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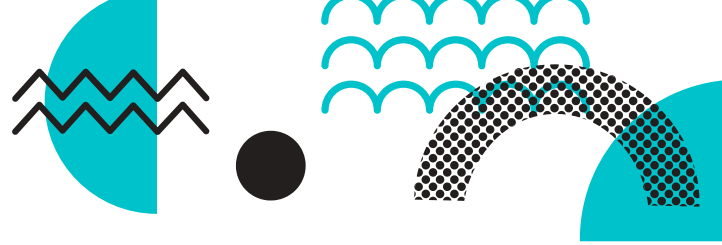


GEN Z

TOMORROW'S

CUSTOMER

TODAY



INTRODUCING GENERATION Z

The perception is that this is the generation that would rather use social media than have an actual conversation. They'd rather sit at home and watch Netflix than go to the pub and they're only interested in healthy bowls of colourful food that looks great on Instagram. How much of this is truth and how much is, well, wack?

Having grown up with technology as a standard part of everyday life, it's not a stretch to assume that they are also the most connected generation ever, in more ways than one. Connected to each other but also to the wider world – including social issues, environmental and health concerns. Essentially an innate desire for knowledge.

Put simply, they will shape the way we will shop, eat, drink and interact with brands, because technology will lead the way and it's being driven by the influencers and no generation is more influential than Generation Z.

This whitepaper is a summary of a research study which took place in 2019, speaking to 500 of the UK's Generation Z between the ages of 18-24 seeking to find out what makes this generation unique and what this means for brands, hospitality operators and retailers alike. One thing is for sure, you can't ignore this generation. They are tomorrow's customer, today.

Blake Gladman
Insight & Strategy Director, KAM Media



Gen Alpha

Born after 2010
(oldest are 10yrs)

Gen Z

Born mid-90s-2010
(10-25yrs)

Millenials

Born 1980-1995
(25-40yrs)

Gen X

Born mid-60s-late 70s
(40-55yrs)

Baby Boomers

Born mid-40s-mid-60s
(55-75yrs)

Silent Generation

Born mid-20s-mid-40s
(75-95yrs)




GEN Z IN HOSPITALITY

There's no doubt that these are incredibly tough times for the hospitality industry. Lockdown has hit many of us hard and the recent curfew announcements and tier systems are yet more hurdles that the industry needs to overcome.


Generation Z remain key customers. They may connect digitally, but they collect physically – in cafes, pubs, bars and restaurants. In 2019 eating and drinking out represented the largest proportional share of their disposable spend (20%). They are also more likely to order via delivery, something made all the more important by Covid-19.

GEN Z AND GROCERY RETAIL



In the face of the Coronavirus pandemic, the UK convenience sector is on the cusp of forging a new future. The sector has responded in an extraordinary way. Operators and staff have selflessly risked their lives to support communities – and consumers have recognised this and the spirit and values that this embodies.

Throughout the last 6 months, KAM Media have been conducting numerous research studies for clients and of our own, and one of the key trends we see time, and time again, is that Generation Z remain a key demographic for the convenience industry. Another of these trends has been the increase in new customers to the channel – 50% of Gen Z used c-stores more during the first lockdown.

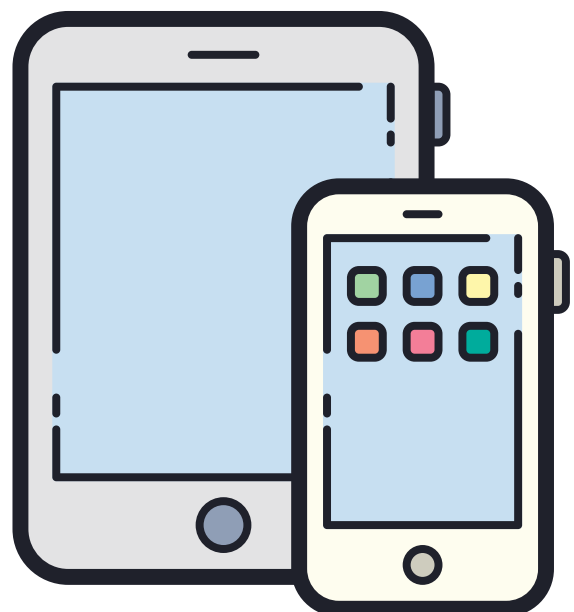


TECHNOLOGY PLAYS A VITAL ROLE IN DELIVERING AN EXPERIENCE

It's become a bit of a cliché to say that Generation Z are technologically savvy, but when a generation grows up with a smartphone in their hand it's hard to separate them. And with nearly 1 in 4 of them spending more than 7 hours on their phone each day, it's a wonder that they find time to do anything else. Except, when you consider that they communicate with each other, watch tv shows/films, listen to music, read the news, do work, order dinner and buy a coffee all on their phone, it becomes a bit easier to understand. Being connected is just that, joined together physically and emotionally. These devices are no longer a tool that they pick up when they need to use it. They are an extension of their existence. Therefore, it's no surprise that for this generation, if it didn't happen on social media, or if a company doesn't have an app or, god forbid, at least a decent website then in simple terms it doesn't exist or resonate.

23% OF GEN Z SPEND MORE THAN 7 HOURS ON THEIR PHONE EACH DAY

Technology should always be aimed at improving the experience. Frictionless technology is key- you may not see it and it may not get onto Instagram but technology that replaces functional staff roles, quickens the processing of payments, or ensures stock levels are optimal are all sure-fire ways to improve the customer experience. Gen Z expect seamless integration of technology throughout their consumer experience and we need to talk their language.



