



The X, Y, Z of Marketing

Decoding the Gen Z Mindset and its
Implications on your Marketing Strategy

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Introduction

A critical element of an effective marketing campaign is segmenting customers to ensure that the right content reaches the right people, on the right channel, and at the right time. This approach increases the effectiveness of the message and helps optimize costs. Brands segment customers on a variety of parameters such as age, purchasing power, geography, and language. However, in recent times, generational differences have started to play a significant role in marketing and have proven to have the power to make or break brands.

Despite some shared characteristics, each generation has its own beliefs, preferences, and shared experiences that influence how it thinks and acts, particularly when interacting with brands or making purchase decisions. These differences have grown much starker with the emergence of Generation Z, which perceives the world through a different lens and has different consumption patterns from prior generations. Generation Z tends to be present across multiple platforms, consumes massive volumes of content, is vocal about its thoughts and beliefs, looks to its peers before making purchase decisions, and expects best-in-class experiences in every interaction. This generation also has a significant impact on prior generations' consumption patterns.

In this report, we explore demographic profiles and behavioral changes across generations, emerging trends that will impact the future of marketing, and key focus areas for brands as they prepare to serve the new generation.

The new demographic paradigm

EXHIBIT 1

Understanding the largest demographic cohorts in the workforce

Source: Everest Group (2023)

	Generation X 1965-80 (43-58 years)	Generation Y 1981-96 (27-42 years)	Generation Z 1997-2012 (11-26 years)
Population	The smallest of the three generations; about 65.8 million people in the US ¹	Currently the largest cohort in the US, with a population of about 72.19 million ¹	Globally the largest cohort; about 68.6 million people in the US and expected to overtake Gen Y in the next few years ¹
Income	Has the largest share of income and expenditure	Anticipated to outpace prior generations in terms of income and expenditure growth within the next 10 years	Currently holds a small share, but its income is predicted to grow 5X to \$33 trillion by 2030 ²
Tech dependency	Neither born into nor grown up with technology, is still finding its way around it and eagerly taking help from Gen Y and Gen Z	Grew up surrounded by technology, and it plays a vital role in this generation's lives	Having been born with technology at its fingertips is digital-native; is most comfortable with tech
Workforce	<p>By 2030, all three generations are expected to account for roughly the entire US workforce.</p> <p>Gen Y accounts for more than one-third of the American labor force, making it the largest generation in the labor force.</p> <p>The generational divide between Gen Y and Gen Z is expected to narrow; however, Gen Y will continue to dominate in the near future.</p>		

Media and entertainment

While television and movies dominate the top of the media pyramid for Gen X and Y, Gen Z prefers video games, music, and social media platforms, a trend that is likely to continue into the future. Video games have taken over as Gen Z's favorite form of entertainment. Their rapid adoption is likely to have significant implications on future generations' media consumption patterns.

All three generations find common ground in music, though with subtle differences: Gen Y and Z are more likely to pay for ad-free music and tune out advertisements compared to prior generations, which significantly impacts a brand's ability to use it as a channel to reach these cohorts.

¹ US Census Bureau

² Bank of America

Brand interaction

While all three generations use social media, what appeals to them on these platforms varies drastically. For Gen Z, social media has evolved into a one-stop shop, allowing them to browse and purchase products without leaving the app. This preference is driven by short videos and influencer marketing. For Gen Y, social media is an effective tool for discovering new products and services. They also show a preference for personalized ads in discovering products and have a higher propensity to click on these ads. However, for product research, search engines such as Google and Bing are at the top of their list.

For Gen X, search engines and television are top sources for product discovery, despite their growing social media presence. Interestingly, Gen Xers in most geographies find advertisements appealing and are less likely to use ad blockers, unlike subsequent generations. For product research, they consider search engines, product websites, and user reviews to be the most useful sources.

40% of Gen Z is using TikTok and Instagram instead of Google for discovery and research about the products.

