

FUTURES



CONNECTING WITH GENERATION Z



just-drinks

just-food

ISSUE NO.
06

KEY STATS

Sources: Bloomberg, Trend Hunter, PwC

32%

**THE NUMBER OF GEN ZERS
WITHIN THE WORLD'S
POPULATION**



82%

**THE NUMBER OF GEN ZERS
WHO FEEL THEIR OFFLINE
AND ONLINE IDENTITIES
ARE INSEPARABLE**



60%

**THE NUMBER OF GEN ZERS
WHO WOULD RATHER SPEND
MONEY ON PRODUCTS
THAN EXPERIENCES**



INTRODUCTION

Described by consumer insights company Trend Hunter as the ‘anti-Millennials’, Generation Z is digital-native, politically aware and likes to feel in control. This generation represents a brave new world for food and drinks companies.

There is some debate around where Generation Z – also called the iGeneration – starts and Millennials end, with 1999, 2000 and 2001 all getting mentions.

If we take Bloomberg’s definition, which uses 2001 as its starting point, then statistically we are now in the year where Gen Z overtakes Millennials in terms of size – weighing in at around 32% of the world’s 7.7bn population. This is also the year when the first wave of Gen Zers (in many markets) will be able to vote, legally drink, will move out to university and will start to take charge of their own spending.

According to Trend Hunter, unlike some older generations, Gen Z will use their spending power – and unprecedented access to information – to buy from companies that are making a positive social impact. The generation sees a product as a means of

expression “more powerful than an experience or memory and enjoys taking the time to find and choose the right item”, the insights company says. This marks a shift away from Millennials and their penchant for experiences.

In this report, we explore how Gen Z will develop as they grow, what will influence them – as well as what influence they will have – and we will take a look at what food and drinks companies can do to ensure they resonate with this demographic.



GEN Z WILL USE THEIR SPENDING POWER TO BUY FROM COMPANIES THAT ARE MAKING A POSITIVE SOCIAL IMPACT

MEGA TRENDS

From technology to activism, there are several overarching trends helping to shape how, what and why Gen Zers consume the products they do.



DIGITAL NATIVES

Generation Z has never known a time without the internet and, according to PwC, by 2020 there will be “close to seven times the number of connected devices as people on the planet”.

ENVIRONMENT

In a 2018 poll commissioned by the United Nations Foundation and Better World Campaign, around 40% young Americans ranked global environmental issues such as pollution, the health of the planet and oceans as “critical global issues they would like policy makers to take on” – twice as many as were concerned about ‘hostile nations’ or the number of refugees around the world.

AUTHENTICITY

According to Trend Hunter, today’s scope of communication has “transformed what it means to be self aware”. The consumer insights company says there is now a premium on genuineness that “has consumers expecting more transparency and connection”.

ACTIVISM

Gen Z has grown up in a rapidly changing world, where people are not afraid to unite around a cause.

USEFUL LINKS

[Young Americans Believe the Environment Should be the Top International Issue for the U.S. to Address](#)

WHO IS GENERATION

As part of the the Trend Hunter Future Festival World Summit in Toronto last September, the company's chief insights officer, Armida Ascano, presented a deep-dive into micro generations in an effort to unveil a more sophisticated look at what drives each group.

Trend Hunter splits Generation Z into two age brackets, each with their own characteristics: Gen Z Tribe and Gen Z Alpha. Here, we will concentrate on Gen Z Tribe – the older portion of Trend Hunter's Gen Z.

The consumer insight agency's definition of 'Z Tribe' is those born between 1999 and 2008. This cohort makes up around one billion people.

"Z Tribe's formative years are literally still happening," says Trend Hunter chief insights officer Armida Ascano.

When it comes to who is influencing those important formative years, Ascano says: "This generation has the luxury of being able to watch and consume content made by people who look just like them."

She also points to the 'Obama era' (January 2009 - January 2017) as one of hope and



**GEN Z TRIBE WILL NEVER
THINK ABOUT THE FACT THEY
USE TECHNOLOGY**

inclusivity and, while the period after is different, the internet has provided Gen Z with a window into like-minded people, gathering around causes.

She calls the ZTribe era a "childhood of autonomy" where Gen Zers have been able to gather their own information and form their own opinions.

