GUIDE TO GEN Z:
Debunking the **Myths** of Our **Youngest Generation**
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Over the past few years, public interest has shifted from Millennials to the younger kids on the block: Generation Z. Also referred to as “post-Millennials,” “the iGeneration,” and the “Homeland generation,” they’re most commonly known as—simply—“Gen Z.”

Curiosity about this younger generation sprouted only a few years ago and has climbed to new heights. Born between the mid-1990s and mid-2000s, there are approximately 69 million members of Gen Z in the U.S.; they’ve outpaced Millennials by 3 million. It’s the most diverse generation to date and holds $44 billion in buying power. Poised to spend even more as they age, Gen Z is the future. The retail world has no choice but to get to know these buyers.
SEPARATING FACT FROM FICTION

There’s a proliferation of information out there about Generation Y, but the research world is just beginning to understand the behaviors of the youngest generation. Generations tend to be stereotyped as having certain behaviors. For example, Millennials often get a bad rap for being lazy and self-involved. Gen Z has been described as “Millennials on steroids,” technology-dependent, and cautious about the future.

We set out to examine some of the assumptions about Gen Z and determine whether they’re supported by our data. We looked across our U.S. data sources and spoke with members of the generation to better understand their attitudes and shopping behaviors. Read on for a deep dive on Gen Z; we’ll debunk the myths to give you the facts.

DEFINING GEN Z

How do we define the youngest generation? Gen Z is most commonly defined as those born after 1996, who came of age after the events of September 11, 2001. At NPD, we’ve divided this generation into two groups: those born between 1997 and 2005 (The First Connected Kids) and those born 2006 and after (The Technology Inherent).

In 2017, these birth years translate to older Gen Zers between 12 and 20 years old, and younger Gen Zers under 12 years of age. So when we talk about Gen Z, we’re describing teens (some of whom are entering college) and children.

GENERATIONS

Source: The NPD Group and CultureWaves
GENERALIZATION #1: GEN Z FEELS UNCERTAIN ABOUT THE FUTURE

Generation Z has no memory of a time the United States was not at war with terrorism. As a result of growing up through the Great Recession, witnessing housing foreclosures, and seeing their Millennial and Gen X parents increasingly mindful of expenses and eating out, the Gen Z cohort is described as having an unsettled feeling and experiencing insecurity about the future. Gen Z expert (and Gen Zer himself) Connor Blakley described his generation as being “less confident in the American dream.”

So is it true?

In an online poll, our partner CivicScience asked panelists if they think the economy will get better, stay the same, or get worse. Among Gen Z respondents (aged 13-18 by CivicScience’s definition) 37 percent thought it would get worse, 33 percent thought it would get better, and 30 percent thought it would stay the same. While Gen Z’s “get worse” stat was higher than that of Gen X and Boomers, it was lower than that of Millennials, who have the worst outlook on the economy; 39 percent of Millennials believe the economy will worsen. So while Gen Z does feel uncertain about the future, Millennials have them beat.

Business Insider describes Generation Z as more conservative, more money-oriented, more entrepreneurial and pragmatic about money compared to Millennials. And in areas like banking, Gen Z indeed proves to place the lowest trust in banks compared to all other generations, as shown by CivicScience. So there’s something to be said for Generation Z’s circumspect reputation; the generation seems to channel any doubt into risk aversion and pragmatism.
GENERALIZATION #2: GEN Z IS TECH-DEPENDENT

The Technology Inherent and First Connected Kids

Our automotive Industry Analyst, Nathan Shipley, pointed out that today, there are fewer 16-year-old drivers than at any time since the 1960s, according to the Federal Highway Administration. Why is this? Nathan explained that back in the day, “getting the keys to the car at 16 was freedom for kids. It was their way to get out, see friends, and get away from their parents.” In comparison, cars have become less important. Freedom now arrives when a kid gets his or her first cell phone, providing a degree of interaction with the outside world that most people didn’t have years ago. Gen Zers can interact with friends—by Facetiming, texting, messaging, or connecting via social media—without even leaving the house.

