GENERATION Z: RULES TO REACH THE MULTINATIONAL CONSUMER

Sonica Singh
Senior Information Architect, SapientNitro Gurgaon

Sonica is a usability and interface design specialist, who has worked with clients such as Unilever, Royal Bank of Scotland, Nike, Microsoft and Coca-Cola. She focuses on user behavior in new media and marketing.
Selling to Generation Z – history’s most technology proficient – is more than tweaking the messaging and putting it on Facebook. Connecting with Generation Z should fundamentally affect all aspects of marketing.

Recently, while attending a birthday party of small children, one noticed that there were few takers for the party games, typically a craze with children. The reason: Most of the children were engaged in playing with the mobile phones and iPads, including three-year-old twins playing Angry Birds on an iPad. On being reprimanded for not being social with other kids, they very reluctantly stopped playing the game, only to show off their photo gallery to others.

The scene played out at the birthday party is common. Many kids today are more comfortable with gadgets than they are with other kids. The vocabulary of these kids is packed with words such as download, upload, delete, levels, and Google play. High scores in Temple Run or Angry Birds is their new status symbol.

These are the Generation Z kids, the first generation to be born into the digital world. For these digital natives, the world has always been connected. Information has always been available when they need it. And “Like” is more of a noun than a verb.

Consumer brands are waking up to the emergence of Generation Z. Brands realize that this generation is fundamentally different in many ways and hence needs somewhat differentiated marketing. But the differentiation, so far, has been largely restricted to specialized messaging and a greater use of digital media.

As discussed in this article, Gen Z is fundamentally different from earlier generations when it comes to its consumption of information and communication, its attitude/comfort level with technology and its attitude toward what is considered social. Those changing attributes potentially affect all the Ps of marketing: product, pricing, promotions, and place.
The Dimensions

There is no agreement on the exact definition of Generation Z. Many classify Gen Z as those born between the mid-1990s to the end of the first decade of the millennium, though others extend the Gen Z universe to count even those being born past 2011. For the purpose of analysis, this article refers to as Generation Z, all those who were born between 1995 and 2010 – that is, those who are presently between 3 to 18 years of age.

The current (2013) population of Gen Z is estimated to be a little more than 1.9 billion, or 27 percent of the global population. Most of the Gen Z population lives in developing and under-developed countries, while in many mature markets, the population is older. For example, in 2010, Nigeria had as much as 43 percent of its population who are classified as Gen Z, while in Germany, this demographic group accounted for only 13.5 percent of the total populace. The penetration of new media is far lower in emerging markets. Consequently, brands seeking to court the global Generation Z population need to have flexible strategies for penetrating both developed and emerging markets.

Beyond this global number, for all demographic information, the article uses 2010 numbers. That is because more current regional and country-specific information is not readily available.

The largest Gen Z populations are in some of the largest, youngest and most dynamic countries: namely India and China, but also Nigeria and Pakistan. Nigeria, for example, has 43 percent of its population in this generation, versus 13.5 percent in Germany.

Market Readiness is defined as maturity of the overall consumer market. It is derived using the business sophistication & the market size ranks of the countries in the “WEF Global Competitiveness Report 2013.”
What’s So Different?

Generation Z is not like the rest of us. Generation Z is more device dependent and more trusting of digital content, among other attributes. SapientNitro observes seven characteristics of Generation Z, spanning psychological/behavioral, sociological and demographic categories.

1. Device Dependence
One of the factors that marketers are trying to leverage – especially in mature markets – is that the Gen Z populace is quite dependent on their devices, ranging from mobile phones to game consoles. Devices play important roles in their everyday life, ranging from entertainment to providing information. Interacting with the devices, or with people through a digital device, takes a significant amount of their time. A University of Maryland study in 2010 found that 79 percent of young people displayed symptoms of emotional distress when kept away from their personal electronic devices.

2. Expectation of Information on Demand
While Google-dependence is not just limited to Gen Z – as most of us today rely on Internet search to find out information instantly – this generation knows no other way. For most information – be it studies, hobbies, products, and careers – the starting and ending points for most Gen Z kids is the Internet. This reality is being leveraged by marketers in a limited manner to directly promote their products, but marketers can capitalize on Gen Z’s digital behavior to influence lifestyle and habits.

3. An Emotional Connection with the Digital World
Beyond the actual utility of digital, most Gen Z kids have an emotional dependence on their digital connections, which is hardly seen in other demographic groups. Many older generations also use digital devices significantly but mostly as a utility tool. The Gen Z population, in contrast, finds digital playing an important role in their life, probably because they have not known any other means and have used digital in their formative years. A study by JWT in April 2012 confirms this assertion. Gen Z: Digital in Their DNA, based on a research study of 800 respondents in the United States and United Kingdom, reported that most of the Gen Z youth attached more importance to digital connections than to money, music and movies.¹

4. More Trust in Digital Sources of Information
Although many adults today use digital medium for seeking information, adults are more trusting of print, followed by semi-regulated media such as television and radio. The free-for-all digital medium often is the least trusted as an information medium. Such is not the case with Gen Z. A November 2011 report by Grail Research, Gen Z: Consumers of Tomorrow, suggested that technology has also affected the way Gen Z learns. Kids prefer the digital approach and find it easiest to learn from the Internet.