DIGITAL NATIVES

Gen Z Tribe will never think about the fact they use technology. Ascano says 40% of the group has had social media since they were 11, while 60% have met new friends online.

40% OF THE GROUP HAS HAD SOCIAL MEDIA SINCE THEY WERE 11



“What’s awesome about that is that they can connect with people from all around the world – this is omniculturalism,” says the Trend Hunter exec.

Omniculturalism, she says, is the belief that surface commonalities should not be what indicates you can connect or have a friendship with someone.

“Z Tribe wants to go beyond the surface,” Ascano explains.

The majority of this generation says they have friends of different religions and, according to trend forecaster JWT Intelligence, a third of Gen Zers believe gender does not define a person, while one in ten identifies as bisexual.

“They are a very open-minded generation,” Ascano asserts.

Meanwhile, the first Fear of Missing Out (FOMO) study, produced by lifestyle community hub Beautycon Media and Culture Co-Op suggests 82% of

young people in the US believe their online and offline identities are inseparable, solidifying the idea self-expression is important to Gen Z.

This is also evident in how the generation influences – and is influenced by – online content.

“In the past it was assumed that, as a content creator online, the best way to make money would be to partner with a brand but fan-funded influencers shows us there is a new way,” explains

Ascano. With Z Tribe, she says, “it’s about content creators being supported directly by peers or fans of their content. This is really democratising the media that we are consuming”.

This type of content has also given rise to new kinds of digital businesses. She gives the example of Patreon – a membership platform that provides business tools for creators to run a subscription content service.



THE ANTI-MILLENNIAL

According to PwC, 60% of Gen Zers would rather spend money on products than experiences. “Now this is the anti-Millennial,” says Ascano.

Another interesting stat from US-based retail trade association The National Retail Federation is 67% of North American Gen Zers prefer to shop in stores to online. “This is counter-intuitive to what we have been told about the youth generation,” the report says.



**WE NEED TO THINK OF
RETAIL AS OMNICHANNEL
– SEAMLESSLY
INTERCHANGEABLE PLATFORMS
ACROSS ALL ENTITIES**

Why do Gen Zers prefer stores? “They love their products so they would rather actually touch and feel them before making a decision.”

But that’s not to say online isn’t involved: 80% of US Gen Zers are influenced by social media when it comes to finding those new products, says a study from US marketing services company Yes Lifecycle Marketing.

This brings us to the importance of having an omnichannel organisation. Trend Hunter research manager Andy Floyd says companies should “forget... about siloed, multi-channel approaches” to retail.

“We are seeing more omni-channel strategies and insights like e-commerce amalgamation, where brands are combining the on- and off-line worlds.



This means that bricks-and-mortar remains fundamental and e-commerce is now crucial,” she says.

Floyd believes the consumer path to purchase has evolved. “We need to think of retail as omnichannel – seamlessly interchangeable platforms across all entities.”

