

Understanding Gen Z

*Insights on their behavior, financial knowledge
and spending patterns.*





Gen Z is defined as the generation born between 1995 and 2004, which currently puts them between 16 and 22 years old. Those brands that make an effort to understand this huge upcoming consumer segment will gain a large competitive advantage.

GENERATIONAL DEFINITIONS FOR THIS STUDY

GEN Z*

- BORN 1995-2004
- AGES 16-22

YOUNG MILLENNIALS

- BORN 1989-1994
- AGES 23-28

OLD MILLENNIALS

- BORN 1983-1988
- AGES 29-34

GEN X

- BORN 1965-1982
- AGES 35-52

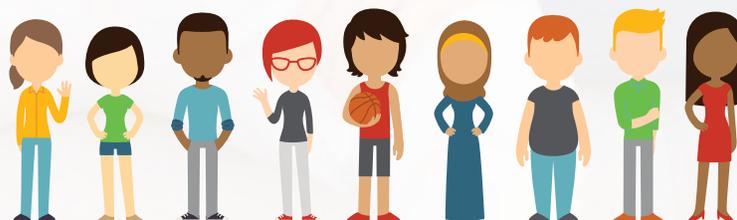
BOOMERS

- BORN 1946-1964
- AGES 53-71

* **YOUNGER GEN Z** are those age 18 or younger and still in high school
OLDER GEN Z are those age 18 or older and not in high school

Who is Gen Z?

Gen Zers have a very distinct personality—they are not just the younger version of Millennials. More significantly, within the next five years, Gen Z will become the fastest-growing generation in the workplace and the marketplace. One in four Americans is defined as a Gen Zer,¹ making this group the largest living generation.



WHAT SETS THEM APART?

- Gen Z is the most ethnically and racially diverse generation in U.S. history²
- They are willing to work hard and are confident their hard work will lead to success
- They are financially undereducated, more so than generations that came before
- Gen Zers love shopping in-store and believe the shopping experience is as important as the product itself