WE SEE GREATER VARIATIONS IN DIETARY REQUIREMENTS

10%
are vegetarian

11%
are flexitarian

4%
are vegan

The government estimates that around 9 in 10 UK adults are meat eaters, compared to just 59% of Generation Z. It's safe to say then that this generation is the beginning of a revolution in how and what we consume. Gen Z have high expectations of food and drink suppliers and operators, with both 'choice' and 'transparency' becoming the most important factors to consider. It's no longer acceptable to have 'just' the one vegetarian option in a restaurant. It's fast becoming a perfectly normal expectation amongst Generation Z to have vegetarian, vegan, and gluten free products readily available. When you consider that the days of 'meat and two veg' dinners have been replaced with 'traditional' evening meals of curry stir fry, pasta and pizza, then it becomes much easier to cut down or cut out the meat. In fact recent research by the BBC showed that more than a quarter of evening meals cooked in the UK did not contain meat or fish (and this isn't necessary by design but merely the fact that the meat wasn't a necessary component). Meat is becoming less of a driver of meal choice for Generation Z and therefore they want to have a choice across a variety of nutritional factors without compromising on taste.



LOW AND NO ALCOHOL RANGES MUST BE ON POINT

2 in 5 18-24 year olds describe themselves as teetotal. More than twice the number of UK adults in general. However, government statistics show that liver disease and diabetes, alongside the number of young people seeking help for alcohol related problems in A&E departments, is on the increase.

The underlying insight suggests a polarisation amongst the younger generation between those who abstain or drink significantly less than the recommended 14 units per week, to those who over-indulge. This is a key trend that we see across other areas such as 'healthy v indulgent eating', with, in some cases, the two extremities occurring in the same individuals. It's all or nothing at both ends of the spectrum, with Gen Z flitting between abstention and binging with little grey area in between.

In fact, diving deeper into the research we see that of those 6% who claim to drink more than 14 units per week, the average units consumed is 23 (the equivalent of over 11 pints).

Gen Z are drinking
low & no drinks
alongside alcoholic
drinks as a way to
regulate their alcohol
intake

Health plays a major
role with 53% of Gen
Z doing 30 minutes of
exercise (or more)
each day



ETHICS ARE A BIG INFLUENCE

The following are important to Gen Z when deciding upon which brands and operators to buy from...



If you consider all the factors at play when deciding which brand to buy, what retailer to shop at or what restaurant to go to for dinner: price, range, quality, availability, value for money, speed of service, customer service, atmosphere all feature. Yet, for around half of Gen Z'ers the brand's impact on health, the environment and their ethical stance are also major factors in influencing their decision.



Think of it rather like Maslow's Hierarchy of Needs, when the basic needs such as price, quality, customer service, etc. have been established and compared there are psychological and self-fulfilling needs and this is where the ethics and ideals of the business in question come into play. However, it's not as easy as just saying you care about the environment, you need to 'live' your ideals in order to resonate with Generation Z. In a lot of ways they see brands like they see their friends; they feel a close personal connection with them through the fact that they share so much with them and know so much about them in return.

Everything a brand does from how it treats its staff to how it disposes of waste and how it interacts with the local communities in which it operates – is all, somehow or another, in the public domain, and it's by these actions that Generation Z measure a company, not by what they say in their adverts.

BE A GLASS BOX, BE AUTHENTIC

Authenticity is a key word for this generation and one with far-reaching implications. Nurturing and maintaining authenticity is a sure fire way to gain credibility and loyalty from Generation Z. More so a lack of authenticity or worse – trying to fake it – is a one way ticket to the bottom of the pile. Gen Z want the real you, warts and all. This is key – they know we live in a world that isn't perfect, so to see an operator, manufacturer or celebrity that operates within a perfect world immediately rings alarms bells and gives off an aura of inauthenticity.

The way to truly connect with Generation Z is to embrace the challenges you face, embrace the mistakes you make and to celebrate your successes with them. Just as a friend would do. Creating an authentic social media presence, for example, can help you to tap into the Gen Z market.

It used to be easy back in the day for operators and brands. How you wanted your customers to view you was down to your marketing department. Whatever you said on the outside (your advertising, your branding, your packaging) was how your customers saw you. You could manipulate them to believing that you were 'The Best a Man Can Get'. However we don't live in the world of black boxes anymore, every brand is now a glass box. Customers can see through to the core of the brand – it's now not just about what you put on the outside but it's about how you think and behave on the inside that really counts. How you treat your staff, your political stance, what you stand for, what your CEO says in public – all this and more has a profound impact on what your customers think of your brand and ultimately the extent to which they will engage with it.

53%

are influenced
by friends and
family

27%

are influenced
by social
media

13%

are influenced
by traditional
adverts



WHAT DOES THE FUTURE HOLD?

So, after everything that we now know about Generation Z, what does the future hold for them and for the retailers, operators and brands that are trying to grow with them?

Well, when we asked 500 18-24 year olds how optimistic they were about the next 5 years, 80% answered in the positive as either very or somewhat optimistic, and retailers/operators/brands should feel the same. The opportunities that exist now and that will exist in the next few years are abundant but only for those who embrace the dynamics and influences that are at the heart of what makes Generation Z tick.

It's often easy to dismiss the views and opinions of the younger generation as being somewhat less important or relevant than those of an older vintage. It probably doesn't help matters that the majority of people in senior decision-making positions in marketing and innovation departments are in their 30's, 40's and 50's. In generations before it was perhaps easier to associate with those younger because the environment in which they were living was similar but now it couldn't be more different and to ignore this most basic of facts is a mistake that any business looking to grow with Gen Z can't afford to make.

Understand them, empathise with them and connect with them on their level and you can build loyalty that will last a lifetime. How valuable is that?





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HELLO@KAM-MEDIA.CO.UK

www.kam-media.co.uk