Social media use and platform preferences

Gen Z has the highest mobile ownership rate and spends about three hours daily on social media, while Gen X and Y spend one-and-a-half and two and a quarter hours daily, respectively. For Gen X and Y, the purpose of social media is limited to staying connected with friends and family, and for entertainment. Gen Z's uses are more diverse, from staying connected with friends to getting the latest news and understanding the world.

Across generations, the use of TikTok, Instagram, Facebook, and YouTube is increasing, but the purposes vary. For instance, while YouTube serves as an educational and entertainment platform for Gen Z, it is a source of news, do-it-yourself (DIY) information, and product reviews for Gen X and Y.

Unlike other generations, Gen Z is not limited to these four apps and prefers using multiple new apps for a variety of purposes. Newcomers like Discord, Twitch, and Reddit are grabbing Gen Z's attention. However, the use of certain apps, such as Snapchat and Twitter, is declining among Gen Z.

Buying behavior

Many of us assume that digital natives want to shop only online, however, that does not seem to be the case. While Gen Y has a clear bias for shopping online and Gen X is getting increasingly comfortable with it, Gen Z's buying behaviors are less clear; approximately half of Gen Z prefers to shop online, while the remainder prefers to shop in-store.

Gen Z values experience across all shopping channels, and, unlike other generations, this means contactless experiences that drive convenience. Gen Z members increasingly want to try things digitally and are paving the way for the adoption of in-store experiences that use technologies such as Augmented Reality (AR) and Virtual Reality (VR).






CASE IN POINT

L’Oréal collaborated with Facebook to bring virtual makeup trials to its site, which helped the brand reach out to younger generations, build engagement on social networks, and boost personalized advertising.

EXHIBIT 2

While all generations exhibit similar preferences, the driving intent differs

Source: Everest Group (2023)

	ESG 	Authenticity & Transparency 	Personalization 
Generation X 1965-80 (43-58 years)	<ul style="list-style-type: none"> • Expects active community participation from brands 	<ul style="list-style-type: none"> • Looks for honest, reliable and consistent messaging and brand action • Unlikely to respond to contrived or artificial-sounding marketing content 	<ul style="list-style-type: none"> • Interested in personalized promotions and personalized recommendations via an app while browsing in-store • Not comfortable sharing personal data for marketing purposes
Generation Y 1981-96 (27-42 years)	<ul style="list-style-type: none"> • Expects brands to be vocal about political, social, and environmental issues • Expects brands to have strong diversity & inclusion policies • Tends to pay more for brands that reflect their beliefs 	<ul style="list-style-type: none"> • Tends to develop an emotional bond with brands they believe to be transparent and authentic. • User-generated content has proved to be the most authentic content for most millennials. 	<ul style="list-style-type: none"> • 63% of Gen Y expects brands to always personalize their offers³ • Not comfortable sharing personal data for marketing purposes
Generation Z 1997-2012 (11-26 years)	<ul style="list-style-type: none"> • Expects brands to exhibit an open commitment to embracing people with diverse backgrounds • Despite their vocal support for sustainability, one-third of Gen Z is addicted to fast fashion 	<ul style="list-style-type: none"> • ~25% of Gen Z values authenticity over every other quality of a brand⁴ • Tends to be vocal on the internet when a brand falls short of authenticity and transparency standards 	<ul style="list-style-type: none"> • 54% of Gen Z expects brands to always personalize their offers³ • More comfortable sharing personal information with brands if they are open about its usage

3 Salesforce
 4 CM Group

Five trends shaping the market

Content is the new currency

Gen Z expects marketers not only to offer engaging content but also to stand up for what they believe is right. Gen Z is not hesitant to speak out on social issues such as gender equality, body positivity, and climate change. When a brand's content discusses these themes, it connects with them on a personal level and makes them more inclined to spend more with the brand. For instance, Dove is celebrated not only for its products but also for its ideologies and position on sensitive issues. The brand has launched numerous campaigns that empower women and inspire self-confidence by addressing issues such as aging, body shaming, and beauty standards, encouraging individuals to embrace their individuality and focus on inner beauty. However, if content can build your brand, it can also destroy it. Good content is liked, discussed, and shared by this generation, but it is not hesitant to criticize, or boycott brands whose content falls short of its authenticity and transparency standards. Further, this generation has a significant impact on prior generations' purchase decisions, increasing the overall impact on brands.

