'True Gen': Generation Z and its implications for companies

The influence of Gen Z—the first generation of true digital natives—is expanding.

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Long before the term "influencer" was coined, young people played that social role by creating and interpreting trends. Now a new generation of influencers has come on the scene. Members of Gen Z—loosely, people born from 1995 to 2010—are true digital natives: from earliest youth, they have been exposed to the internet, to social networks, and to mobile systems. That context has produced a hypercognitive generation very comfortable with collecting and cross-referencing many sources of information and with integrating virtual and offline experiences.

As global connectivity soars, generational shifts could come to play a more important role in setting behavior than socioeconomic differences do. Young people have become a potent influence on people of all ages and incomes, as well as on the way those people consume and relate to brands. In Brazil, Gen Z already makes up 20 percent of the country's population. McKinsey recently collaborated with Box1824, a research agency specializing in consumer trends, to conduct a survey investigating the behaviors of this new generation and its influence on consumption patterns in Brazil.[1] The survey coupled qualitative insights about Gen Z in three of the country's major cities (Recife, Rio de Janeiro, and São Paulo) with multigenerational quantitative data that cut across socioeconomic classes. Our goal was to understand how this new generation's views might affect the broader population, as well as consumption in general.

Our study based on the survey reveals four core Gen Z behaviors, all anchored in one element: this generation's search for truth. Gen Zers value individual expression and avoid labels. They mobilize themselves for a variety of causes. They believe profoundly in the efficacy of dialogue to solve conflicts and improve the world. Finally, they make decisions and relate to institutions in a highly analytical and pragmatic way. That is why, for

us, Gen Z is "True Gen." In contrast, the previous generation—the millennials, sometimes called the "me generation"—got its start in an era of economic prosperity and focuses on the self. Its members are more idealistic, more confrontational, and less willing to accept diverse points of view.

Such behaviors influence the way Gen Zers view consumption and their relationships with brands. Companies should be attuned to three implications for this generation: consumption as access rather than possession, consumption as an expression of individual identity, and consumption as a matter of ethical concern. Coupled with technological advances, this generational shift is transforming the consumer landscape in a way that cuts across all socioeconomic brackets and extends beyond Gen Z, permeating the whole demographic pyramid. The possibilities now emerging for companies are as transformational as they are challenging. Businesses must rethink how they deliver value to the consumer, rebalance scale and mass production against personalization, and—more than ever—practice what they preach when they address marketing issues and work ethics.

Meet True Gen

Generations are shaped by the context in which they emerged (Exhibit 1). Baby boomers, born from 1940 to 1959, were immersed in the post–World War II context and are best represented by consumption as an expression of ideology. Gen Xers (born 1960–79) consumed status, while millennials (born 1980–94) consumed experiences. For Generation Z, as we have seen, the main spur to consumption is the search for truth, in both a personal and a communal form (Exhibit 2). This generation feels comfortable not having only one way to be itself. Its search for authenticity generates greater freedom of expression and greater openness to understanding different kinds of people.

	B Baby boomer 1940–59	**X** Gen X 1960–79	**Y** Gen Y (millennial) 1980–94	**Z** Gen Z 1995–2010
Context	• Postwar • Dictatorship and repression in Brazil	• Political transition • Capitalism and meritocracy dominate	• Globalization • Economic stability • Emergence of internet	• Mobility and multiple realities • Social networks • Digital natives
Behavior	• Idealism • Revolutionary • Collectivist	• Materialistic • Competitive • Individualistic	• Globalist • Questioning • Oriented to self	• Undefined ID • "Communaholic" • "Dialoguer" • Realistic
Consumption	• Ideology • Vinyl and movies	• Status • Brands and cars • Luxury articles	• Experience • Festivals and travel • Flagships	• Uniqueness • Unlimited • Ethical

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Exhibit 2   The search for the truth is at the root of all Generation Z's behavior.

'Undefined ID' "Don't define yourself in only one way"	'Communaholic' "Be radically inclusive"	'Dialoguer' "Have fewer confrontations and more dialogue"	Realistic "Live life pragmatically"
Expressing individual **truth**	Connecting through different **truths**	Understanding different **truths**	Unveiling the **truth** behind all things

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'Undefined ID': Expressing individual truth

I need to be free; I need to be myself, increasingly be myself, every day. With the internet, I feel much more free.
—Female respondent, 22, city of São Paulo