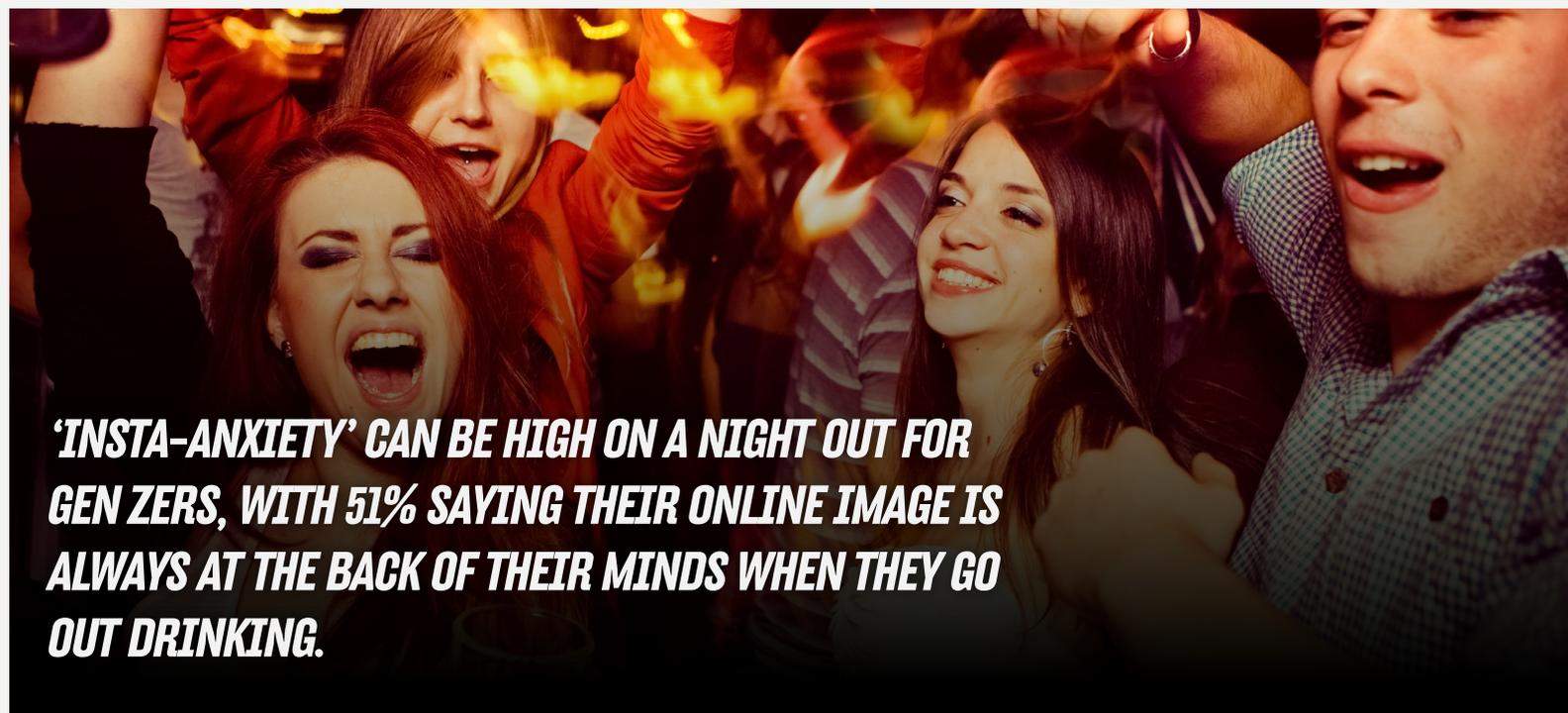
She gives the example of a Burger King campaign on Instagram, which saw users in Spain customise and order their Whopper burgers via the social media channel. The company subsequently used all of the data to create the most popular Whopper – called the InstaWhopper – and sold it in stores across the country.

THE DRY GENERATION?

Much has been written about the ‘woke’ generation’s attitude towards drinking alcohol. While sensational headlines have signalled the apocalypse for the drinks industry, a new report from UK creative agency Red Brick Road and research firm Opinium suggests the end is not quite nigh.

While the study reports that “happily, the [alcohol] industry hasn’t sold its last round to young drinkers just yet”, it says the industry will have to “recalibrate how it speaks to the mindful Gen Z consumer”.

The study found 83% of 18- to 24-year-olds surveyed feel mental health is just as important a factor as their physical health when considering drinking. Meanwhile, levels of so-called ‘Insta-anxiety’ can



be high on a night out for Gen Zers, with 51% saying their online image is always at the back of their minds when they go out drinking.

According to the report, mental health is a priority for young drinkers because of the uncertain times they grew up in. “With the global financial crisis, Brexit and era of ‘fake news’, Gen Z have steered themselves for an unforgiving

adulthood,” it says. “They believe that to succeed in these unfavourable conditions, developing security and independence is integral to their survival.”

Moreover, the report, which surveyed around 100 bar managers, some 250 18- to 30-year-olds and roughly 1,000 30- to 55-year-olds, found Gen Z is a generation that needs to feel in control.

The generation does still drink with the report highlighting that non-drinkers – estimated to be about 25% of Gen Z – are still in the minority. Opportunities for beverage companies lie in quality non-alcoholic drinks, as well as premium offerings, since Gen Z may drink less but are willing to spend money on quality.

FOODIES

While Generation Z's formative years are being shaped by the ongoing health-and-wellness trend, there is another important factor influencing what they eat: diversity. According to Mintel, Gen Z is America's most diverse generation yet – and with this comes an appreciation for many different cuisines.