Gen Z appreciates concise and visually appealing information. For example, Google's search has evolved as a result of Gen Z's preference for TikTok over Google for all purposes. Moreover, this generation seems to be choosing shorter and shorter content due to a limited attention span. Given this behavior, platforms such as YouTube and Netflix have introduced short video options.

Gen Z has its attention up for sale at the right price. The price? **Content.**

IMPLICATION FOR BRANDS

Brands need to find their voices to appeal to this generation

While brands need to increase the amount of content created to enhance top-of-mind recall, their messaging and stance need to go beyond just the brand. They should resonate with their target audience and invest in measurable real-world impact as opposed to high-level branding activities. Whether targeting their communities, building social media strategies, or connecting via influencer marketing or User Generated Content (UGC), content is a currency in every scenario. To take advantage of this situation, firms should build robust social listening capabilities and market research units for each brand. In the battle for attention, only the best equipped will survive.



A generation of hoppers

Whether it is jobs, social media platforms, or brands, Gen Z tends to hop based on convenience. They will quickly abandon one option to choose environments that value them or resonate with their values and rapidly leverage activities beneficial to them.

They are experimental but impatient: they leap at the opportunity to explore new platforms and experiment with their features. But as soon as the platform becomes mundane or stops meeting their needs, they lose interest, ruthlessly cut it out of their lives, and move on to the next experiment.



CASE IN POINT

The audio-only platform Clubhouse became a huge attraction during the pandemic before quickly fading into oblivion. BeReal, a social media app in which users share their unfiltered photos, has seen a surge in Gen Z users as a place to be authentic and share unedited content with their friends. However, it is unclear if the platform will flourish.

Not all generations exhibit this characteristic. Gen X and Y also tend to use a variety of apps but remain loyal to platforms they are comfortable with, such as Facebook, Instagram, YouTube, Twitter, and Snapchat. The same holds true for their favored brands.

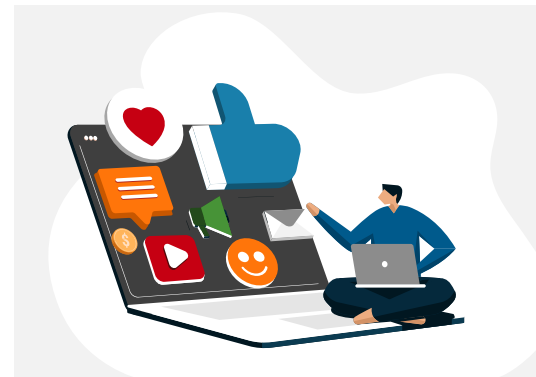
IMPLICATION FOR BRANDS

The omnichannel approach is now the norm, and so is the complexity of content it brings with it

Today, being present on selected social media platforms is not an option. As brands move toward an omnichannel experience based on relevance to the brand and its target audience, they need to keep in mind the lower scalability of content created on multiple media platforms. Brands cannot expect their content and strategies to seamlessly scale across visually similar platforms such as Snapchat, Instagram, and Be Real. Customized content and strategies for each platform are necessary for brands that plan to engage with Gen Z.

Nimble brands will succeed with Gen Z

Gen Z's habit of hopping platforms demands that marketing teams rethink their strategies. They do not have the luxury of setting up in-house teams and building specialization for each social media platform, as platforms rapidly lose popularity and returns diminish. As a result, companies might need to consider outside support to rapidly scale up, experiment, and gain first-mover advantage across platforms.



