



# GEN Z: GET READY FOR THE MOST SELF-CONSCIOUS, DEMANDING CONSUMER SEGMENT



Generation Z (Gen Z), born after 2000, is the first generation not to have known life without technologies and services such as smartphones, iPads, Facebook, Instagram and WhatsApp. Exposure to these technologies and services has influenced this demographic's broader expectations and behaviors.

## We have identified three defining attributes of Gen Zers:

- 1) Gen Zers tend to attach great importance to personal appearance, in large part because they are the first generation to grow up "in public" online, i.e., documenting their lives on social media.
- 2) The pressures presented by social media are encouraging Gen Zers to spend on leisure services, such as vacations, dining out and going out. This is what we call "the Instagram effect."
- 3) The on-demand economy, ranging from video-on-demand services such as Netflix to dine-on-demand apps such as UberEATS, is making Gen Z the most demanding, least patient generation ever.

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US consumers spent \$829.5 billion on Gen Zers in 2015, we estimate. Around \$66 billion of that total was spent on discretionary categories, while most of it was spent on essential or semidiscretionary categories such as housing, food, clothing and transportation.



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*Globally, Gen Z made up an estimated 26% of the total population in 2015 and this share is expected to peak at 33% in 2020.*

## EXECUTIVE SUMMARY

This report provides an overview of the population, spending power and behaviors of Gen Z, which we define as those born after 2000. This generation follows the millennials, who were born between 1980 and 2000.

Gen Z is the first generation not to have known life without technologies and services such as smartphones, iPads, Facebook, Instagram and WhatsApp. But it is not just their status as “digital natives” that defines Gen Zers; what is more important is how exposure to these technologies and services has influenced their broader expectations and behaviors.

We have identified three defining attributes of Gen Zers, which principally arise from their wholesale adoption of new technologies:

- Gen Zers tend to attach great importance to personal appearance: they are the first generation to grow up “in public” online, i.e., documenting their lives on social media. Evidence suggests that this is leading even young children to use beauty products and is raising body consciousness among young people.
- The pressures presented by social media are similarly encouraging Gen Zers to spend on leisure services, such as vacations, dining out and going out. The compulsion to be perceived on social media as living a fun, interesting, experience-rich life—and the consequent spending on leisure in support of that—is what we call “the Instagram effect.”
- The on-demand economy, ranging from video-on-demand services such as Netflix to dates-on-demand apps such as Tinder, is making Gen Z the most demanding, least-patient generation ever; this is the “always-on, on-demand” generation.

Gen Z made up an estimated 26% of the total global population in 2015, and that share is expected to peak at 33% in 2020. In Western countries, Gen Z’s share of the population is lower: in the US, it was 19% in 2015 and is expected to rise to 25% in 2020, while in the EU, it was 16% in 2015 and is expected to rise to 21% in 2020, according to our analysis of statistics offices’ population projections.

US consumers spent \$829.5 billion on Gen Zers in 2015, we estimate. This is equivalent to 6.8% of total US consumer spending last year, and was an 8.1% increase from 2014. We estimate that around \$66 billion of the 2015 total was spent on discretionary categories, while most of it was spent on essential or semidiscretionary categories such as housing, food, clothing and transportation. Gen Z’s members have not yet all been born, so this generation’s spending power will only rise in the years ahead.

## INTRODUCING GEN Z

Gen Z is not the biggest segment of the population, but its youthful nature inevitably means it is the fastest-growing segment. Based on our categorization, it is a generation whose members have not yet all been born. But there is no consensus on the definition of Gen Z. Some commentators suggest that this generation includes only those born between the late 1990s and the mid-2000s. However, we think an approximate 20-year age span makes this generation more comparable to



previous generations. We concur with those who define Gen Zers as being born after 2000, following on from the millennial generation.

This is how we define the generations:

**Figure 1. Generations, by Birth-Year Range**

Generation	Born
Gen Z	2001–2020
Millennials	1980–2000
Gen X	1960–79
Baby Boomers	1946–59
Seniors/Pre-Boomers	Before 1946

*Source: Fung Global Retail & Technology*

In the subsequent sections of this report, we will examine:

- The three key attributes of this generation that we have identified.
- The scale and forecast growth of Gen Z.
- The direct and indirect spending power of Gen Z, with a focus on the US.

We argue that technology, from the Apple iPhone to WhatsApp, has had a very significant impact on the behavior and expectations of this generation. For context, we begin with a recap of the significant consumer technologies that have emerged during Gen Zers' lifetime.

## TRACKING THE TECH THAT IS DEFINING GEN Z

The pace of technological change over the past two decades has been so rapid that it is worth remembering that Gen Z is the first generation to grow up alongside—and so be shaped by—fast-changing consumer technologies. These devices and services provide benefits that include having instant access to almost all of the world's knowledge; being able to find a date online; having on-demand access to the world's music, books and movies; and being able to shop for a near-unlimited range of goods from home and then have those goods delivered within an hour.

To illustrate how Gen Z has grown up with what the rest of us might consider “new” products or services, we provide a table listing significant hardware and software launches, by date, below. This list focuses on those launches that we consider game-changing and considers only the period since the first Gen Zers were born, in 2001.