According to the company's research from 2018, interest in international foods goes deeper than commonplace cuisines such as Italian, Mexican and Chinese, with Gen Z consumers "driving consumption of more emerging international food and drink". Mintel says that, in addition to interest in eating at international restaurants such as Indian, Middle Eastern and African, adult Gen Z consumers are also more likely than

older generations to find culinary inspiration from social media. Sixty-two per cent of those aged 18 to 22 say they cook international cuisines at home from social media, compared to 46% of Millennials and 23% of Generation X consumers.

"With exposure to international foods starting at an early age, whether in restaurants or at home, Generation Z is more likely to be open to the latest international food trend or innovative fusion creation," says Jenny Zegler, associate director for Mintel Food & Drink. "These adventurous habits are creating opportunities across categories, presenting potential for products such as tikka masala meal kits or Chinese Peking duck-flavored potato chips."

USEFUL LINKS

[Beautycon - FOMO Volume 1](#)

[Bloomberg - Gen Z Is Set to Outnumber Millennials Within a Year](#)

[Red Brick Road - The Last Round: How to engage the next generation of mindful drinkers](#)

[Yes Lifecycle Marketing - A Marketer's Guide to Reaching Each Consumer Generation](#)



FOCUS ON

GENERATION Z IN CHINA

Jonathan Smith, founder and CEO of China marketing specialist Hot Pot, shares his expert insight into finding the right way to engage Chinese Gen Z consumers.

The Chinese equivalent of Generation Z – the 九五后jiu wu hou or ‘born after 1995’ – are one of the most sought-after FMCG audiences in the world, not least because of their sheer number. We’re talking about 250m potential consumers.

Unlike their predecessors, they’ve grown up in a highly prosperous China with global influences. They’re willing to travel internationally and explore the world, taking risks and identifying with a global mindset – particularly those in tier-one cities such as Shanghai and Beijing.

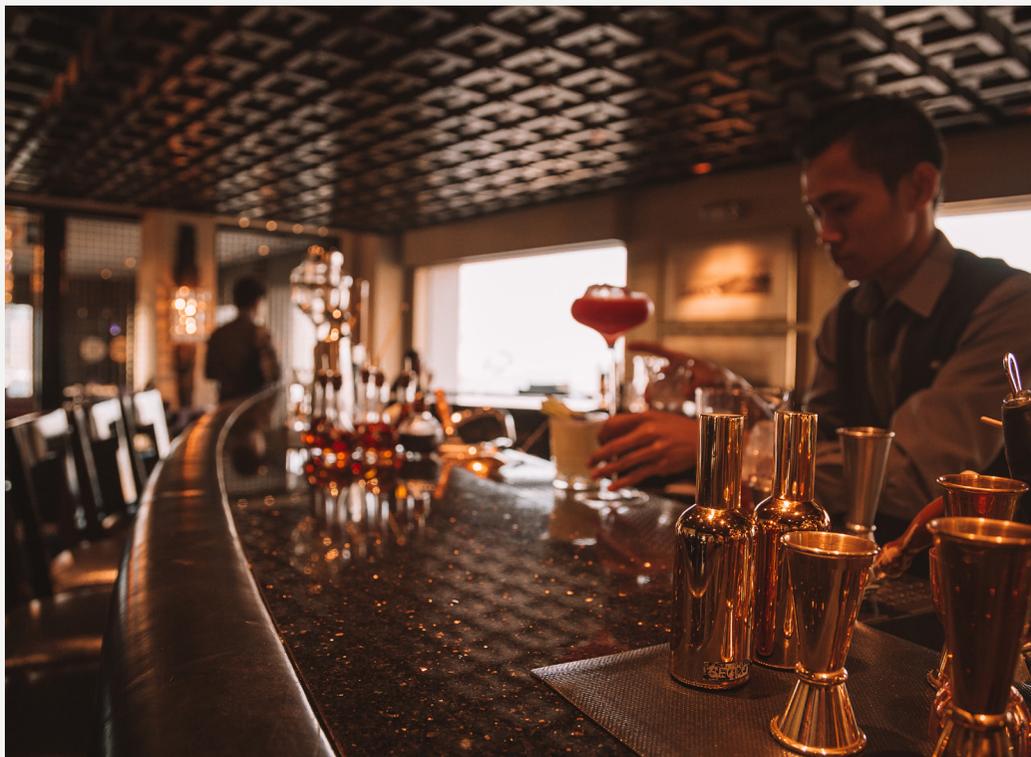
For food and drink brands coming from the West, this presents an unparalleled

opportunity, provided they approach this market with the right level of thoughtfulness. They cannot create blanket initiative for the ‘Chinese consumer’, just as they wouldn’t for the ‘European consumer’. The scope is too vast and the local nuance too great.