Niche is the new individual marketing

The rise of the internet led marketers to move from mass message broadcasts to personalized content. Initially, personalization helped brands build more personal connections with their customers. However, Gen Z expects brands to push beyond personalization and build an emotional resonance and a sense of connection with them.

Furthermore, in the past, Gen X and Y related to mass cultures, but Gen Z is more diverse in terms of social media presence and life choices, giving rise to subcultures. For instance: the allure for gaming evolved from the need for personal connection during the pandemic, but even within this theme there are multiple subcultures, such as streetwear X gamers and gamer girls, each with their own nuances and shared value systems. As an example, gaming girls value equality and inclusivity in a typically male-dominated industry.



The trends are changing so often, there really isn't a 'mass culture' anymore. Subcultures are the new demographics as members of this generation connect and respond to the things, they are most passionate about.

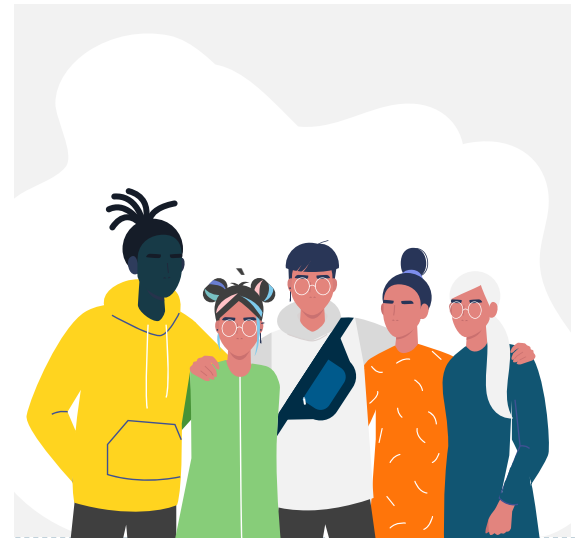
– Maxine Gurevich, Senior Vice President of Cultural Intelligence, Why Group

IMPLICATION FOR BRANDS

Identity just got more complex and more rewarding

The “90s kid” is a thing of the past. Brands need to understand the subcultures their target audience belongs to, gain a deeper understanding of their drivers, and tailor their messaging to the same.

As subcultures continue to evolve and change, brands need to continue to evolve with them. While this might seem daunting, the ability to create a loyal community around the brand becomes far easier if they manage to tap into the right subcultures.



The technology paradox

Gen Z is always at the forefront of technological advances. They see the digital ecosystem as a unified set of interconnected experiences used for entertainment, commerce, and communication. This generation is intrigued by a world that can run on gestures. They are more at ease with AR/VR, automation, Web 3.0, blockchain, and other technologies than any other generation. For Gen Z, one of the most significant drivers of customer satisfaction is a digital experience, whereas appeal, quality, and diversity of products are more important for older generations. In-store websites, in-app checkout, self-service QR codes, and anything that will make their lives simpler are all on Gen Z's growing list of digital demands.

Gen Z is always eager to try out new technologies: other generations may be put off by AI-powered visual try-on or digital fashion, but Gen Z cannot be more excited to buy clothes to dress up their avatars in virtual worlds. They see it as an innovative and interesting method to produce social media content while staying true to their sustainability goals.

While Gen X and Y find the newness of the technological world exhilarating all the time, Gen Z is a true digital native, and technology is a day-to-day necessity. For them, newness resides in a well-crafted physical experience that balances well with their digital lives. A well-crafted phygital experience creates customer delight for this cohort, even if it might not be impactful for their predecessors.

IMPLICATION FOR BRANDS

In the technology race, do not lose sight of your traditional stores

While brands work to keep pace with Gen Z's insatiable thirst for technology, they must strive to reinvent their physical experiences.

They can leverage technologies such as AI and customer analytics to build unique and authentic experiences that will be more memorable than incremental technological advances.



