generational X. However, their engagement doesn't seem to reflect their purchasing decision, especially when they place great emphasis on style. Compared to older generations, they show lowest tendency in preferring products that can be used repeatedly, buying long-lasting items over latest trends and buying and keeping only what they truly need.



What does this mean for businesses?

7

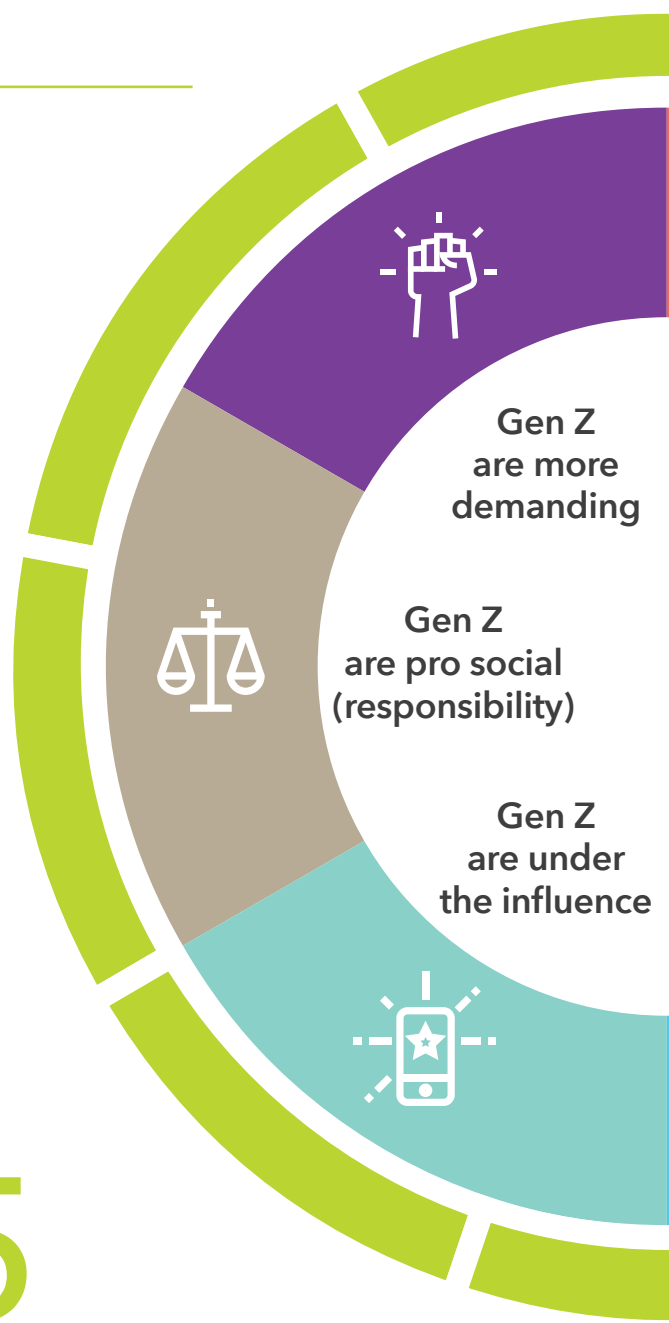
GET YOUR
STORY
STRAIGHT

6

ETHICS
BEYOND
COMPLIANCE

5

THE (SOCIAL)
NETWORK EFFECT



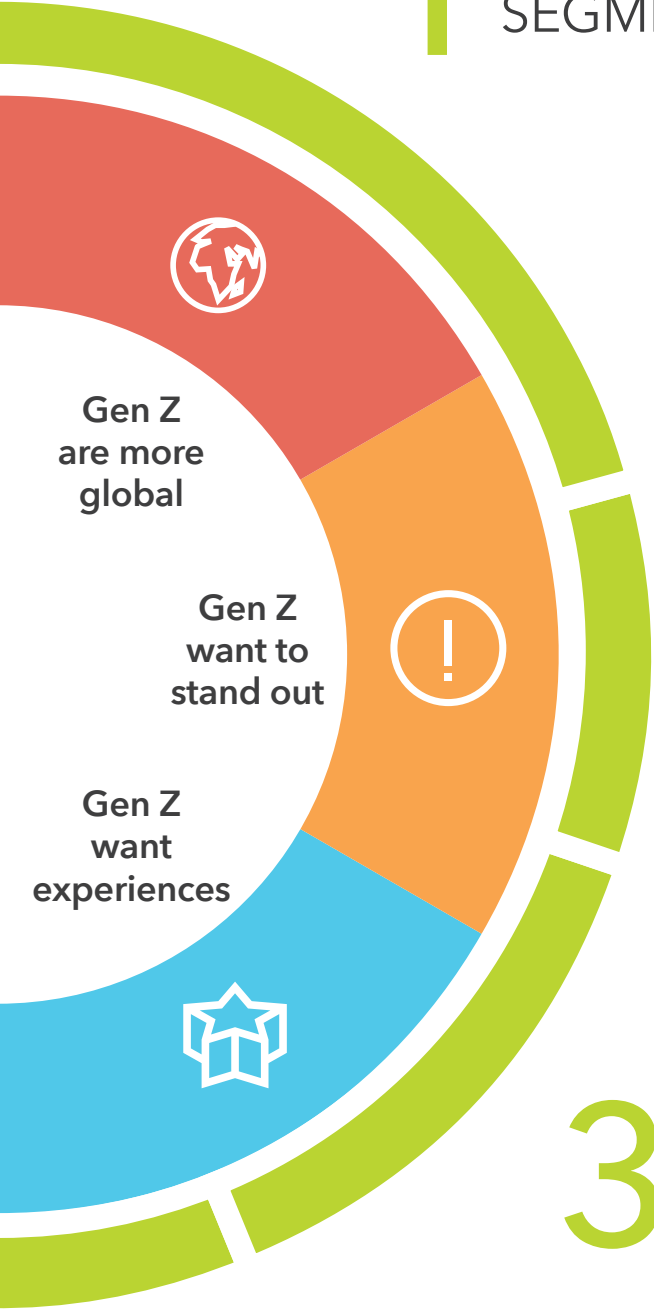
We have mapped a set of implications for brands and retailers against our key findings.

As our research demonstrates, understanding Gen Z consumers is far from straightforward. We see this group displaying their own distinct consumer patterns, while sharing attitudes with older generations and carrying forward trends established by the Millennials.

This latter point is of particular significance. Our research disproves the theory that certain millennial trends (such as the appeal of experiences over possessions) are fads, suggesting the socially conscious, experience-led consumer is here to stay for a while.

But of course that's not to say this generation is simply an extension of the Millennials. Our data-driven insights identify several key trends particular to this demographic and the actions brands must consider when targeting these very distinct new consumers.

1 THE NEW SEGMENTATION



2 JUST UNIQUE ENOUGH

3 DRIVING VALUE FROM EXPERIENCE

4 CONSUMER COMMUNITIES

Implication 1

The new segmentation



As the first generation born after the commercialisation of the internet, this cohort has grown up with more access to entertainment, brands and celebrity than any other group. Meanwhile, the rise in social media and online news broadcasting has turbocharged global awareness of campaigns, ideas and issues - while making communicating about these issues easier than ever before. As a result, we see the emergence of country-agnostic tribes sharing attitudes and behaviors. These new, borderless and globalised consumers are hungry for unique products, services and experiences.