Those 250m people encompass a wide range of traits, interests and touch points. The sophisticated 22-year-old in Beijing isn’t the same as her more aspirational counterparts in tier-two and lower cities such as Chengdu, Wuhan and Nanjing.



**FOOD AND DRINK BRANDS
LOOKING TO ENGAGE THE
CHINESE GEN Z AUDIENCE
NEED TO UNDERSTAND THAT
THIS IS A UNIQUE MARKET
THAT DEMANDS A UNIQUE
APPROACH**



But there are some commonalities that brands can leverage. Chinese Gen Z consumers are digital natives, like their Western peers, but exist in an even more digitally sophisticated retail ecosystem. A quality single malt is no longer only found in the bars of swish hotels but can be found online and delivered to their door via Tmall or individual sellers on Taobao, often with same-day delivery.

This generation has also developed a very strong sense of personal identity, clustering in tribes of interest-based music, fitness or art. When it comes to drinks brands, for example, the traditional Chinese approach of only drinking together with a meal is fading as more of a bar culture and drinking at leisure develops. And those who follow that culture are increasingly

demanding, leading to growing premiumisation – they want craft beers and the finest spirits, not the perhaps poorer-quality domestic products.

BrewDog, for example, has been pushing its Chinese presence of late. The UK-based firm has what many Chinese Gen Z consumers are looking for – cool, provenance, quality and a story to tell – combined with a craft approach. Other brands would do well to understand the growing role of ‘connoisseurship’ in how younger Chinese approach their food and drink purchases.

At the same time, traditional Chinese culture is not to be ignored. Luxury brand Hermès has been betting on ‘Shang Xia’ – a range of luxury home furnishings based on traditional Chinese textiles and aesthetics.

Food, in particular, runs very deep in the local culture. Yes, imported foods have a cachet – especially when compared to lower-quality local produce – but it depends hugely on the category.



Some international-style restaurant chains have integrated into the food culture, with brands like Wagas doing well in tier-one cities with healthy lunch options like wraps and pasta dishes. But Western brands expecting younger Chinese to suddenly start developing a mass taste for blue cheese are likely to be waiting a little longer.

That's why food and drink brands looking to engage the Chinese Gen Z audience need to understand that this is a unique market that demands a unique approach. The digital ecosystem is so sophisticated and widespread that a meaningful brand experience on platforms such as WeChat, used by millions of younger consumers, is usually the first step.

But there also needs to be a physical presence on the ground – those brands need to

understand where their audience lives and breathes, whether that be galleries, festivals or relevant cultural events, and then create experiences that play to their mindset.

A large part of that comes from a brand's provenance. To interest a Chinese Gen Z shopper, a brand has to have a story to tell and allow them to demonstrate their own taste and sophistication – while also fulfilling the growing thirst for more knowledge. And as the spending power of this generation increases, so too will the opportunity.



*Jonathan Smith, founder and CEO
of China marketing specialist
Hot Pot*



CHINESE GEN Z CONSUMERS ARE LOOKING FOR PRODUCTS THAT ARE COOL, GOOD QUALITY AND HAVE A STORY TO TELL

FOCUS ON

ARE EMPLOYERS PREPARED FOR GENERATION Z IN THE WORKFORCE?

Bryony Wright, executive coach at global executive coaching firm The Preston Associates, turns her attention to ‘first jobbers’ who are only just entering the work market. Here, she explores their needs and aspirations from work and asks: Do major employers in the food and drink sectors have a strategy ready to attract and retain the best young talent within Generation Z?

HUMAN CONNECTION

Perhaps one of the most surprising themes indicated by research around these young adults is the strong desire for 1:1 human connection in the workplace, particularly with an emphasis on face to face.

Although Generation Z are ‘digital natives’ with access to an average of five different

screens each, they name ‘a supportive, engaging manager’ and ‘good relationships with co-workers’ as their top work priorities.