I really like things that are unisex! I think it's absurd that stores and brands split everything into "male" and "female." After all, fabric is genderless.
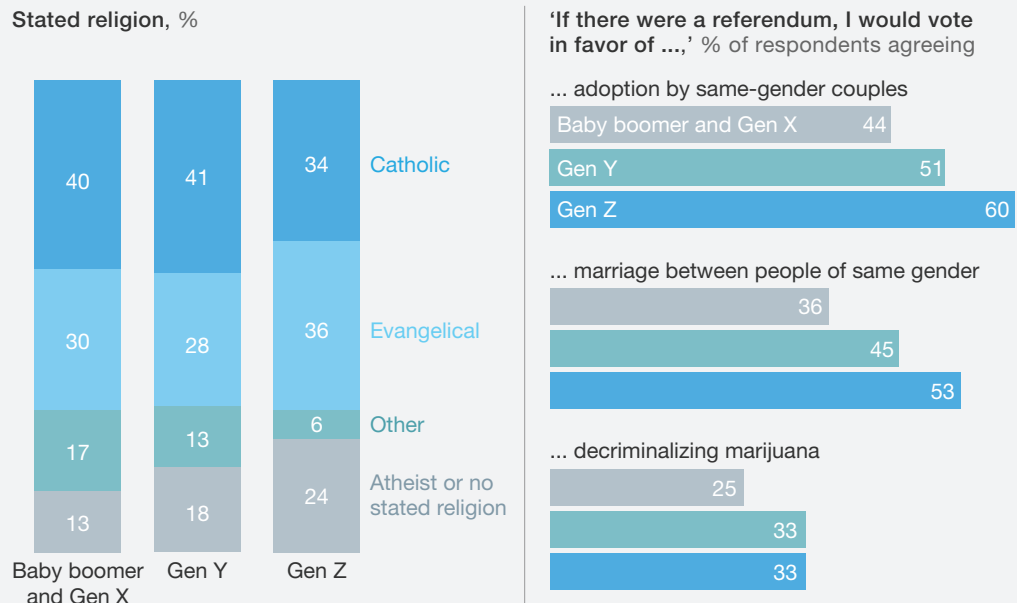—Female respondent, 22, Goiânia

For Gen Zers, the key point is not to define themselves through only one stereotype but rather for individuals to experiment with different ways of being themselves and to shape their individual identities over time (Exhibit 3). In this respect, you might call them "identity nomads."

Seventy-six percent of Gen Zers say they are religious. At the same time, they are also the generation most open to a variety of themes not necessarily aligned with the broader beliefs of their declared religions. For example, 20 percent of them do not consider themselves exclusively heterosexual, as opposed to 10 percent for other generations. Sixty percent of Gen Zers think that same-sex couples should be able to adopt children—ten percentage points more than people in other generations do.

Gender fluidity may be the most telling reflection of "undefined ID," but it isn't the only one. Gen Zers are always connected. They constantly evaluate unprecedented amounts of information and influences. For them, the self is a place to experiment, test, and change. Seven out of ten Gen Zers say it is important to defend causes related to identity, so they are more interested than previous generations have been in human rights; in matters related to race and ethnicity; in lesbian, gay, bisexual, and transgender issues; and in feminism (Exhibit 4).

Exhibit 3   The important thing is not to define oneself in only one way: 76 percent of Gen Zers belong to a religion but are also more liberal.

Stated religion, %

	Baby boomer and Gen X	Gen Y	Gen Z	
Catholic	40	41	34	
Evangelical	30	28	36	
Other	17	13	6	
Atheist or no stated religion	13	18	24	

'If there were a referendum, I would vote in favor of ...,' % of respondents agreeing

... adoption by same-gender couples

Baby boomer and Gen X	44
Gen Y	51
Gen Z	60

... marriage between people of same gender

	36
	45
	53

... decriminalizing marijuana
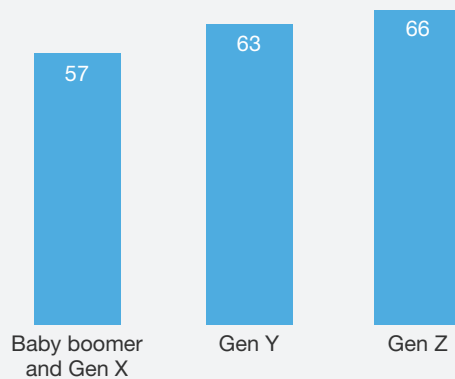
	25
	33
	33

Note: Based on an online survey conducted in October 2017 with 2,321 men and women from 14 to 64 years of age and various socioeconomic brackets in Brazil.
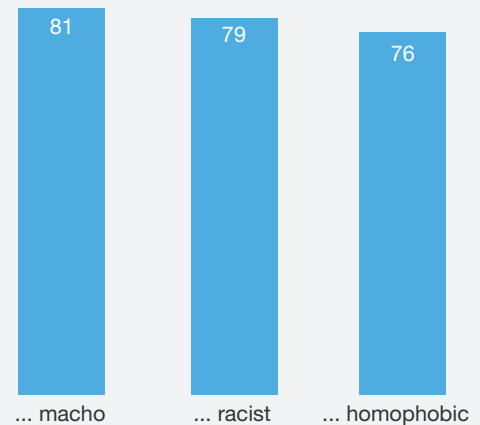
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Exhibit 4 Gen Zers leave differences aside to mobilize around causes they believe in.