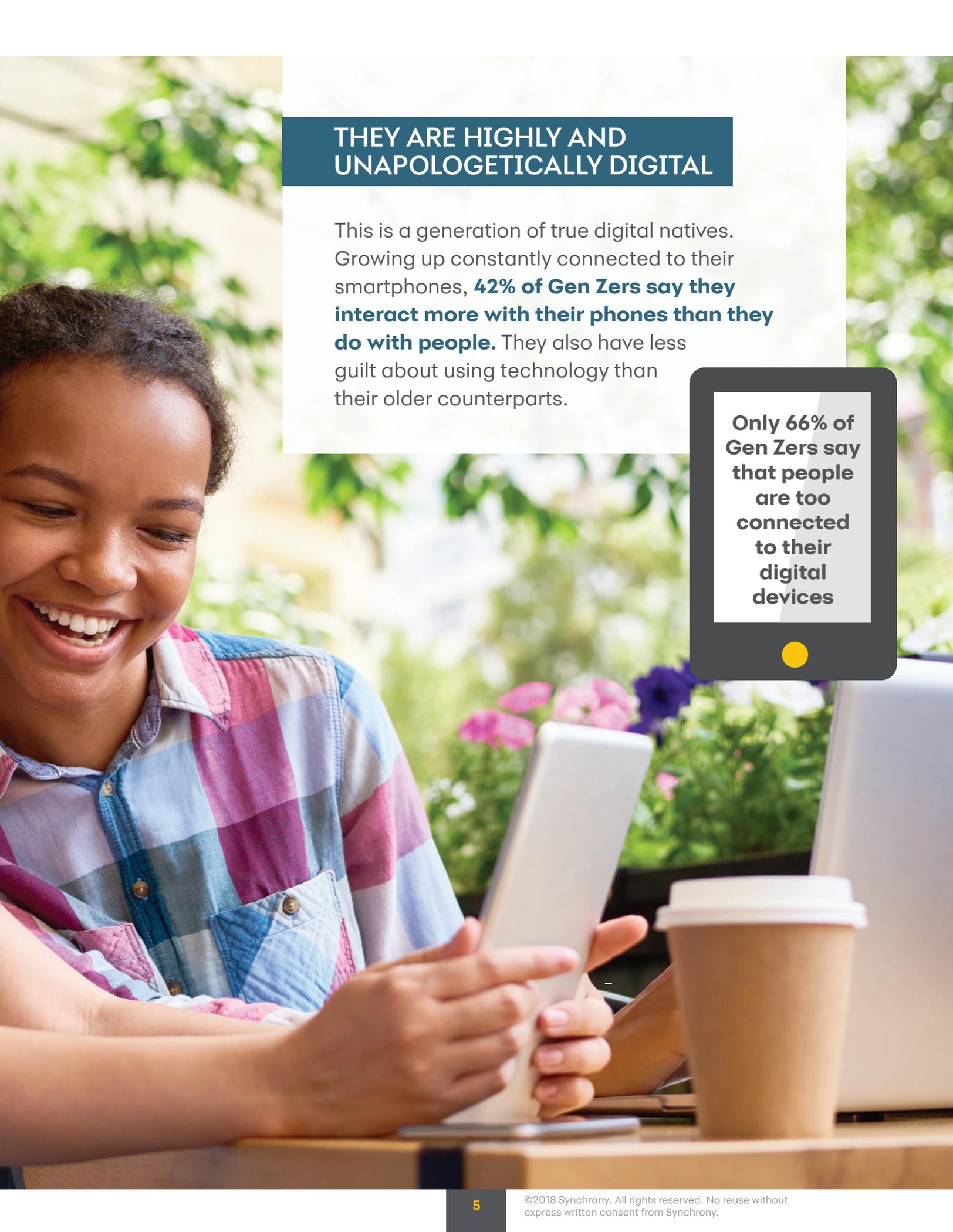
THEY ARE A BIG DEAL



They hold up to
\$44 billion
in direct buying power³



By 2020 they will be
40%
of all US consumers¹
(consumers = those with direct purchasing power)



THEY ARE HIGHLY AND UNAPOLOGETICALLY DIGITAL

This is a generation of true digital natives. Growing up constantly connected to their smartphones, **42% of Gen Zers say they interact more with their phones than they do with people.** They also have less guilt about using technology than their older counterparts.

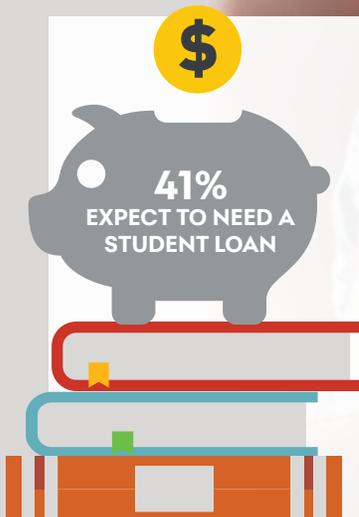
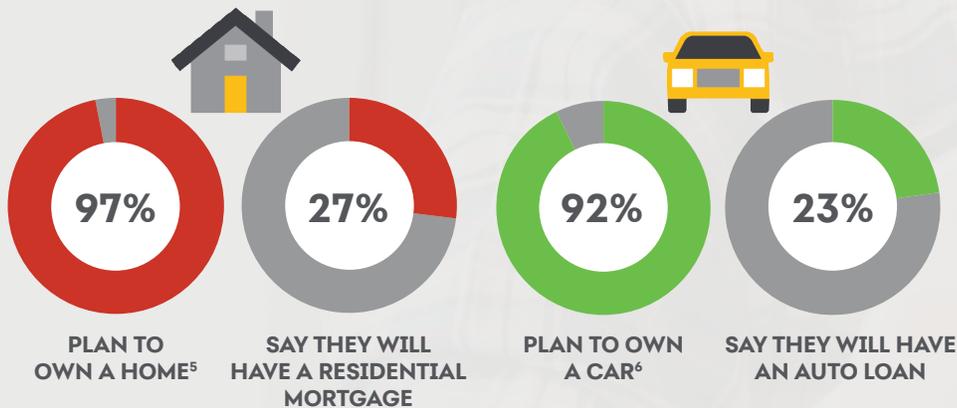
Only 66% of Gen Zers say that people are too connected to their digital devices

Outlook on Finances and Future

FINANCES

In general, Gen Zers tend to be idealistic about career and finances. Roughly 75% rate purpose ahead of paycheck.⁴ This is much higher than Millennials, who are more savvy when it comes to the connection between earning money and achieving goals. For instance, Gen Zers resist borrowing, yet they still want houses and cars. In fact, our study shows that almost all of the Gen Z population expects to own a home and a car, while only about a quarter realize they will need a mortgage or a car loan to do so.

Nearly all Gen Zers plan to own a home and a car, but few intend to be tied to mortgages or auto loans.



The one financial product this generation knows they will need is a student loan. Forty-one percent think they'll have to get a student loan in the future, aligning with their Millennial counterparts, of whom 37% have outstanding student loan debt.⁷ Parents of Gen Zers also feel the student loan pressure. **But while 72% of U.S. parents are saving for their child's education, they are only on track to fill 29% of the cost.⁸** This will place a huge financial burden on the Gen Z population, and could result in the same live-at-home phenomenon seen with Millennials, who often move back in with their parents after graduation.

SAVINGS AND CREDIT CARDS

Gen Z has little knowledge about traditional financial products like credit cards and checking accounts. The majority of Gen Zers use debit cards (64%), but less than half have checking accounts, savings accounts or mobile wallets. In addition, less than half (46%) report being inside a bank in the past month, compared to 70% of Millennials.⁹

Traditional financial product ownership is low compared to Young Millennials, their closest cohort in age.



Gen Zers tell us that their parents, for the most part, take care of their financial needs. As a result, there is an opportunity to better educate them on the value of different financial tools and products. **A full 70% are without access to a credit card and most do not even know how credit works.** Of those Gen Zers who do have access to credit, only 60% pay part or all of the bill.