Our own informal research with a focus group of university students in Plymouth, UK, gives further insight. One of the participants, Greg, stated: “I’d like to work for a boss who’s more like a leader. They’re my superior, but also one of us, putting in the same effort, not just watching from on high/their office. They’re willing to advise, support, consider ideas in a constructive manner, instead of dismissing it as ludicrous without picking it apart. Just an amicable, charismatic person who has some empathy/sympathy, so can understand and connect with us employees.”

For employers, this means developing a supportive, caring and collaborative culture that is not rigidly hierarchical. Initiatives that develop an empowering leadership style – managers across the business who lead through coaching – will pay dividends. Internal mentoring, coaching and buddying will also help to generate greater loyalty, talent retention and ultimately better performance from young people.

AUTHENTICITY, PURPOSE AND TRANSPARENCY

Purpose is also important to Gen Z-ers, and in general a stronger motivator than money. 18-22 year olds have grown up with a global lens thanks to the internet. But more than that, their world has never felt 'safe'. 9/11 took place either when they were pre-schoolers or before they were born –



so they have only ever known a world in which terrorism, extremism, conflict, climate change and environmental anxieties have been the norm. On the one hand, they seek stability, safety and financial security from work, but most importantly they want their labour to be 'meaningful', so that they can have an impact for the greater good.

As student Rhiannon explains: "I want to have a rewarding job; to feel like I'm contributing to a bigger helpful scheme."

Potential employers must be clear about their vision and purpose to attract and retain graduates. But it needs to be more than a mission statement. These young people are wise to 'fake news'.

They can spot inauthenticity a mile off, so a company's purpose and vision has to cascade right through the organisation: meaningful roles, even at a junior level, with transparency so that young people can understand how they impact the bigger picture.



I WANT TO WORK FOR LEADERS THAT ARE KIND, UNDERSTANDABLE – PEOPLE TO LOOK UP TO WHO ARE SUPPORTIVE AND OPEN TO NEW IDEAS, WITH MORALS SUPPORTING RIGHTS FOR ALL

WORK ETHIC

The 2008 financial crisis coincided with a crucial developmental stage for most Gen Z-ers. Many will have first-hand personal experience of the impact. Some will have seen family or friends losing their jobs. They may even have lost their own homes.

The result is a generation that is more pragmatic, frugal (more 16-22 year olds regularly use savings accounts than ever before), less hedonistic (drug and alcohol abuse is also lower) and more accepting of the fact that they need to be self-reliant. Gen Z-ers know they need to take ownership of their own careers and future economic fortune. A debt-free university education and buying their own home is largely out of reach and they accept they will have to work hard to gain financial self-sufficiency and stability.

This could be interpreted as an entrepreneurial mindset, but research also shows that many Gen Z-ers are attracted by the potential opportunities offered by larger international organisations: human connection and collaboration, continual personal and leadership development, a global purpose and the chance to travel the world in relative 'safety' rather than risking everything to go it alone.

As Greg explains: "I'd be attracted to a job with substantial time away from the office as I'd like to fly free/keep moving."

It is also clear from research that Gen Z-ers are determined to maintain a work/life balance. They've seen their parents struggle working long hours to make ends meet and although happy to work hard enough to be financially secure, they do not want to burn the candle



at both ends continually. What they do want is flexibility: to be trusted to get the work done, to work hours when they are at their most productive, perhaps even to be able to take a sabbatical to explore an interest. Technology is a route to becoming more agile - as digital natives, they embrace technology and see developments such as AI and virtual reality as an exciting opportunity to drive innovation, efficiency and save time. It is not a threat.

Employers that empower, provide challenge, flexibility and support, perhaps in an agile working environment will find that Gen Z-ers will not want to jump ship after two years. They are hard-working and fiercely loyal young people who are more likely to stay the course for an extended period if they feel nurtured and appreciated.

EQUALITY, DIVERSITY AND INCLUSION

Generation Z is the most diverse generation in history.

Diversity and inclusion is expected to be part of the work culture and employers that only pay lip service will find it difficult to attract and retain young talent.

As second year student Jo says: “I want to work for leaders that are kind, understandable – people to look up to who are supportive and open to new ideas, with morals supporting rights for all.”