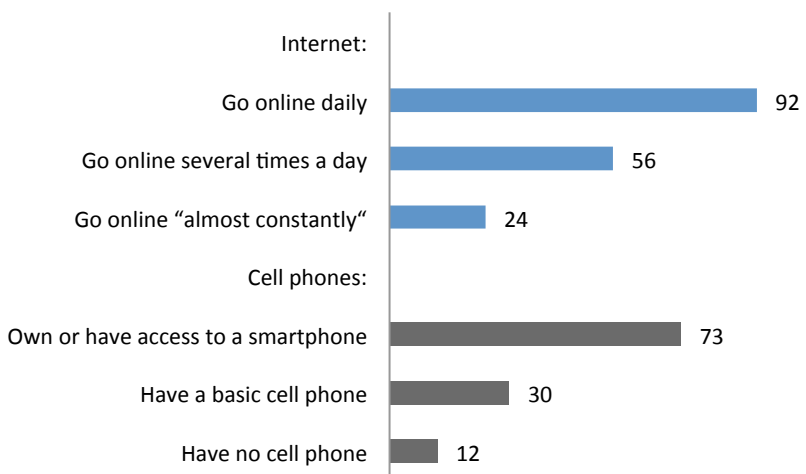
*Gen Z is the first generation to grow up alongside—and so be shaped by—fast-changing consumer technologies.*

**Figure 2. Major Consumer Tech Launches Since 2001**

Year	Product or Service
2001	Apple iPod
2003	Skype
2004	Facebook, GrubHub
2005	YouTube, Amazon Prime
2006	Twitter
2007	Apple iPhone, Netflix streaming
2008	Airbnb, Spotify, EAT24, Android operating system
2009	Uber, Grindr
2010	Apple iPad, FaceTime, Instagram, WhatsApp
2011	Snapchat, Amazon Prime Video, WeChat
2012	YPlan, Tinder
2013	Deliveroo
2014	UberEATS, Apple Pay, Amazon Prime Now
2015	Apple Watch, Periscope
2016	<i>Pokémon Go</i> , Oculus Rift

Source: Fung Global Retail & Technology

It is, by now, almost superfluous to note how attached younger age groups are to technology. But, for the record, we chart below some key findings on the frequency of Internet usage and cell phone access among US teens. Older teens tend to have greater access than younger teens to smartphones, but the gap is not major: some 68% of American 13–14-year-olds have a smartphone versus 76% of 15–17-year-olds, according to 2015 Pew Research Center data.

**Figure 3. US Teens: Internet Usage and Cell Phone Ownership Levels (%)**

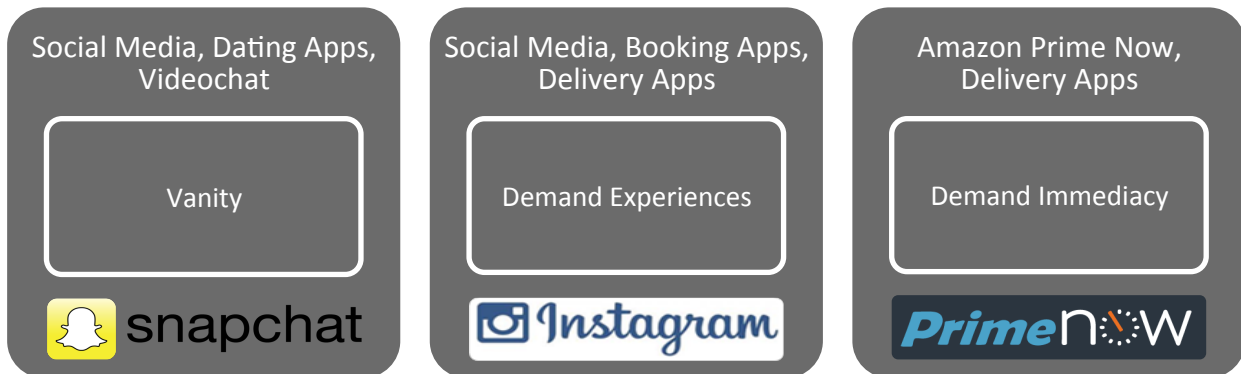
Base: 1,060 teens ages 13–17; September–October 2014 and February–March 2015  
Source: Pew Research Center

Gen Z's innate familiarity with technology is not in itself especially important, although tech firms and online retailers are likely to benefit from the strong demand that this customer base will generate in the years ahead. What is more relevant for a wide range of industries is how Gen Zers' experience growing up with this technology has affected their behaviors and attitudes.

The new technology products and services listed above have broadened consumers' range of choice and quickened the pace of life. It is hard not to see these creating a more demanding, image-conscious consumer. Below, we identify three significant things that characterize Gen Z, all of which arise from various elements of tech innovation.

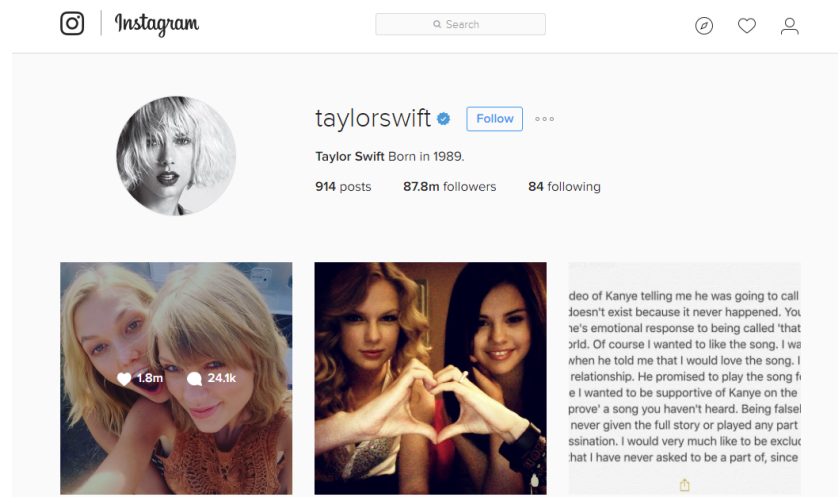
And as new tech, such as virtual reality, emerges, the characteristics that typify Gen Z may change and grow in number.