As compared to Millennials who slowly adapted to technology over time, Generation Z is the “first truly digitally intuitive generation” to grow up on tech, added Gen Zer Connor Blakley. In its Mobile Connectivity Survey, January 2017, our Connected Intelligence® team found 43 percent of parents had purchased a tablet for their children. Such connectivity at an early age makes Gen Z keenly aware of what is happening nearby and around the globe, fueling their pragmatic and resilient behaviors.

Consumer Electronics Industry Analyst Ben Arnold supported this digitally intuitive claim in his study of user interfaces. In the 12 months ending in June 2017, 6.1 million VR/AR headsets were sold in the U.S., shown by our Retail Tracking Service data. In our Connected Home Automation Report, we found one-quarter of U.S. consumers use voice commands often or sometimes, and 30 percent of notebook computers feature touchscreen technology. These new interfaces are becoming the standard for younger generations, influencing the types of interfaces they prefer to interact with. Ben described his younger Gen Z daughter as favoring voice activation when interacting with technology, while his older Gen Z son defaults to touchscreen. And though much of VR use is for gaming, Ben is interested to see whether younger Gen Zers who grew up on VR will use it for other functions like web searching or communication via Skype, and how that will influence their preference for technology interfaces in the future.
TECHNICALLY CONNECTED

Connor Blakley described the smartphone’s role for his generation as providing a feeling of security, safety, and belonging. “Gen Z’s drug of choice is putting something on Instagram and getting a like.” He claimed his generation likens not having their phones on them to feeling naked. And this is supported in the data: Outside of face-to-face communication with friends and family, Gen Z has the highest preference for communication via text message at 37 percent, as shown by polling data from our partner CivicScience. It’s worth noting that Millennials and Generation X actually have a higher proportion of population members who prefer texting (45 percent each). But Gen Z has the greatest percentage (20 percent) who prefer social media as a means for communication, compared to all other generations.

Gen Z prefers social media for communication more than all other generations

How would you say you communicate most with friends and family?

<table>
<thead>
<tr>
<th>Generation</th>
<th>Phone calls</th>
<th>Text/SMS</th>
<th>Social Media</th>
<th>Mobile messaging apps</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generation Z (Under 18) (8%)</td>
<td>22%</td>
<td>37%</td>
<td>15%</td>
<td>20%</td>
<td>5%</td>
</tr>
<tr>
<td>Millennials (18-34) (28%)</td>
<td>24%</td>
<td>45%</td>
<td>16%</td>
<td>14%</td>
<td>1%</td>
</tr>
<tr>
<td>Generation X (35-54) (34%)</td>
<td>36%</td>
<td>45%</td>
<td>6%</td>
<td>9%</td>
<td>4%</td>
</tr>
<tr>
<td>Baby Boomers (55+) (30%)</td>
<td>53%</td>
<td>27%</td>
<td>3%</td>
<td>5%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Source: CivicScience
Weighted according to U.S. Census figures for gender and age, 13 and older
109,552 responses from 8/26/16 to 8/25/17

So is Gen Z really “tech-dependent”? Despite their comfort with technology, Connor Blakley insists he and his Gen Z peers prefer face-to-face communication over communicating via phone, text, or social media. Rather than “tech-dependent,” he describes the group as “tech independent,” using their phones to arrange in-person connections. Sports Industry Expert Matt Powell described Gen Z as having only known a user-generated, wireless, and hyper-connected world. To them technology is invisible, but omnipresent.
When shopping for clothing and accessories, Gen Z cares more about brand than other generations

When shopping for clothing/accessories, what is more important to you: brand or price?

<table>
<thead>
<tr>
<th>Generation</th>
<th>Brand, by a lot</th>
<th>Brand, by a little</th>
<th>Both are equally important to me</th>
<th>Price, by a little</th>
<th>Price, by a lot</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generation Z</td>
<td>10%</td>
<td>6%</td>
<td>43%</td>
<td>12%</td>
<td>28%</td>
</tr>
<tr>
<td>(Under 18)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Millennials</td>
<td>5%</td>
<td>6%</td>
<td>39%</td>
<td>16%</td>
<td>34%</td>
</tr>
<tr>
<td>(18-34)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Generation X</td>
<td>4%</td>
<td>5%</td>
<td>46%</td>
<td>14%</td>
<td>31%</td>
</tr>
<tr>
<td>(35-54)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Baby Boomers</td>
<td>4%</td>
<td>4%</td>
<td>53%</td>
<td>12%</td>
<td>28%</td>
</tr>
<tr>
<td>(55+)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: CivicScience
Weighted according to U.S. Census figures for gender and age, 13 and older
86,256 responses from 8/27/16 to 8/26/17