VR, AR, AI, ML, and Gen Z are all maturing together. Therefore, Gen Z is the most likely generation to integrate advanced technologies like virtual reality and augmented reality seamlessly into their daily lives.

– Samantha G. Wolfe, Founder, PitchFWD

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Word of mouth gets a makeover

Word of mouth has always been instrumental in building product awareness; recommendations from reliable sources always help with the decision-making process. In recent years, influencer marketing has evolved into the new word of mouth.

Support and advocacy from a celebrity or an expert whom people look up to have a profound effect on the younger generation. These influencers not only inform customers about the product or brand but also interact with them, building a connection, and becoming a vital part of their purchasing process. This model has also led to the rise of live commerce; influencer endorsements on video feeds, coupled with options to purchase products in real-time, not only simplify the purchase process but also boost confidence in the product. Similarly, user-generated content in the form of product reviews is a trustworthy source of information for Gen Z.

Today, **Doja Cat** seems to have more influence than brands like **Macy's** and **Bloomingdales**, which influenced shopping patterns in previous generations.

IMPLICATION FOR BRANDS

Selecting an influencer is not like selecting a celebrity endorsement

As brands begin to leverage this word-of-mouth evolution, they need to keep in mind that, unlike celebrities, influencers need to be selected for what they stand for and their existing following. Gen Z's quest for authenticity impacts the choice of influencers they follow, so brands need to select influencers who closely resemble their values and have an existing following among their target audience. Doing so helps build credibility in the minds of the right target audience, as opposed to causing dissonance.



CASE IN POINT

NIKE SEEMS TO BE JUST DOING IT RIGHT

Nike is one of the most recognized sports brands, especially among the younger generations. It has amassed a significant presence across major social media platforms, including 235 million+ followers on Instagram, 35 million+ on Facebook, and 2 million+ on TikTok.

WHAT'S WORKING FOR  ?

Nike provides **personalized products and experiences** through its apps, such as the Nike App and the Nike by You platform, allowing users to customize their own sneakers and clothing



Nikeland is Nike's **purpose-built metaverse** area that uses the Roblox platform to let fans meet, mingle, participate in promotions, and interact with a variety of brand experiences, giving it a unique first-mover advantage



Nike is committed to **displaying a more relatable, human image across all platforms**, takes a stand on a variety of issues, and frequently reminds customers that they are part of a community.



Nike's **multichannel strategy** maximizes the strength of each platform: Instagram for sharing photos and motivational messages, Facebook for promotions, and Twitter for audience communication. They strategically use social commerce, as seen by the launch of a limited edition sneaker on Snapchat with LeBron James that sold out in 23 minutes.



Nike **partners with sports influencers** from multiple races, abilities, social backgrounds, and ideologies

The Gen Z cheat sheet for marketers

Gen Z is a tricky audience, but the reward for their loyalty can significantly impact a brand's value, not to mention the impact it can have on other generations. To succeed, brands need to keep 6 things in mind.



Find your brand's voice

Define what your brand stands for and incorporate action-oriented inputs such as ESG investments into your brand strategy to help customers better identify with your brand.



Their icons are your new brand ambassadors

Gen Z trusts their own, be it their peers or influencers. Ensure vocal advocacy for your brands from these sources.



Leverage the Gen Z community to build your loyalty

This generation thrives on community, which is better served by powerful loyalty systems that ensure adequate data collection and communication with customers to build a community of loyalists. It might be time for you to retire legacy systems.



Cohesive omnichannel experiences are make or break

Leverage emerging technologies and existing physical and digital assets to create cohesive and memorable experiences across all touchpoints to attract and retain audiences across generations.



Build what lasts, outsource the rest

Identify suitable partners and invest extensively in upcoming channels and platforms. Once you establish stickiness, consider building in-house capabilities.



To serve a generation that speaks, start listening

Invest in social listening tools to better understand customer sentiment, priorities, and interests in real-time.

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