Will agree to join someone who thinks differently if there is shared cause, % of respondents agreeing

Baby boomer and Gen X	Gen Y	Gen Z
57	63	66

Will stop buying brands and spread the word about companies whose campaigns they regarded as ..., % of Gen Z respondents agreeing

... macho	... racist	... homophobic
81	79	76

Note: Based on an online survey conducted in October 2017 with 2,321 men and women from 14 to 64 years of age and various socioeconomic brackets in Brazil.

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'Communaholic': Connecting to different truths

We each have our own style and way of being, but what binds us is that we accept and understand everyone's styles.
—Male respondent, 16, Recife

Gen Zers are radically inclusive. They don't distinguish between friends they meet online and friends in the physical world. They continually flow between communities that promote their causes by exploiting the high level of mobilization technology makes possible. Gen Zers value online communities because they allow people of different economic circumstances to connect and mobilize around causes and interests. (Sixty-six percent of the Gen Zers in our survey believe that communities are created by causes and interests, not by economic backgrounds or educational levels. That percentage is well above the corresponding one for millennials, Gen Xers, and baby boomers.) Fifty-two percent of Gen Zers think it is natural for every individual to belong to different groups (compared with 45 percent of the people in other generations), and Gen Zers have no problem with moving between groups.

'Dialoguer': Understanding different truths

We must practice tolerance, and we must learn to listen and accept differences.
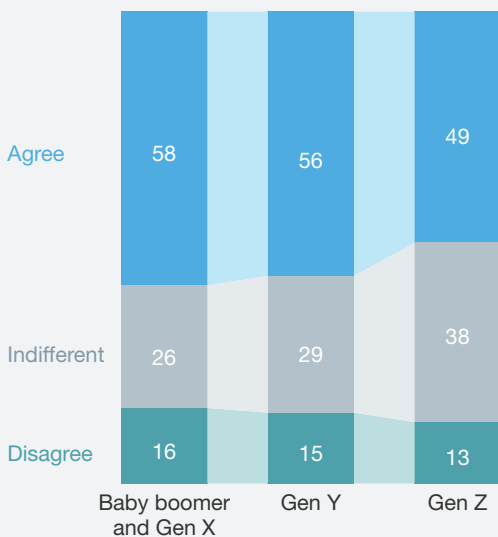—Male respondent, 20, Gioânia

Gen Zers believe in the importance of dialogue and accept differences of opinion with the institutions in which they participate and with their own families (Exhibit 5). They can interact

Exhibit 5

Gen Zers want less confrontation and more dialogue.

Respondents who say it is necessary to break with the system to change the world, %

	Baby boomer and Gen X	Gen Y	Gen Z
Agree	58	56	49
Indifferent	26	29	38
Disagree	16	15	13

Note: Based on an online survey conducted in October 2017 with 2,321 men and women from 14 to 64 years of age and various socioeconomic brackets in Brazil.

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with institutions that reject their personal values without abandoning those values. The fact that Gen Zers feel comfortable interacting with traditional religious institutions without abandoning personal beliefs that might not be broadly accepted by these institutions also demonstrates their pragmatism. Rather than spurn an institution altogether, Gen Zers would rather engage with it to extract whatever makes sense for them.

Members of this generation therefore tend to believe that change must come from dialogue: 57 percent of millennials, Gen Xers, and baby boomers think they would have to break with the system to change the world, compared with 49 percent of Gen Zers. Gen Z is also more willing to accommodate the failings of companies. Thirty-nine percent of the people in this generation, for example, expect companies to answer customer complaints in the same day; for the three earlier generations, the percentage is much higher—52 percent.

Gen Z's belief in dialogue combines a high value for individual identity, the rejection of stereotypes, and a considerable degree of pragmatism. That brings us to the fourth core behavior of Gen Z.