GENERALIZATION # 3: YOUNGER GENERATIONS WANT TO DO THINGS, NOT BUY THINGS

This is a very Millennial-themed statement. Though Millennials are into experiences more than owning things, Gen Z is markedly less price-conscious, and more likely to consider financially stable careers that will allow them to buy the things they want. Take apparel, for example. When shopping for clothing and accessories, though both brand and price are equally important for the majority of Gen Zers, a greater proportion of Gen Zers find brand to be more important than price (16 percent) than do other generations, as shown by CivicScience polling data.
An interesting twist on this focus on brand is that Gen Z actually spent a smaller proportion of their apparel dollars on full-price items (48 percent) compared to Millennials (51-54 percent) in the 12 months ending in June 2017, as shown by our Consumer Tracking Service. “Even though Millennials claim to be more price conscious, Gen Z is savvy, making their money go further by shopping off-price for the brands they want,” said Chief Industry Analyst Marshal Cohen.

While Gen Z’s apparel spend is not growing like that of Millennials and Gen X, Gen Z accounted for 31 percent of the apparel market—the most of any generation—in the 12 months ending in June 2017. Marshal Cohen provided some context for this trend, adding that “older generations have greater financial responsibilities like car payments, mortgages, student loans, and healthcare costs that preclude investing more in apparel, while Gen Z has more freedom to buy things of this nature.”

**Gen Z buys more apparel on sale than Millennials**

<table>
<thead>
<tr>
<th></th>
<th>Gen Z</th>
<th>Millennials</th>
<th>Gen X</th>
<th>Baby Boomers</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Apparel Dollars Spent on Sale Items</td>
<td>52%</td>
<td>49%</td>
<td>46%</td>
<td>57%</td>
</tr>
</tbody>
</table>

Source: The NPD Group/Consumer Tracking Service 12 ME June ’17
Gen Z is 31% of the apparel market, but shows relatively slow overall growth

WHAT DO THEY BUY, AND WHERE DO THEY BUY IT?

Apparel

Apparel Industry Analyst Maria Rugolo added that Gen Z made over $55 billion in apparel purchases at brick-and-mortar stores (81 percent) compared to over $11 billion online in the 12 months ending in June 2017. Though their online apparel spending grew during this period, Connor Blakley assured us that malls aren’t dead yet, still proving to be a popular shopping and leisure spot for him and his friends. Gen Z also increased spending year-over-year and at off-price stores.

Gen Z racked up the most dollars on knit shirts in the 12 months ending in June 2017. But the categories with the highest growth were woven shirts, intimates, sweats, and sleepwear. Why so much growth in these categories? Apparel Market Insights Manager Kristen Classi-Zummo explained that Gen Z’s wardrobe must primarily cover them at school, where they can wear less formal athleisure apparel. They spend more on active-wear apparel than do Millennials, who have entered the workforce and require a more diverse wardrobe for everyday living.

Activewear Apparel Dollars

Source: The NPD Group/Consumer Tracking Service 12 ME June ‘17
Footwear

The story is similar in the footwear market. Generation Z leads the market and was responsible for 28 percent of footwear dollar sales in the 12 months ending in March 2017 (more than all older generations).

We found 81 percent of Gen Z footwear sales took place in stores, while 19 percent took place online. Gen Z online footwear sales grew nearly 5 percent year-over-year, while in-store sales dipped nearly 7 percent in the 12 months ending in March 2017. Most Gen Z footwear spending took place at athletic footwear specialty stores and mass merchants, with the highest growth at factory outlet stores (14 percent year-over-year). Examining the Gen Z footwear market by category, sport leisure has seen the greatest gains, while fashion and performance footwear have lost spend.

