



## Don't Forget Gen Z

**Q:** I've been hearing so much about Millennials lately. Do I really need to pay attention?

**A:** Millennials are indeed generating a ton of buzz—and for good reason. Millennial consumers, people now in their 20s and 30s, make up a huge portion of the U.S. population (there are around 80 million of them) and wield enormous influence on business and culture today, so it is important to understand what they mean for your organization. I've previously written about the topic, noting that Millennials visit fast-food restaurants 12 or more times per month, and they spend more of their income on food than any other generation.

But everyone is paying attention to the Millennials (aka Generation Y). So if you really want to get out in front of the trends, I recommend you look further ahead and consider Generation Z. The group that follows Gen Y has also been called the Net Generation, Post Millennials, and Plurals. Whatever the label, the 68 million people born from the mid-1990s to the present are now emerging from Millennials' shadow and shaping today's youth culture.

Although Generation Z's impact is just now being felt, the group displays several distinctive characteristics that present important implications for the quick-serve industry.

In terms of demographics, Generation Z is more ethnically diverse than any other generational cohort. According to U.S. Census projections released in 2008 (the most recent data), only 54 percent of them are Caucasian—and that will drop to less than 50 percent by 2042. (If that sounds like a long time from now, it's actually fewer years than those that have passed since Journey's "Don't Stop Believin'" was a No. 1 hit!) Not only do the faces of those in Generation Z look different, but their social circles are also more diverse.

This ethnic diversity and openness means that what constitutes "American" food is changing, and that ethnic tastes and foods will become even more mainstream. Also, the lines between ethnic menus are blurring, and Generation Z will want—and expect—more mash-ups combining multiple ethnic influences.

Another area affected by changing demographics is the family unit. On average, only about two out of three Generation Z kids live in a two-parent household (that's down from more than 80 percent for Generation Xers). This means more of their households are smaller, led by a woman who works outside the home, and involve more than one home location. These new households use restaurants for different meal occasions than those of the past, with the notion of the "family dinner" changing from a regularly scheduled, home-based experience to one in which restaurants could play a more important and frequent role.

Generation Z is being raised in a period of economic distress that is likely to affect its future purchase behavior in at least two ways. First, its spending will be more measured and conservative. While these people won't always keep a tight grip on purse strings, they will be more likely to maintain high value expectations and less likely to engage in dramatic swings between splurging and penny pinching. Also, because financial hardship has hit their own families or those close to them, their interest in social justice and philanthropy may be more pronounced. They will further the social consciousness that was raised by Millennials and make it more personal. They will see themselves and the companies they do business with as integral to solving the social problems they see in their own communities.

Perhaps the most defining characteristic of Generation Z is its relationship with technology. For those in this group of digital natives and mobile accelerators, technology is everywhere and practically invisible. The implications are far-ranging.

For marketing and communications, Generation Z's use of technology changes the way companies should engage with customers. These new consumers expect more frequent communications, composed of short bursts and built-in feedback loops, through multiple channels. Constant and immediate exchanges should replace episodic one-way messaging. The cacophony of voices influencing brand perceptions will continue to increase, posing for brands both an opportunity (to leverage the broad reach and integrity of brand advocates) and a challenge (to minimize or offset the damage by brand detractors).

Because Generation Z uses technology so customarily, it's more likely to make well-researched and informed purchase decisions. Companies will need to practice greater transparency and provide more information in order to satisfy this information-dependent generation. It's also easy to see how technology changes consumer expectations for speed and personalization. Constant multitasking and real-time experiences define the Generation Z lifestyle. This seems to have bred a level of impatience that influences their interactions with companies. And new capabilities in filtering, predictive analytics, and adaptive technologies now so regularly produce customized experiences that the cohort is starting to expect them all the time. They want things now—and they want them their way.

It may be impossible to understand completely how Generation Z will shape the future, but it's not too early to try to figure out the implications of its distinctive nature. Generation Z may be named for the last letter of the alphabet, but it should be at forefront of our minds.

(Thanks to Frank N. Magid Associates, Inc. for many of the data points and insights included in this column.)