**Figure 4. Major Characteristics of Gen Z and Tech Influences**



Source: Fung Global Retail & Technology

These three characteristics are the focus of our subsequent discussion. After that, we summarize the scale and projected growth of the Gen Z population, with a focus on the US and Europe.



Source: Instagram



## THREE DEFINING CHARACTERISTICS OF GEN Z

Here, we delve deeper into our three noted characteristics of Gen Zers: the importance they attach to self-image, their desire for leisure services and their expectations of immediacy.

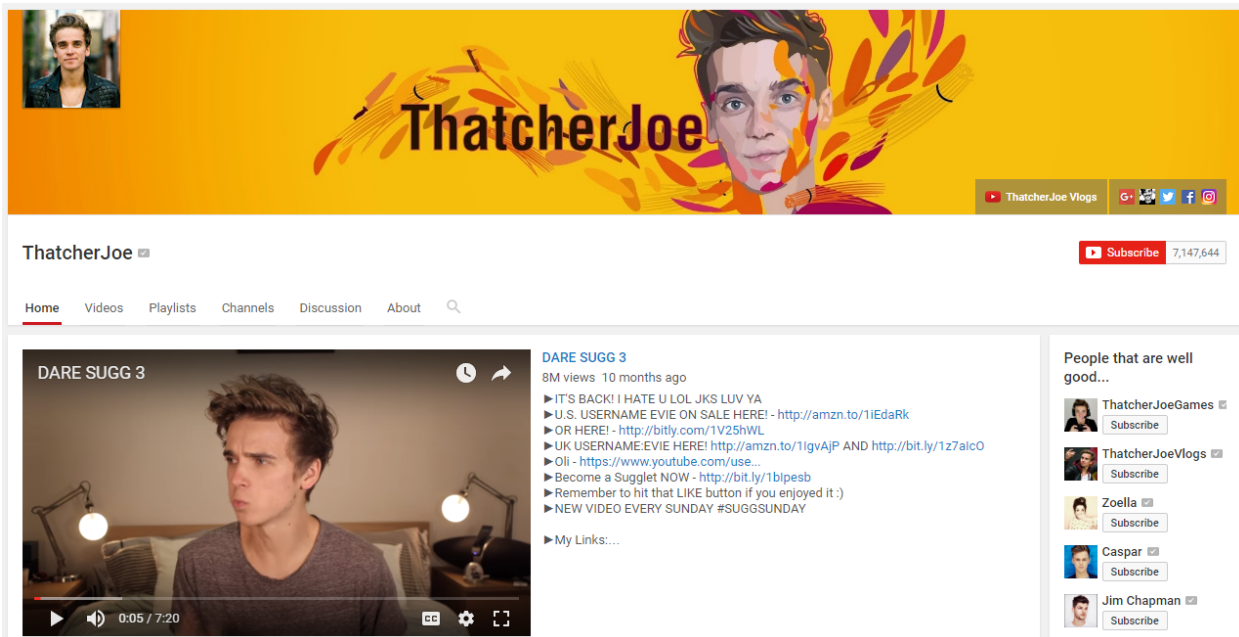
### 1. The Importance of Self-Image

In the 21st century, Andy Warhol's notorious prediction that everyone will be famous for 15 minutes has come true, and then some. Today, everyone can document their lives as publicly as any celebrity, for as long as they want, across a multitude of social media platforms. We see social media and the selfie culture as creating a generation that is more fixated on personal appearance and personal image (or even personal "brand") than any previous generation.

A number of surveys have highlighted the pressures that come with social media and its focus on personal appearance:

- In a 2015 survey of US teenagers by advertising agency J. Walter Thompson, 82% of those polled said they thought carefully about what they post on social media and 43% said they had regretted sharing something online. Fully 71% of teens surveyed said they use Facebook, the most popular social network.
- According to a 2013 survey by the American Psychological Association, 58% of teen girls and 55% of teen boys in the US reported that some aspect of their appearance is a somewhat or very significant source of stress. Some 30% of teen girls and 13% of teen boys said they feel bad when comparing themselves to others on social media. And 39% of teen girls and 29% of teen boys said that how others perceive them on social media is a significant source of stress.

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Source: YouTube



*In the US, 90% of girls and 80% of boys ages 9–17 are using beauty products.*

It is no surprise, therefore, that Gen Zers are highly image conscious. Recent data from Mintel confirm the extent to which US teens and tweens (those in the years approaching teenagehood) are concerned about their appearance. It found that 90% of girls and 80% of boys ages 9–17 in the US are using beauty products:

- Some 54% of 12–14-year-old girls use mascara, eye shadow, eyeliner or eyebrow pencil, while 45% use foundation/concealer, 30% blush/bronzer and 10% hair-coloring products.
- Among boys ages 12–17, 44% use facial cleansing products, 42% use perfume or cologne, and 41% use lip care products. Some 29% of boys ages 12–17 use hair styling products.
- Some 25% of boys and 39% of girls ages 6–8 use body spray, perfume or cologne, and 45% of girls in this age group use lipstick or lip gloss.

Similarly, teens appear to have a heightened sense of body image. In 2016, advertising think tank Credos surveyed British male school pupils ages 8–18 and found that 56% of them think eating disorders are an issue for both sexes. Of the respondents, 55% said they would consider changing their diet to improve how they look. Social media was cited by 57% of those polled as a source of pressure to look good, ahead of advertising (53%) and celebrities (49%).

Despite these pressures, more extreme forms of physical self-improvement have grown only modestly, according to data from the American Society of Plastic Surgeons: between 2010 and 2015 in the US, the number of 13–19-year-olds having any cosmetic procedures grew by 3.2%, to 226,000.

#### ***Social Media Celebs Drive Self-Image Concerns***

Social media is exposing Gen Z to the stars' aspirational lifestyles, and it is creating new celebrities in its own right. We think both factors are adding pressure to this generation.