'Realistic': Unveiling the truth behind all things
*I don't believe this talk of investing in the dream and all that. Work is work.*
—Female respondent, 22, Salvador, state of Bahia

Gen Zers, with vast amounts of information at their disposal, are more pragmatic and analytical about their decisions than members of previous generations were. Sixty-five percent of the Gen Zers in our survey said that they particularly value knowing what is going on around them and being in control. This generation of self-learners is also more comfortable absorbing knowledge online than in traditional institutions of learning.
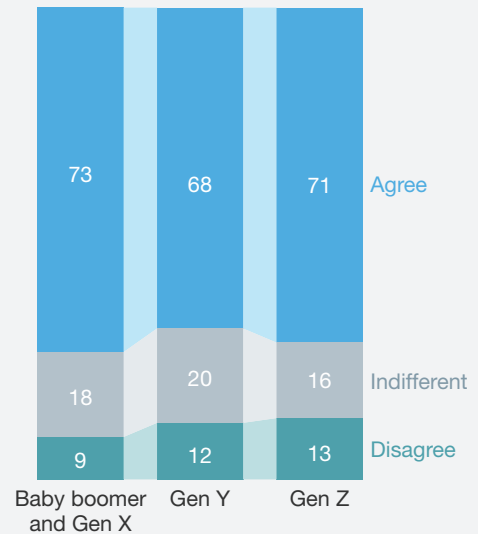
What's more, Gen Z was raised at a time of global economic stress—in fact, the greatest economic downturn in Brazil's history. These challenges made Gen Zers less idealistic than the millennials we surveyed (Exhibit 6). Many Gen Zers are keenly aware of the need to save for the future and see job stability as more important than a high salary. They already show a high preference for regular employment rather than freelance or part-time work, which may come as a surprise compared to the attitude of millennials, for example. According to the survey, 42 percent of Gen Zers from 17 to 23 years old are already gainfully employed in either full- or part-time jobs or as freelance workers—a high percentage for people so young.

Exhibit 6 Gen Zers live pragmatically; they are realistic.

Respondents who say that they are gainfully employed, %

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Baby boomer       Gen Y          Gen Z
and Gen X
   76              77
                                  42
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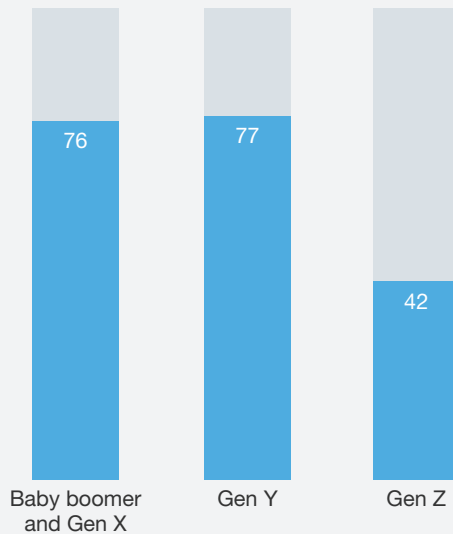
Respondents who say that having formal or registered job is important, %

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Baby boomer       Gen Y          Gen Z
and Gen X
   73              68             71          Agree
   18              20             16          Indifferent
    9              12             13          Disagree
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Note: Based on an online survey conducted in October 2017 with 2,321 men and women from 14 to 64 years of age and various socioeconomic brackets in Brazil.

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Gen Z: Consumption and implications for companies

The youthful forms of behavior we discuss here are influencing all generations and, ultimately, attitudes toward consumption as well. Three forces are emerging in a powerful confluence of technology and behavior.

Consumption re-signified: From possession to access

This more pragmatic and realistic generation of consumers expects to access and evaluate a broad range of information before purchases. Gen Zers analyze not only what they buy but also the very act of consuming. Consumption has also gained a new meaning. For Gen Z—and increasingly for older generations as well—consumption means having access to products or services, not necessarily owning them. As access becomes the new form of consumption, unlimited access to goods and services (such as car-riding services, video streaming, and subscriptions) creates value. Products become services, and services connect consumers.

As collaborative consumption gains traction, people are also starting to view it as a way to generate additional income in the "gig economy." Another aspect of the gig economy involves consumers who take advantage of their existing relationships with companies to generate additional income by working temporarily for them. Some companies are already embracing the implications.

Car manufacturers, for example, are renting out vehicles directly to consumers, so that instead of selling 1,000 cars, these companies may sell one car 1,000 times. The role of sporting-goods businesses, likewise, has shifted to helping people become better athletes by providing access to equipment, technology, coaching, and communities of like-minded consumers. Similarly, traditional consumer-goods companies should consider creating platforms of products, services, and experiences that aggregate or connect customers around brands. Companies historically defined by the products they sell or consume can now rethink their value-creation models, leveraging more direct relationships with consumers and new distribution channels.