ACTION POINTS

STEP 1 CHOOSE YOUR AXES OF SEGMENTATION

Traditional segmentation axes - often 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 'new segmentation' should reveal customer 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 new segmentation is in adjusting your products and messaging to make them most relevant for your chosen segments. Established fashion retailer, Champion, has launched limited edition products with more inspirational design that met Gen Z's desire in style and uniqueness, and also tailored its marketing campaign for Gen Z, such as sponsoring Dignitas, an international eSport team.

STEP 3 REVISIT YOUR SEGMENTATION REGULARLY

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

Implication 2

Just unique enough



Generation Z in China place greater emphasis on unique content sharing and style than all older generations. When it comes to choosing products and brands, Gen Z also show the least interest on wearing clothes with recognisable logos compared to older generations but uniqueness is not their top purchasing considerations. In other words, Gen Z want to stand out, but to a more limited extent on actual products they purchase. Hence, brands would need to tailor their offerings more towards a unique experience and style in which Gen Zers value.

ACTION POINTS

STEP 1

IDENTIFY THE VALUE FOR YOUR BUSINESS

The benefits from investing in 'just unique enough' are not just attractive, they're critical:

- Increase customer loyalty through products that speak more clearly to consumers
- Decrease price competition, as products have reduced comparability
- Power your online business, as the website is the natural personalization tool
- Gain better customer insight, as you understand the degrees of uniqueness that consumers want.

STEP 3

MODIFY YOUR OPERATING MODEL

Across your value chain, there are a series of questions to address to ensure you deliver scale customisation 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?