Epitomizing the convergence of social media, celebrity and personal appearance is the Kylie Cosmetics brand from Kylie Jenner, a social media star and member of the Jenner/Kardashian reality show family. Aside from her branded range of cosmetics, Jenner offers an aspirational smartphone app that features beauty tutorials and style advice as well as "premium" paid-for content that is described as an "all-access pass to Kylie's life."





KYLIE COSMETICS™

BIRTHDAY

KYSHADOW

MATTE LIP KITS

MATTE SINGLES

GLOSSES

METALS

ACCOUNT

## THE LIMITED EDITION BIRTHDAY COLLECTION

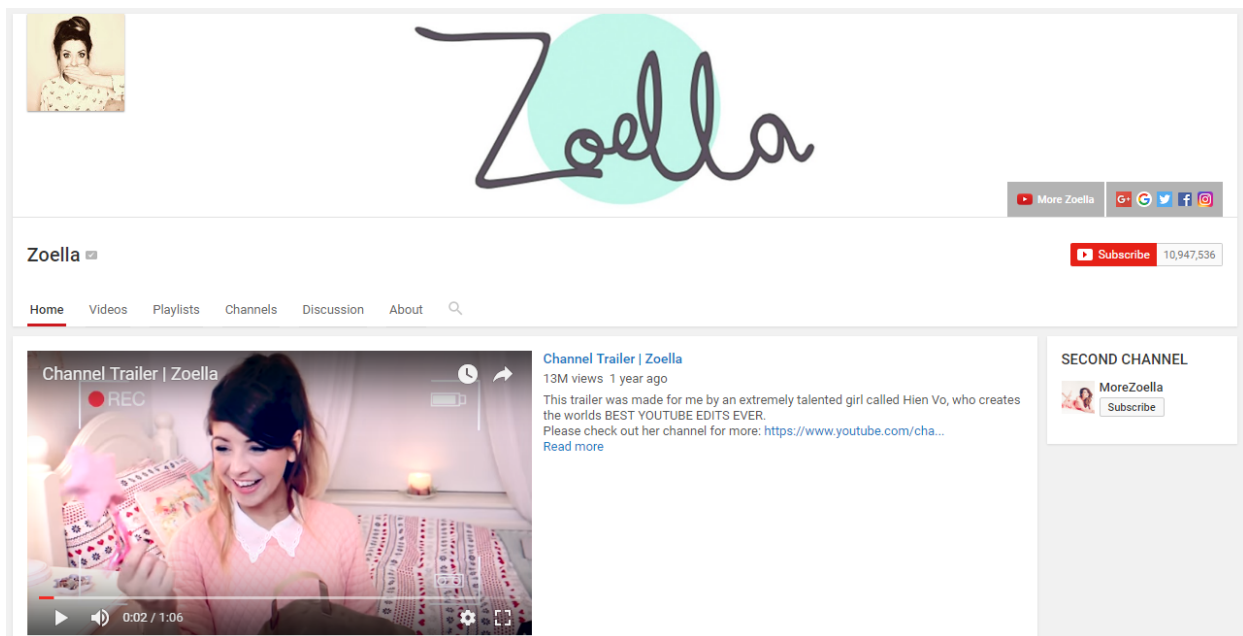
Sort by

Featured

POPPIN' | GLOSS  
\$16.00 USDTHE LIMITED EDITION BIRTHDAY COLLECTION |  
THE BUNDLE  
\$195.00 USDMATTE LIPSTICK | MINI KIT  
\$36.00 USD

Source: KylieCosmetics.com

Representing the convergence of social media, self-made celebrity and the beauty industry is British YouTube vlogger Zoella, who has earned 11 million subscribers and 796 million views for her video reviews of beauty products. Zoella has gone on to launch her own range of beauty products in the UK.



Source: YouTube

The pressure to look good on social media platforms such as Instagram exploded into public attention in November 2015, when Australian social media star Essena O'Neill recaptioned her Instagram photographs with honest annotations that were designed to call out the artificial nature of her aspirational lifestyle images. Among her new captions were:

*NOT REAL LIFE—took over 100 [photos] in similar poses to make my stomach look good. Would have hardly eaten that day. Would have*

*yelled at my little sister to keep taking them until I was somewhat proud of this.*

*This is what an addiction to your appearance, social media and just social approval looks like.*



Source: Instagram/BBC

The pressure to look good on social media is not confined to female teens. Ross Dickerson's Instagram account, which concentrates on showcasing his physique, has amassed 1.3 million followers.