Sports Industry Expert Matt Powell pointed out that Gen Z is not yet in the workforce and still depends on parents for purchases. As these young consumers enter the workforce, he expects their expenditure to rise even more.

Accessories

Gen Z’s spend on bags decreased 13 percent for the 12 months ending in June 2017. But digging a bit deeper sheds some light on this generation’s priorities, explained Fashion Footwear and Accessories Industry Analyst Beth Goldstein. Gen Z’s dollar volume for handbags and totes declined almost 30 percent year-over-year, but dollars spent on backpacks (their largest bag category) grew 6 percent, and Gen Z spending on duffel bags increased 23 percent. This shift speaks to the fact that Zers want all-day, hands-free function, and they also need carry-all options for their weekends away (think: Coachella).

Beauty

When it comes to beauty, Gen Z focuses spending on skincare products, followed by makeup and fragrance. Looking across all generations in our Scentiments: Fragrance Journey study, our beauty analysts found 80 percent of Gen Zers (aged 18-20 years) wear fragrance, only second to Millennials. Beauty Industry Analyst Kissura Craft explained that 73 percent of fragrance-wearing Gen Zers do not wear fragrance every day, reserving their fragrance usage for more important events or special occasions. They typically wear fragrance on Fridays and Saturdays, when they’re most likely to go out on a date, have a girls’ or guys’ night, or go to a party.
GENERALIZATION # 4: GEN Z IS LESS BRAND LOYAL

Gen Z is often described as being less loyal to brands than other generations. CivicScience’s polling shows this is true when comparing Gen Z (22 percent of whom are not loyal to their favorite brands) to Gen X (15 percent) and Boomers (12 percent). But Gen Z is actually slightly more brand loyal than Millennials (23 percent are not brand loyal). What inspires this group’s loyalty? Though quality is most important to them, Gen Z places higher importance on convenience and service compared to other generations, as shown by CivicScience.

It’s nearly impossible to talk about Gen Z without someone mentioning the term “authentic.” So is authenticity really driving Gen Z’s response to marketing campaigns?

Connor Blakley said brands have six to eight seconds to grab Gen Z’s attention, during which the cohort will decide whether or not content is worth their attention. To win over these young consumers, Connor advises brands to be true, transparent, and stick to their guns in the information they communicate to the public.

Three brands that have particularly succeeded at this charge are Victoria’s Secret/ PINK, American Eagle, and Adidas. Checkout Tracking w  Analyist Ajay Shah explained that these brands do a good job of cultivating loyalty from Gen Z, as evidenced by their increasing share of wallet* among younger shoppers. This growth may be explained, in part, by the social media presence of these brands and how they engage with Gen Z online.

*Share of wallet describes the percentage of category dollars a brand receives from its own customers.
Victoria’s Secret/PINK
Victoria’s Secret leverages social media to be transparent. Victoria’s Secret is well-known for its runway models. Through its robust social media presence, the brand provides an entertaining, “behind-the-scenes” view of models at fashion shows.

While social media is great for reaching the Gen Z masses, we know face-to-face communication is key for this generation. PINK, Victoria’s Secret’s youth-focused brand, maintains a personal presence with its target market through its Campus Reps program, active in over 100 colleges in North America. Campus Reps are real students who use social media to share information on PINK events and promotions happening on campus.

Victoria’s Secret’s social media efforts to keep shoppers in the loop are likely resonating with younger shoppers; its stores had a high share of apparel wallet among its 13- to 24-year-old shoppers, with 15 percent share during the 12 months ending in July 2017. This represents a much larger share of wallet than that for older generations (ranging from 9 to 11 percent).

American Eagle
This brand is known to stick to its guns by taking a prominent stance on social issues. The consumer brand recently launched a #WeAllCan campaign leveraging social media influencers to promote a message of acceptance. The brand has been active in promoting acceptance of LGBTQ youth by initiating social media conversations around the topic as well as launching a PRIDE collection, proceeds of which benefit LGBTQ charities. American Eagle’s social activism may help explain its impressive leap from 9 to 12 percent share of apparel wallet at its stores (online and offline) among 13- to 24-year-old American Eagle shoppers in the 12 months ending in July 2017, compared to the prior period. The store’s share of wallet is also five percentage points greater for young generations than it is for older consumers.