¹ Ninety percent of Global Gen Z youth reported they would be upset if they had to give up their digital connection, versus just 65 percent for money, 56 percent for music, and 56 percent for video games.
Gen Z has grown up with email, mobile and social media. They do not know the “good old media” so much. They are much more likely to trust marketing communications through digital channels than other generations. As per a report by Forrester Research, Gen Z consumers are 48 percent more likely than other generations to trust somewhat or completely the content on mobile apps from brands, as well as text messages from brands.

5. Reduced Impact of Physical Environment
Gen Zs are emotionally attached to their digital habits, which keep them online even longer. Because of the time spent digitally, this generation’s interaction with their physical environment has reduced significantly. Many are alien in the neighborhoods that they live in, except for those with whom they are digitally connected. In some schools, there are sub-groups who while they are connected digitally, interact far less with each other in the physical environment.

6. Social Circles Not Restricted by Geography
While digital is alienating Generation Z from the immediate physical environment, it is also eliminating physical boundaries of location. Distance has less meaning for them. They continuously interact with peers from different geographies and different cultures if they are united over, say a game or some music. A Millward Brown Survey conducted in Europe, Asia and the United States found that 25 percent of Gen Z interact daily with peers in other countries. This constant borderless communication is affecting the way their psyche and lifestyle evolves.

Taken together, the above two points is building a more globalized, borderless world, where a 15-year-old in Mumbai is far more aware of a local issue in San Antonio than he is of something in Pune.

7. Many Generation Z Consumers in Developing Countries
As of 2010, the population of Gen Z globally was 1.86 billion. Top ten countries accounted for 57 percent of the populace (see Figures 1-3). With the exception of the United States, all these countries are either developing or under-developed countries. That observation itself may not be a surprising fact, considering that most European countries have small populations.
The population pyramids of countries give a better picture. While countries such as Nigeria, Philippines, Pakistan, Bangladesh, Egypt, South Africa, and India had in excess of 30 percent of their population in the Gen Z age group, almost all the developed countries (G8) had 20 percent or less of their population belonging to this age group (the United States being the sole exception with 20.1 percent of its population in Gen Z group).

Interestingly, mobile is becoming a great leveler. Many of those markets such as China, India, Egypt and other African countries are taking to mobiles in a significant manner. A recent study by Indian market research firm Juxt, India Mobile Landscape, shows that mobile is finally becoming an exclusive way of accessing Internet in India. Some 10 million users access the Internet in India exclusively through their mobile. Some 77 percent of them live in rural areas, suggesting that mobile is finally helping in increasing Internet penetration. If that trend continues, digital penetration could go up significantly in these countries.
Changing Attributes and the Impact on Marketing

It follows very clearly that the changing attributes of this generation has a direct impact on all aspects of marketing. While these seven behaviors have a broad impact, we want to focus specifically on the impact of Gen Z difference across the bottom half of the marketing mix.

**Product**

The design of the product is affected by the fact that this generation prefers media that is simple to use and interactive. For example, notebook and touchscreen devices, such as the iPad, appeal to children due to their size and simplicity. Interactive, stimulating activities are favored in contrast to passive TV. Also since Gen Zs are avid multitaskers, marketers need to think of products that allow Gen Z to do multiple things with one device.

**Place**

The fact that physical environment has a reduced impact on the psyche of Gen Z, and that their social circle is not restricted by geography, has a direct bearing on what marketers traditionally call place.

Savvy marketers like AT&T and Air Asia understand that social media have redefined the notion of “place” for Gen Z. AT&T launched a Facebook campaign that helped kids build a case for why they should get a 4G smartphone. The campaign generated 12 million earned impressions, which is worth $1.5 million. Also, 56 percent of participants were between 13 and 25 years old. Another campaign, by Air Asia, reached 2.3M people on Facebook and generated PR value of $1.6M. The Air Asia Facebook fan base grew by 30 percent.

**Promotion**

Promotion is the most familiar area for marketers when it comes to trying newer approaches. Gen Z’s greater reliance on digital information sources, as well as emotional connection with digital, means that marketers have to use the new medium far more effectively than today – spending on buying Likes on Facebook and running hashtag campaigns on Twitter.

Since Gen Z trusts social media and peer group endorsement more than the traditional endorsements, marketers are creating activism/campaign type promotions specifically aligning with health/social/environmental
causes. For example Unilever ran a highly successful global handwashing day, and UNICEF is also conducting social media campaigns in many Asian countries sensitizing the urban youth on issues like open defecation, even though open defecation by and large is a rural phenomenon. In both of these, the central idea is to use youth as ambassadors.

Price
Since a significant percent of Generation Z is in emerging markets, pricing plays an extremely important role. As per a report released by research group Gartner, globally smartphone sales have outpaced feature phone sales for the first time in history in the first quarter of 2013. Consequently, penetration of Internet-enabled mobiles is increasing. It is a matter of time before these will be used to be digitally connected.

Global brands like Nokia and Samsung are demonstrating price sensitivity to markets where Gen Z live. Nokia’s and Samsung’s low-end android phones (the Asha and Guru Series) in India are quite budget friendly.

Conclusion
Generation Z behavior represents a significant shift from the millennials and older generations. Even more comfortable with their devices, more trusting in digital information, more isolated from their physical environment, yet more globally aware, this generation, like many before it, possesses a set of contradictions.

Leading brands have only started to understand and reach out to this audience. Whether it is Unilever working with local teams, Facebook and mobile tools to promote healthy handwashing, or AT&T enabling kids to lobby for why they deserve a new phone, marketing to this audience will increasingly be through digital platforms that allow a more connected, engaging and global conversation than past marketing approaches.