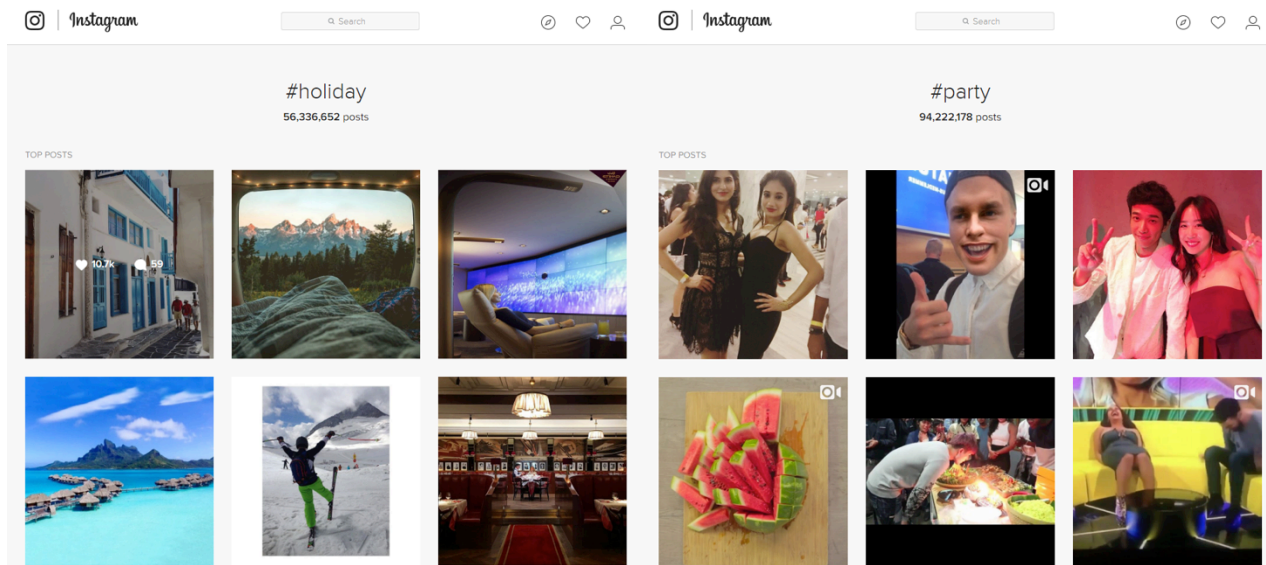
## 2. Social Media Also Fuels Demand for Experiences

We think social media has also led Gen Z to value experiences more than other generations do, as the technology has heaped pressure on them to be perceived by their peers as leading interesting, fun, experience-rich lives. Younger consumers tend to enthusiastically document their lives on social media, and many of them want to be seen traveling, attending concerts and sports events, dining out, and enjoying other leisure activities. The result is what we call the Instagram effect on consumer spending.

*Younger consumers tend to enthusiastically document their lives on social media, which arguably puts pressure on them to be seen enjoying leisure activities.*



## The Instagram Effect



Source: Instagram

*A second factor boosting spending on experiences is mobile connectivity, which is making it easier for consumers to find and book services.*

Even Facebook CEO Mark Zuckerberg has acknowledged the pressures social media can place on consumers. At the Mobile World Congress 2016 event, we heard Zuckerberg admit that social media can pressure users to present “super-curated” personalities online. And we think this pressure is likely to fall most heavily on Gen Z, the first generation ever to grow up documenting their lives publicly online.

A second factor boosting spending on experiences is mobile connectivity, which is making it easier for consumers to find and book services. Apps such as YPlan allow users to discover leisure events and activities in their city, and online and app-based booking intermediaries—such as Just Eat and Deliveroo in food service—are making it easier to spend on services. Gen Zers’ innate familiarity with tech such as mobile apps suggests that they will be at forefront of this trend of finding and booking services online.

We are already seeing an overall shift to spending on services rather than on material goods in countries such as the UK and the US. We believe the shift is underpinned by the Instagram effect and mobile connectivity trend.

- In the UK in 2015, consumers grew their spending on recreational services (such as tickets to sports events and fitness center memberships) by 15.9% and their spending on cultural services (such as movies and theater) by 6.7%, according to the Office for National Statistics. In contrast, total retail sales (representing goods rather than services) increased by only 1.9%.
- In the US in 2015, consumers increased their spending at restaurants by 7.4% and their spending at hotels by 7.3%, but retail sales (ex gasoline) grew by much less, just 3.5%, according to the US Bureau of Economic Analysis.

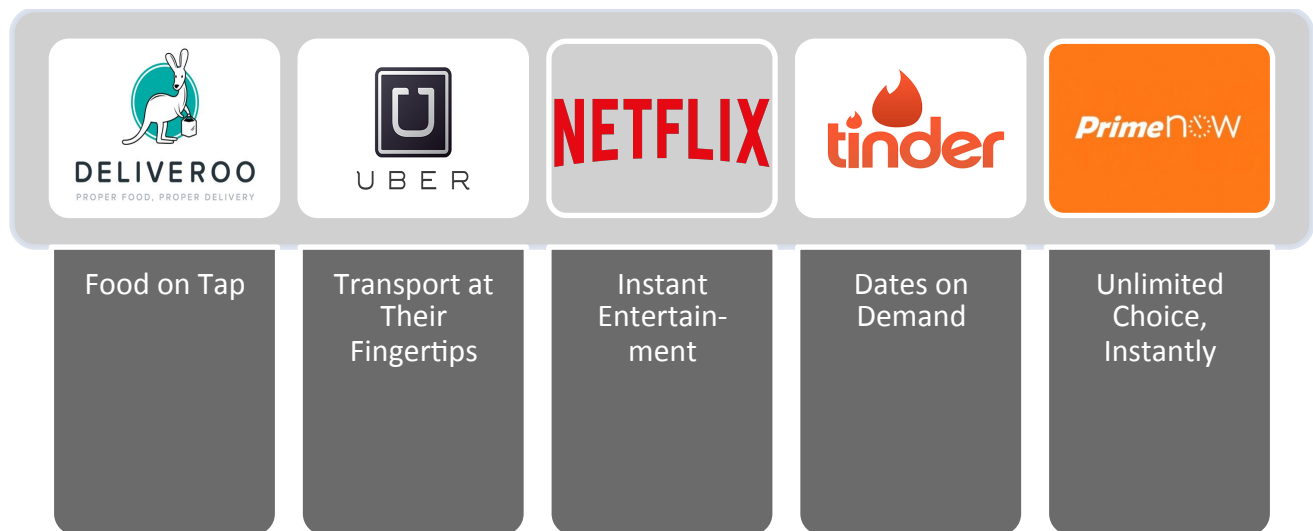
While these figures reflect all consumer spending, not just Gen Z's spending, we think that the forces driving leisure spending are likely to be stronger for Gen Z than they will be for older age groups. Gen Zers are, and will almost certainly continue to be, the heaviest users of technologies, including apps that allow users to find and book leisure services.