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 consumers guide the product aesthetic or specifications makes them feel more individual while delivering a more intimate brand experience. Nike, one of Chinese Gen Z's favourite brands,

allows customers to customise their own trainers in the "NIKE BY YOU" product series, changing the design of different parts of a product. 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's desire for independent, unique style products with less radical changes to their proposition. Clothing brands such as Supreme and H&M have made collaborations a cornerstone of their product strategies. In particular, luxury collaborations (such as Supreme x Louis Vuitton, or Moschino x H&M) allow customers to access not only limited edition products but covetable designs that they might not normally be able to afford.

Implication 3

Driving value from experience



We know that experiences are important to Gen Z in China, more so than for Millennials and older generations. The question, then, is how can businesses provide experience as part of their proposition, beyond the usual retail experience?

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:



ENHANCE THE SHOPPING EXPERIENCE

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

- Pop-up stores have become a popular strategy for direct-to-consumer brands like Handu, an online clothing brand in China. Handu set up a pop-up store in Hangzhou in 2018 which connected experiences with latest technology. Using a Space theme, the store included a range of interactive and technological experience for customers, such as VR fitting and game stations to enable consumers to understand the brand and try its new product lines in a fun way.



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?



DEVELOP A BRANDED EXPERIENCE

Chanel has launched a series of interactive pop-ups in Asian cities, including cafes and gaming centers. These ventures not only showcase their products in a different setting, but allow the brand to put its stamp onto a novel format outside of traditional retail stores.

Implication 4

Consumer communities



Generation Z are prolific social media users. They have more profiles, check their accounts more frequently and spend longer periods of time browsing feeds. As a result, they're more likely to be influenced by friends and celebrities, follow brands, source purchase inspiration and make transactions.

By building online communities, brands and retailers can access and influence these users. The purpose of these communities is not to directly sell products, but to create spaces and opportunities for customer communities to engage, interact, share knowledge, review products and ultimately grow in their brand advocacy. Ultimately, these spaces must be useful, enriching or entertaining for consumers to continue to engage with them.

ACTION POINTS

The key question for brands and retailers is: how do I get my customers and advocates to interact with each other and build something that new customers want to be part of?



CREATE HYPE AROUND YOUR BRAND USING ONLINE PLATFORMS TO ENGAGE AND AMPLIFY SUPER FANS

The leading on-the-go drink company in China, HEYTEA, uses a combination of social media platforms to closely engage with their consumers to develop loyal and interactive relationship. For instance, they launch new posts on their Weibo account everyday and any posts from the public on the brand will be liked by the brand. They also constantly post different trendy topics to discuss with its young followers and responds to their feedback on products.



PROVIDE ONLINE SPACES FOR MEMBERS (CUSTOMERS OR OTHERWISE) TO DISCUSS SPECIFIC THEMES OR HOT TOPICS

Consumer electronics company, Xiaomi, has an active online community with sub-groups for members to join conversations relevant to their interests and products, to invite super fans for new products testing, and to offer limited time discounts to customers.



BUILD BEYOND YOUR BRAND BY INSPIRING CUSTOMERS TO DO SOMETHING MEANINGFUL

Sportswear brand, Adidas, has been a keen advocate for female participation and their health awareness. Their website serves as the hub of the Chinese women's campaign, 'all in for #my girls', inviting girls to submit photos, and send virtual gifts to their sisterhoods. The campaign has recorded success, compensating the slowing sales growth in the saturated men's sportswear market.

Implication 5

The social network effect



Our research reveals just how influential friends and family are for Generation Z. This is a demographic led by its peers (for now at least), whose members strive to both emulate and influence each other.

Image/video-based social media platforms like Little Red Book and Tik Tok underpin this trend. Acting as catalyst, facilitator and broadcaster, they have become a key part of the brand discovery process. In return, Gen Zers expect direct engagement with brands via seamless omnichannel offers – for which integrated social media is key.

The key question for brands and retailers is how to best leverage social media to drive peer-to-peer marketing?



ACTION POINTS

STEP 1

OPTIMISE YOUR OMNICHANNEL STRATEGY

Understand where your target customers are across all channels, create a borderless and frictionless experience across digital and physical channels, and reallocate marketing budgets to target customers accordingly. Engage with consumers on social media and integrate 'shop now' options (e.g. WeChat), and be ready for within-app payment options as soon as they become available.

STEP 2

CHOOSE THE RIGHT PEER-TO-PEER MODEL

There are various peer-to-peer models that can grow your brand reach and sales, here we outline some of them.