So what are the key opportunities for employers that want to maximise the potential of this ‘new’ generation? It is about ensuring your business culture is empowering, purposeful, flexible, transparent and

embracing of diversity. This is the way to develop not just your people, but also their loyalty and performance so that they become drivers of your business for the future.



Bryony Wright, executive coach at global executive coaching firm The Preston Associates



I WANT TO WORK FOR LEADERS THAT ARE KIND, UNDERSTANDABLE – PEOPLE TO LOOK UP TO WHO ARE SUPPORTIVE AND OPEN TO NEW IDEAS, WITH MORALS SUPPORTING RIGHTS FOR ALL.

WHAT CAN FOOD & DRINKS COMPANIES DO

NOW

From engaging new technology to assessing the type of influencer that is right for your campaign, here's a look at what food and drinks companies can start to think about now.

— ENGAGE MICRO-INFLUENCERS

Trend Hunter president Shelby Walsh says the trend towards smaller-scale influencers is being driven by a consumer desire for more personal connections. She also highlights the cost benefits in using micro-influencers.

“Influence itself is becoming a lot more niche,” explains Walsh. “We call these micro-influencers – people with followings of between 10,000 and 100,000. The term micro-influencer didn't really exist four years ago but just last year it has grown by ten times. This is a big movement; personal

identity is now something that is completely brand-able.”

According to Statista, the global Instagram influencer market value is projected to reach \$2.38bn in 2019. While some celebrities, Walsh says, ask as much as US\$500,000 for one Instagram post, “99% of micro-influencers charge \$1,000 or less”.

— HELP BARS AND RESTAURANTS CREATE SOCIAL MEDIA-READY SERVES AND SETTINGS

According to Red Brick Road, bar managers feel that an integral part of coaxing younger customers into their bar is through maintaining an “Instagram-ready” look in either the service or setting.

LOOK AT YOUR IMPACT ON THE ENVIRONMENT

In February 2019, UK school children went on strike from school, calling on the country's government to act on climate change. Meanwhile in the US, a United Nations survey from August 2018 suggests environment issues are a major concern for young people. Food and drinks companies looking to appeal to Gen Z consumers need to look at the impact of their business on the environment – and share positive messages in their marketing activity.