### 3. On-Demand Economy Begets Expectations of Immediacy

*The on-demand economy has transformed the delivery of products, services, information and entertainment.*

The on-demand economy has transformed the delivery of products, services, information and entertainment. While the majority of consumers enjoy at least some of the benefits of the on-demand economy, Gen Z is the only age group to have grown up with it as it emerged. As a result, we forecast that Gen Zers will establish themselves as a highly demanding consumer base.

**Figure 5. The On-Demand Economy, Selected Elements**



Source: Fung Global Retail & Technology

Survey after survey finds that younger age groups are emerging as the heaviest users of on-demand services:

- In the UK, Gen Zers are the heaviest users of video on demand, according to measurement firm Nielsen; in the third quarter of 2015, some 49% of Gen Zers surveyed said they use video on demand daily and a further 34% said they use it a few times a week.
- Among adult age groups in the US, the youngest are by far the most likely to use ride-hailing apps such as Uber, according to the Pew Research Center. Some 28% of US 18–29-year-olds (the youngest age group Pew measured) have used such apps, versus 15% of the total population. Pew's study also indicated that there is a steady decrease in usage with age.
- Pew also recorded a consistent decrease in usage of speedy delivery services with age in the US, with some 56% of the youngest adult age group surveyed using such services. Similar age patterns were recorded for usage of Internet services such as grocery e-commerce and hiring someone online to do a task or errand.



*The average person's attention span has fallen to eight seconds, down from 12 seconds in 2000—which compares unfavorably to the average nine-second attention span of a goldfish.*

- In 2014, marketing agency Havas Worldwide conducted a 29-country survey, and found that younger adult consumers were much more likely than older consumers to agree with the statement “I think I could go online and find someone willing to lend/rent me just about anything.” There was a similar pattern in responses to questions about membership or anticipated membership in sharing services, such as accommodation or automotive services.

The near-unlimited choice of products, services, information and entertainment has resulted in a consumer base that expects immediate gratification. Reflecting this demand for immediacy, a 2015 Canadian study by Microsoft found that the average person's attention span has fallen to eight seconds, down from 12 seconds in 2000—which compares unfavorably to the average nine-second attention span of a goldfish. Microsoft attributed the shift to the mass adoption of smartphones and the consequent always-on culture. The study focused on those ages 18 and over, but found that the youngest adult age group struggles with concentration, which implies that the problems are likely to be even more acute for Gen Zers, some of whom are not yet 18.

- The proportion of those surveyed in the Microsoft study that had a “high attention span” increased steadily with age.
- Fully 67% of 18–24-year-old Canadians surveyed said they really have to concentrate hard to stay focused on tasks; this compares to 44% of the overall adult population.

Microsoft's survey also found a correlation between tech usage and attention span: the more heavily consumers browse the web, view multiple screens at once, use social media or adopt new technologies, the lower their attention spans were. We can infer from this that Gen Z will almost certainly have a lower-than-average ability to focus.

*Gen Zers typically multitask across five digital screens per day, compared with just two for millennials.*

It is not simply that younger people are more likely to be constantly connected to the web; they are also more likely to be using multiple screens and multitasking. Gen Zers typically multitask across five digital screens per day, compared with just two for millennials, according to US marketing researchers FutureCast. For many Gen Zers, it is normal to be chatting with a friend on FaceTime while messaging a parent via WhatsApp and perhaps browsing Facebook, too. This is the always-on, on-demand generation.



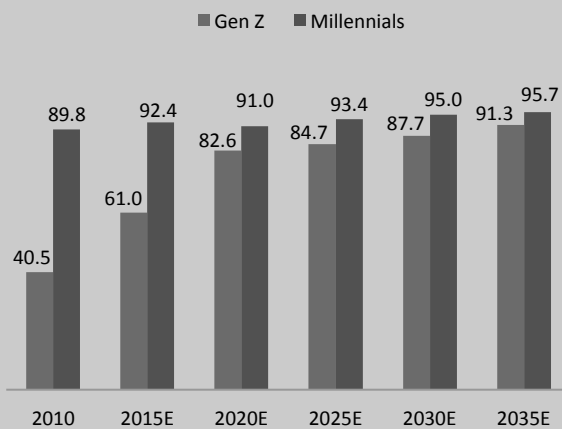
## GEN Z IN NUMBERS: POPULATION REACHES 1.9 BILLION WORLDWIDE IN 2015

“Gen Z is set to overtake millennials!” shout headlines in marketing magazines. In absolute numbers, that is not quite the case—at least not in Western markets such as the US and Europe.

In absolute terms, the US was home to an estimated 61 million Gen Zers in 2015, making the generation about two-thirds the size of the millennial generation. Even by 2035, though, Gen Zers will still lag millennials by a little in terms of total numbers.

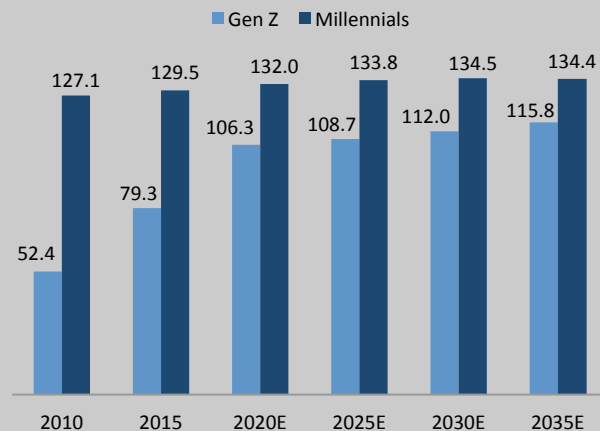
A similar pattern is seen in the EU, where Gen Z will not quite close the gap with millennials, even in the next 20 years. As Gen Zers are those born between 2001 and 2020, by our definition, any increase in this age group in the US after 2020 will be due to immigration.