Adidas
The Adidas brand captured 37 percent of 13- to 24-year-old shoppers’ footwear share of wallet (across all retailers) in the 12 months ending in June 2017, a substantial increase from 29 percent the previous period. It’s also interesting to note that Adidas’ share of wallet is much greater for this younger age group than it is for older shoppers (ranging from 22 to 24 percent share of wallet). Young shoppers’ loyalty may be driven by the company’s branding strategy focused on individuality (being true to oneself). In fact, its Adidas Originals brand, which celebrates being original, has more Instagram followers than the main Adidas Instagram.

Sports Industry Expert Matt Powell explained that when asked to describe themselves, the word Gen Zers chose most often is “unique.” They want to buy unique products, from unique brands, that are sold at unique retailers—and they’ve expressed that they’re willing to pay more for this.
So is authenticity really driving Gen Z’s response to marketing campaigns? We believe so—and the best practices implemented by the brands listed above can guide the way for others to continue cultivating Gen Z loyalty.

**GENERALIZATION # 5: GEN Z IS THE HEALTHIEST GENERATION**

The younger the generation, the greater its obsession with fresh and healthy food. But even though Gen Z is focused on fresh and healthy foods, these consumers still maintain their perennial favorites (albeit at lower levels of consumption), said Food Sector Industry Expert David Portalatin. Connor Blakley added that his generation grew up witnessing the negative repercussions of older generations’ unhealthy choices, and they’ve naturally integrated wellness into the Gen Z lifestyle. It’s not just about looking healthy, but actually being healthy.

Gen Z has more going on than just healthy eating; here are some eating behaviors indicative of our youngest generation, as shown in our report *A Generational Study: The Evolution of Eating.*

“EVEN THOUGH GEN Z IS FOCUSED ON FRESH AND HEALTHY FOODS, THESE CONSUMERS STILL MAINTAIN THEIR PERENNIAL FAVORITES.”
FOUR GEN Z EATING BEHAVIORS

The “All-Natural” Generation
Like Millennials, Gen Z embraces fresher, healthier food choices, while older generations prioritize convenience in- home and out-of-home. Gen Z grew up on all-natural foods as their Gen Y and Gen X parents focused on foods for their children that were “all natural”—the most sought after attribute for their children’s snack foods.

Snacks and Sides Steal the Plate
Gen Z loves snacks: they’re increasing the number of items eaten in between meals while eating smaller main meals. As Boomers decrease the inclusion of side dishes eaten with the main meal, younger Gen Z consumers are eating more traditional snack foods and side dishes as a convenient way to make up a main meal. Side dishes on the rise include fresh vegetables, potatoes, fruit, salty snacks, and rolls.

In-Home Breakfast Is on the Rise
Gen Z is giving rise to the in-home breakfast, making up for Boomers’ declines. Gen Z has been turning to substantial breakfast foods like eggs and breakfast sandwiches, as well as convenient, perceived-healthy foods such as bars and yogurt.

Making Room for Favorites
Gen Z is full of contradictions. Compared to previous generation, they eat more healthy foods like salad, carrots, broccoli, fresh fruit, and yogurt. They also eat fewer unhealthy foods like ice cream, macaroni and cheese, hot dogs, French fries, cakes, and doughnuts. But they’re not strangers to indulgence; they eat more lunch kits, fruit leather, toaster pastry, pizza, burgers, and frozen meals than did earlier generations, as shown by National Eating Trends® data from 1985 through 2014.

CONCLUDING THOUGHTS
When it comes to Gen Z stereotypes, some hold true, while others miss the mark. It’s clear from our research that Gen Z is markedly different from Gen Y, and retailers and manufacturers must treat them as the unique, complex generation they are, in order to succeed in the years to come. And as Gen Z enters the workforce, its spending power will only increase with time—so you best start planning for them now!

This is a snapshot of our Gen Z insights across the fashion, footwear, technology, food, and beauty industries. For more retail trends and insights, or to discover how you can better measure performance for your categories, retailers, regions, or territories, visit our LinkedIn page.

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