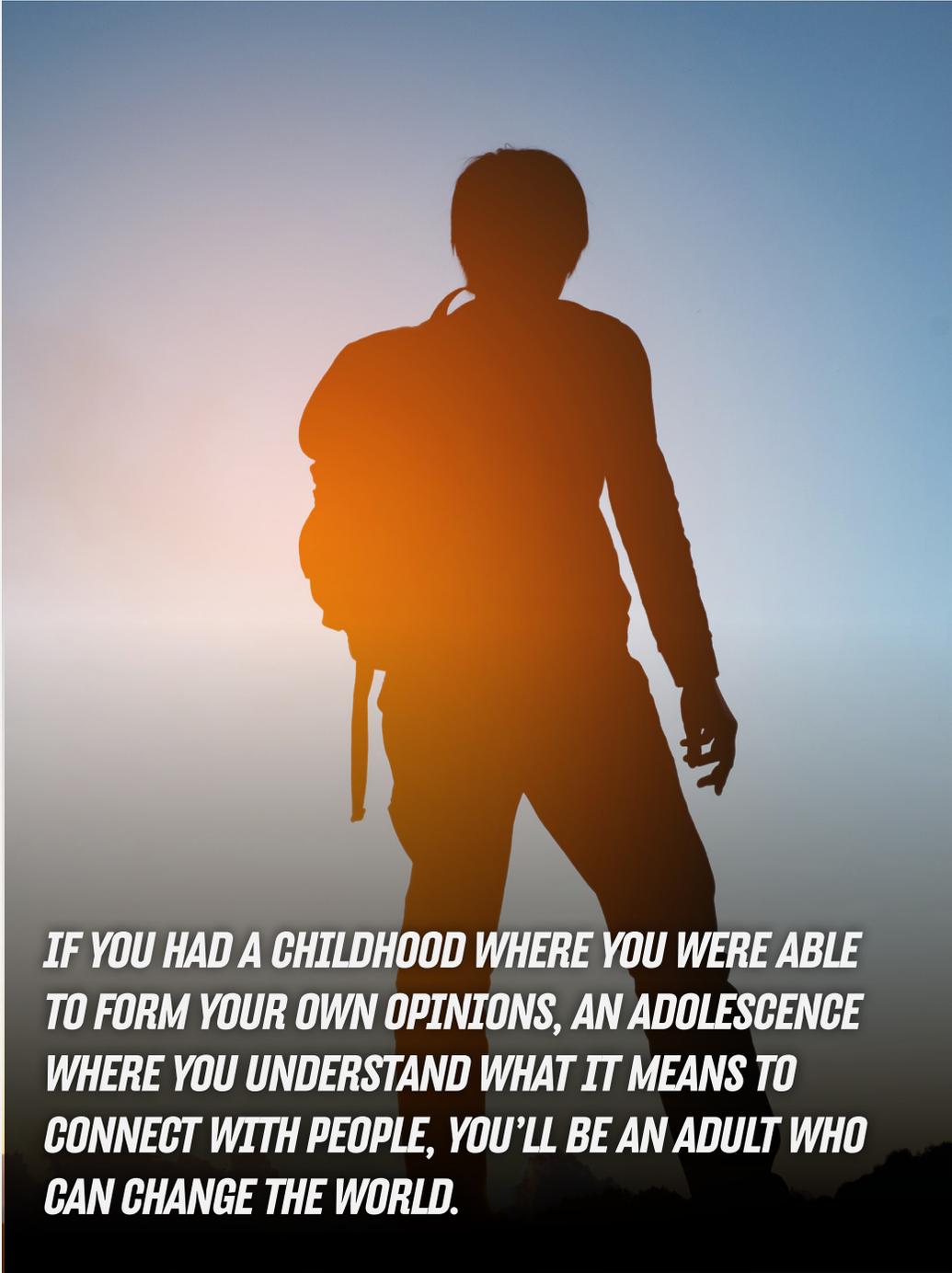
USE BLOCKCHAIN

Brands that are able to demonstrate authenticity and provenance through an unalterable platform such as blockchain will be able to more easily prove claims relating to

sustainability and traceability. Early adopters include European dairy business Arla Foods. The Arla Milkchain, which began as a pilot scheme in late 2018, allows customers to track the origin and production of the company's products from farm to dairy. The first item to launch on the platform is Single Estate Organic Milk.

COLLABORATE WITH TECH COMPANIES

Last year, Pernod Ricard unveiled a “living lab” tech hub for its Malibu and Kahlúa brands, designed to showcase exploration of new technologies such as augmented reality and NFC. The lab, in partnership with London-based tech agency SharpEnd, demonstrates technology including augmented reality at point-of-sale, beacon technology to drive on-premise footfall, responsive signage, smart packaging and voice-enabled apps.



IF YOU HAD A CHILDHOOD WHERE YOU WERE ABLE TO FORM YOUR OWN OPINIONS, AN ADOLESCENCE WHERE YOU UNDERSTAND WHAT IT MEANS TO CONNECT WITH PEOPLE, YOU'LL BE AN ADULT WHO CAN CHANGE THE WORLD.

PERCENTAGE OF GEN ZERS WHO PREFER TO MAKE A PURCHASE IN A STORE AS OPPOSED TO SHOPPING ONLINE



67%

ENGAGE WITH EVERY ASPECT OF RETAIL

According to market research company Packaged Facts, many Gen Z consumers employ a more “old-fashioned” approach to shopping. Findings in the company’s Looking Ahead to Gen Z: Demographic Patterns and Spending Trends, report suggest 67% of them prefer to make a purchase in a store as opposed to shopping online, or to shop using an app. However, when it comes to researching a product, the vast majority of this demographic use social media.

PREPARE FOR GEN Z IN THE WORKFORCE

Trend Hunter’s Ascano outlines projections for Gen Z’s adulthood. “We think they will go onward and upward and will be very critical thinkers,” she

says. “If you had a childhood where you were able to form your own opinions, an adolescence where you understand what it means to connect with people, you’ll be an adult who can change the world.”

USEFUL LINKS

[Packaging Facts: Looking Ahead to Gen Z: Demographic Patterns and Spending Trends](#)

[United Nations: Young Americans believe the environment should be the top international issue for the US to address](#)

THE WRAP

As Generation Z enters the workforce, becomes old enough to drink and enjoys increased spending power, food and drinks companies will have to shift their Millennial mindset to make way for a whole different set of priorities.

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