Peer-to-peer marketing models - These models use customers or paid affiliates to market the brand and products to their networks:

- **Affiliate marketing** - Use affiliates to grow brand awareness and drive online traffic. Affiliates sign up to third-party networks and promote products or services through their own social platforms, earning commission on sales made, or on a 'pay per click' basis, tracked by cookies.
- **Referral schemes** - Incentivise peer-to-peer marketing by offering rewards that encourage customers to recommend your brand. Many retailers often provide different type of incentives to motive users to refer friends. For instance, Didi Chuxing, No.1 ride hailing app in China offers ride credits to both referrer and the new joiner to continue to expand its user base.
- **Influencer marketing** - Leverage carefully selected social media influencers to tap into relevant customer segments; influencers are often paid on a 'per post' basis. Little Red Book, a leading social media and ecommerce app, has over 150 million young users and developed its platform by allowing users to share contents on products and experience, and to connect key opinion leaders (KOLs) with their followers. It has become a powerful platform for brands to market its products to the young generations.

STEP 3

MAKE SURE THE ECONOMICS ARE ROBUST

Particularly for social selling models, ensuring your economics stack up is paramount. It is essential to have a large enough population of potential sellers or advocates, and ensure they are satisfied with the right balance of incentivising product sales versus network growth.

Implication 6

Ethics beyond compliance



As socially conscious consumers, Gen Z have high expectations of brands - attaching even more importance to specific areas of social ethics than previous generations. 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).



And there is evidence that going above and beyond on matters of social and environmental responsibility can deliver real shareholder value: various studies and indexes show that more ethical companies are outperforming their competitors.

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

ACTION POINTS

STEP 1

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 A REAL DIFFERENCE WITH THE RIGHT MODEL TO HAVE A LASTING IMPACT

- **Make your values part of your brand DNA** - From reviewing your supply chain to ensuring 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.
- **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 organisation. For example, Natura (Brazilian beauty and cosmetics manufacturer that recently acquired ethically-led The Body Shop) has publically committed to have 50% women in leadership positions and to have people with disabilities representing 8% of total employees by 2020.
- **Use effective communication** - Showcase your company values and ethos in your marketing as well as internal communications. 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."

Implication 7

Get your story straight



The Gen Z consumer is more demanding, subject to more influence and prone to more complicated customer purchase cycles. To be heard above the noise, it's essential that brands communicate who they are and what they stand for consistently - the importance of having a crystal clear story has never been greater.



ACTION POINTS

STEP 1

CLARIFY YOUR MISSION

Having a clear mission is crucial. Your mission should:

- Be distinctive
- Address genuine consumer needs
- Be simple and clear
- Create value

STEP 2

COMMUNICATE, COMMUNICATE, COMMUNICATE

Think about how to tell your story, both internally and externally:

Externally

- **Ensure your brand handwriting is distinctive, and your story is clearly articulated across all channels (and third parties)** - Gen Zers expect to know the brand they're buying from.
 - Gentle Monster, the rapidly growing Korean eyewear brand founded in 2011, has an unusual, experimental style - across both its product range and retail experience. Flagship stores are almost like art galleries, with curated quirky displays changing regularly providing an exciting backdrop to the equally quirky products themselves.
- **Show 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, communicated at every possible touchpoint will be compelling for these youngest consumers.
 - Lepur, a Chinese online yogurt brand, has consistently delivered on their original mission statement as they have grown: providing high quality and safe products to become a partner of your healthy lifestyle. From sharing their product formula and production facilities publicly to ongoing product innovation, it has proven itself to be a market disrupter with trustworthy products for its health-conscious consumers.
 - Lush, a British cosmetics company popular with both Gen Z and Millennials, has a consistent ethical positioning across channels and throughout the retail experience. From a controversial in-store and online campaign about undercover policing in 2018, to packaging that is as minimal as possible and comes with clear recycling instructions, it is clear to consumers that this is a brand with a voice and a mission.

Internally

- **Weave your mission into the fabric of your organisation and culture** - Your story should inform not just the products you sell and your messaging, but everything about your business - from the way you organise to your values and priorities.
- **Make it a key element of decision making** - The only way your story will permeate all aspects of your business is if it is a consideration in every decision. 'Is this true to our story?' and 'Does it tell our story better, clearer, louder?'

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 21 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.

OC&C is a global strategy consulting firm, bringing clear thinking to the most complex issues facing management teams today. Our client roster includes some of the largest corporations and most innovative challengers in the world. Our business is built firmly on the sectors and specialisms where we have deep expertise: Consumer Products, Retail, Leisure, Media, Technology, Private Equity and M&A and B2B Services.

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