Singularity: Consumption as an expression of individual identity

The core of Gen Z is the idea of manifesting individual identity. Consumption therefore becomes a means of self-expression—as opposed, for example, to buying or wearing brands to fit in with the norms of groups. Led by Gen Z and millennials, consumers across generations are not only eager for more personalized products but also willing to pay a premium for products that highlight their individuality. Fifty-eight percent of A-class and 43 percent of C-class consumers[2] say they are willing to pay more for personalized offerings. Seventy percent of A-class and 58 percent of C-class consumers are willing to pay a premium for products from brands that embrace causes those consumers identify with. And here's another finding that stood out in our survey: 48 percent of Gen Zers—but only 38 percent of consumers in other generations—said they value brands that don't classify items as male or female. For most brands, that is truly new territory.

Although expectations of personalization are high, consumers across generations are not yet totally comfortable about sharing their personal data with companies. Only 10 to 15 percent of them declare not to have any issues in sharing personal data with companies. If there is a clear counterpart from companies to consumers, then the number of consumers willing to share personal information with companies goes up to 35 percent—still a relatively small number.

As the on- and offline worlds converge, consumers expect more than ever to consume products and services any time and any place, so omnichannel marketing and sales must reach a new level. For consumers who are always and everywhere online, the online–offline boundary doesn't exist. Meanwhile, we are entering the "segmentation of one" age now that companies can use advanced analytics to improve their insights from consumer data. Customer information that companies have long buried in data repositories now has strategic value, and in some cases information itself creates the value. Leading companies should therefore have a data strategy that will prepare them to develop business insights by collecting and interpreting information about individual consumers while protecting data privacy.

For decades, consumer companies and retailers have realized gains through economies of scale. Now they may have to accept a two-track model: the first for scale and mass consumption, the other for customization catering to specific groups of consumers or to the most loyal consumers. In this scenario, not only marketing but also the supply chain and manufacturing processes would require more agility and flexibility. For businesses, that kind of future raises many questions. How long will clothing collections grouped by gender continue to make sense, for example? How should companies market cars or jewelry in an inclusive, unbiased way? To what extent should the need for a two-speed business transform the internal processes and structure of companies?

Consumption anchored on ethics

Finally, consumers increasingly expect brands to "take a stand." The point is not to have a politically correct position on a broad range of topics. It is to choose the specific topics (or causes) that make sense for a brand and its consumers and to have something clear to say about those particular issues. In a transparent world, younger consumers don't distinguish between the ethics of a brand, the company that owns it, and its network of partners and suppliers. A company's actions must match its ideals, and those ideals must permeate the entire stakeholder system.

Gen Z consumers are mostly well educated about brands and the realities behind them. When they are not, they know how to access information and develop a point of view quickly. If a brand advertises diversity but lacks diversity within its own ranks, for example, that contradiction will be noticed. In fact, members of the other generations we surveyed share this mind-set. Seventy percent of our respondents say they try to purchase products from companies they consider ethical. Eighty percent say they remember at least one scandal or controversy involving a company. About 65 percent try to learn the origins of anything they buy—where it is made, what it is made from, and how it is made. About 80 percent refuse to buy goods from companies involved in scandals.

All this is relevant for businesses, since 63 percent of the consumers we surveyed said that recommendations from friends are their most trusted source for learning about products and brands. The good news is that consumers— in particular Gen Zers—are tolerant of brands when they make mistakes, if the mistakes are corrected. That path is more challenging for large corporations, since a majority of our respondents believe that major brands are less ethical than small ones.

For consumers, marketing and work ethics are converging. Companies must therefore not only identify clearly the topics on which they will take positions but also ensure that everyone throughout the value chain gets on board. For the same reason, companies ought to think carefully about the marketing agents who represent their brands and products. Remember too that consumers increasingly understand that some companies subsidize their influencers. Perhaps partly for that reason, consumers tend to pay more attention to closer connections—for example, Instagram personas with 5,000 to 20,000 followers. Marketing in the digital age is posing increasingly complex challenges as channels become more fragmented and ever changing.

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Young people have always embodied the zeitgeist of their societies, profoundly influencing trends and behavior alike. The influence of Gen Z—the first generation of true digital natives—is now radiating outward, with the search for truth at the center of its characteristic behavior and consumption patterns. Technology has given young people an unprecedented degree of connectivity among themselves and with the rest of the population. That makes generational shifts more important and speeds up technological trends as well. For companies, this shift will bring both challenges and equally attractive opportunities. And remember: the first step in capturing any opportunity is being open to it. ◼

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