**Figure 6. US Population: Gen Z vs. Millennials (Mil.)**



Source: US Census Bureau/Fung Global Retail & Technology

**Figure 7. EU-28 Population: Gen Z vs. Millennials (Mil.)**



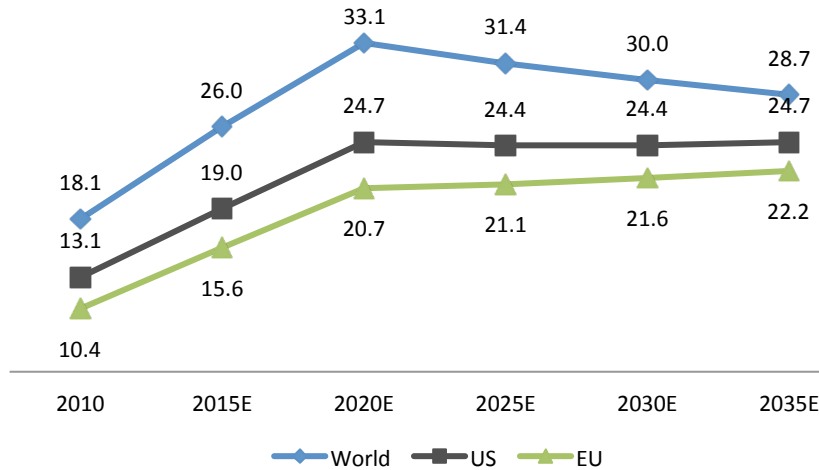
Source: Eurostat/Fung Global Retail & Technology

*Currently, about one in every five Americans is a Gen Zer; the group's share of population in the coming decades will peak at around one-quarter.*

Worldwide, Gen Z numbered 1.90 billion members in 2015, we calculate, based on OECD data; this compares to 2.36 billion millennials. By 2020, the global Gen Z population will have grown to 2.56 billion versus 2.34 billion millennials.

Currently, about one in every five Americans is a Gen Zer, and the group's share of population in the coming decades will peak at around one-quarter. In the EU, which has an older average population, Gen Zers make up a notably smaller share of the total population. Globally, Gen Z's share of the population is much larger than in either of these regions, reflecting the higher birth rates and lower life expectancies of some developing economies.

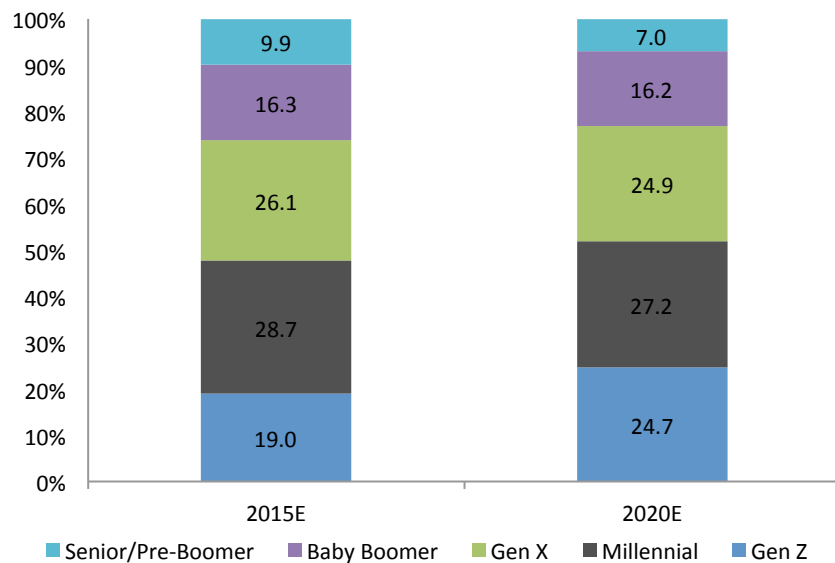


**Figure 8. Gen Z as % of Total Population**


Source: OECD/US Census Bureau/Eurostat/Fung Global Retail & Technology

By 2020, Gen Z will be the third-largest age group in the US, narrowly lagging Gen X in size. But, while significant, Gen Z is not set to become the dominant segment of American society in the medium term.

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**Figure 9. US: Composition of Population, by Generation**


Gen Zers born 2001–2020; millennials born 1980–2000; Gen Xers born 1960–1979; baby boomers born 1946–1959; seniors/pre-boomers born before 1946

Source: US Census Bureau/Fung Global Retail & Technology

## GEN Z IN NUMBERS: ACCOUNTING FOR \$830 BILLION OF SPENDING IN THE US ALONE

This year, the oldest Gen Zers are just 15 years old, which makes it very difficult to pin down their spending power—in terms of either their own spending or their influence on spending by others, such as their parents. Some research agencies have generated estimates, although, as noted





*Our analysis suggests that some \$829.5 billion was spent on Gen Z in the US in 2015, equivalent to 6.8% of total US consumer spending that year.*

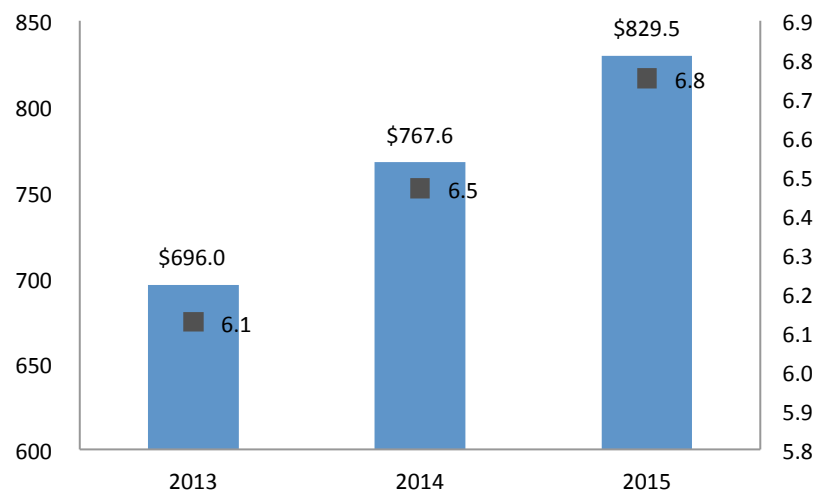
above, definitions of Gen Z differ; some firms define them as being born from the mid-to-late 1990s onward versus our definition of them being born from 2001 onward.

- In the US, market-intelligence firm Mintel put Gen Z's direct and indirect spending power at close to **\$200 billion** in 2015; this includes their influence on parental or household purchases.
- In 2013, Mintel estimated Gen Z's direct spending power at **\$44 billion**, based on US kids and teens receiving an average \$16.90 weekly allowance.

For comparison, American consumers spent \$12.3 trillion in total in 2015, according to the US Bureau of Economic Analysis.

Our own analysis suggests that some **\$829.5 billion** was spent on Gen Z in the US in 2015. This was equivalent to 6.8% of total US consumer spending that year and was up 8.1% from \$767.6 billion (representing 6.5% of all consumer spending) in 2014. These figures include spending on essentials such as housing and food as well as discretionary spending. Our estimates are based on US Department of Agriculture (USDA) data on average per-child expenditure by families. The USDA breaks out typical annual spending per age band of the child population.

**Figure 10. US: Estimated Annual Expenditure on Gen Z by Families (USD Bil., Left Axis) and as % of Total US Consumer Spending (Right Axis)**



*Based on USDA data for average annual expenditure on children by middle-income, two-parent families. Data for 2014 and 2015 extrapolated from USDA figures for 2013, using average annual consumer prices inflation.*

*Source: USDA/US Census Bureau/Fung Global Retail & Technology*

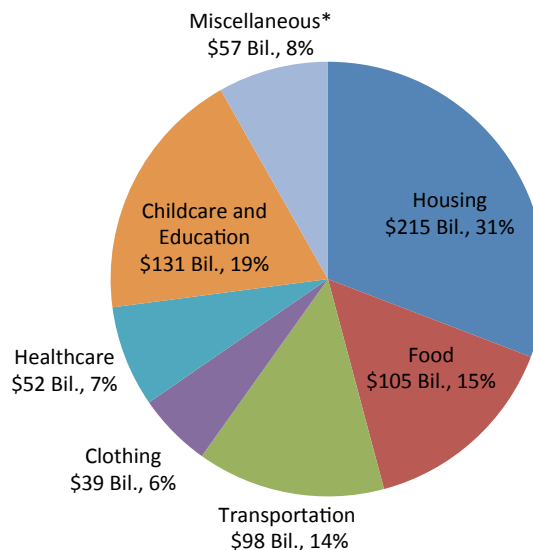
In theory, Gen Zers may be influencing any part of this spending by families, and for a small minority of families, they actually do. According to Mintel, in 2015, some 9.7% of American parents/guardians said their child influences 100% of what they buy, up from 7.6% in 2014.

However, the large majority of spending on Gen Z is nondiscretionary, and includes items such as housing, food, transportation, healthcare and

*In the US in 2013, only 8% of the total spent on Gen Z, or \$57 billion, was spent on “miscellaneous” categories, which include discretionary items such as entertainment goods, reading materials and personal care products.*

education. In 2013 (latest), only 8% of the total spent on Gen Z, or \$57 billion, was spent on “miscellaneous” categories, which include discretionary items such as entertainment goods, reading materials and personal care products. By extrapolating that 8% share to our 2015 total figure, we found that total spending on miscellaneous categories last year was approximately \$66 billion.

**Figure 11. US: Breakdown of Estimated Annual Expenditure on Gen Z by Families, 2013**



*\*Includes discretionary categories such as entertainment*  
Source: USDA/Fung Global Retail & Technology

## KEY TAKEAWAYS: GET READY TO COMPROMISE—BECAUSE YOUR NEXT GENERATION OF CUSTOMERS WILL NOT

Commentators have often characterized Gen Z as digital natives, and have focused on their enthusiastic adoption of new technologies. We think this adoption has wider importance: it is not just that Gen Zers adopt tech readily, but that the tech has affected their expectations and behaviors in a way that it has not affected those of other age groups. We conclude by reiterating the three significant characteristics of Gen Z that we have identified: they attach importance to self-image, they have a heightened demand for leisure services and they expect their consumer needs to be fulfilled immediately.

In short, exposure to near-infinite choice and access to near-endless information makes this generation more demanding than any of its predecessors. As Gen Z matures, it will become more discerning, but its demanding nature is unlikely to be diluted. We think brands and retailers will be the ones that need to change, because Gen Z looks unlikely to compromise on its high expectations.

*As Gen Z matures, it will become more discerning, but we think that its demanding nature is unlikely to change.*



To read our coverage of millennial consumers, please see our other reports:

- *How Millennials Disrupt Industries—Grocery Shopping: New Priorities, New Preferences* at [bit.ly/FungMillennialsGrocery](http://bit.ly/FungMillennialsGrocery)
- *The Millennials Series: Millennials and Beauty* at [bit.ly/FungMillennialsBeauty](http://bit.ly/FungMillennialsBeauty)



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