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Gen Zers who pay part of their bill:

- Are twice as likely to be satisfied with their financial position
- Are twice as likely to understand how credit cards work
- Are 23% more likely to prioritize savings
- Are four times more likely to know what an APR is

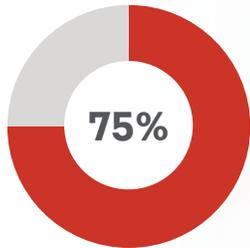
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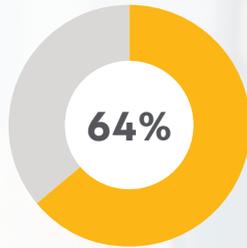
Parents who give their kids a financial education, in addition to other types of education, set them up better for the future.

Shopping and Retail

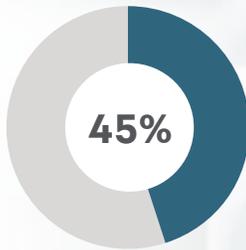
This “digital-native” generation still prefers shopping in-store.



PREFER SHOPPING IN STORES WITH ENGAGING IN-STORE EXPERIENCES



PREFER SHOPPING IN-STORE VS. ONLINE



NEARLY 1 IN 2 GEN ZERS SAY THE EXPERIENCE OF BUYING SOMETHING IS JUST AS IMPORTANT AS THE PRODUCT ITSELF. SIMILAR TO MILLENNIALS AND GEN X, BUT HIGHER THAN BOOMERS



Top categories for in-store shopping:



GROCERIES
90%



FURNITURE
66%



HOUSEHOLD ITEMS
63%



ACCESSORIES/
SHOES
59%

Gen Z’s preference to shop in brick-and-mortar stores rather than strictly online is a reflection of the importance of the shopping experience to this generation.

While they will spend time researching a product online, this generation of shoppers wants to see, touch and try the item before making a purchase. With online shopping, they say there is a risk of getting something they don’t like and having to return it. As 22-year-old Paige from NYC puts it, “How do you even mail something these days?”

This preference for purchasing in-store spans all retail categories. To satisfy Gen Zers, retailers must provide them with the seamless and enjoyable web-to-store shopping experience they expect. For instance, if they have shoes in their shopping cart while shopping online, they expect to have access to them when they are in the store.

Gen Zers Highly Value the In-store Shopping Experience



Gen Zers have high expectations for customer service. They want retailers to stand by their products and offer a good return policy. It's also important that they have an enjoyable shopping experience in a clean, safe, organized store.

Build Merchant Loyalty with Gen Z Now

Leverage Gen Z's preference to shop in-store with engaging experiences that bring them to the store and build loyalty.

— OFFER —



IN-STORE SPECIALS



FUN EXPERIENCES



LIVE EVENTS

“A great retailer probably would be a group that’s really happy and just has positive branding behind it... Don’t hire people that aren’t happy to work there because that makes a big difference if you’re walking around and there is just a bad vibe in the store.”

Gen Z Female, 21, Atlanta

Like other generations, Gen Z loves a good bargain (although they rarely compare prices). Their definition of savings, however, is more narrow than preceding generations. Gen Z seeks savings and discounts at point of sale. **They are motivated by sales and discounts instead of rewards or loyalty programs.**

Gen Zers are less likely than Millennials to say they are interested in joining a frequent shopper program, partly because they don't understand the advantages of doing so. This presents an opportunity for retailers to introduce loyalty benefits to Gen Z with rewards they find relevant and appealing.

When Shopping,
Gen Zers Equally Like:

Discounts/Cash Back

43%

Free Products

42%

“You don’t necessarily have to pay full price. You can find quality and a good price on the sale rack. Marshalls and T.J. Maxx are also some of my favorites, and I can find a lot of the brands that they carry like Von Maur and Nordstrom.”

Gen Z Female, 16, Indianapolis

Conclusion

Gen Zers will redefine the retail industry within the next decade. Ethnically diverse and ready to work hard, this generation is optimistic about the future. Although they are intrinsically digital in their everyday lives, they also have high expectations for their in-store shopping experiences.

To succeed, brands must meet or exceed these expectations. Those who become proactive in understanding and delighting this generation will be the ones with a competitive advantage in the coming years.

“A new kind of shopper is on the rise with Generation Z. They are diverse, optimistic and unabashedly digital, yet they value experiences above all else. Brands who provide education, value and seamless experiences are the ones who will engage this unique generation on their terms.”

Bart Schaller
CMO, Synchrony

Methodology

The insights for this white paper were gathered using a multiphased research approach.

PHASE 1: SECONDARY RESEARCH

Synchrony leveraged existing syndicated and secondary data to identify insights and knowledge gaps before kicking off Synchrony research.

Timing: May – July 2017

PHASE 2: QUALITATIVE

Synchrony partnered with market research and strategy firm Chadwick Martin Bailey to conduct an online immersion with Gen Z participants in four U.S. markets. Subsequently, in-home interviews (ethnographies) and shopping excursions were concluded.

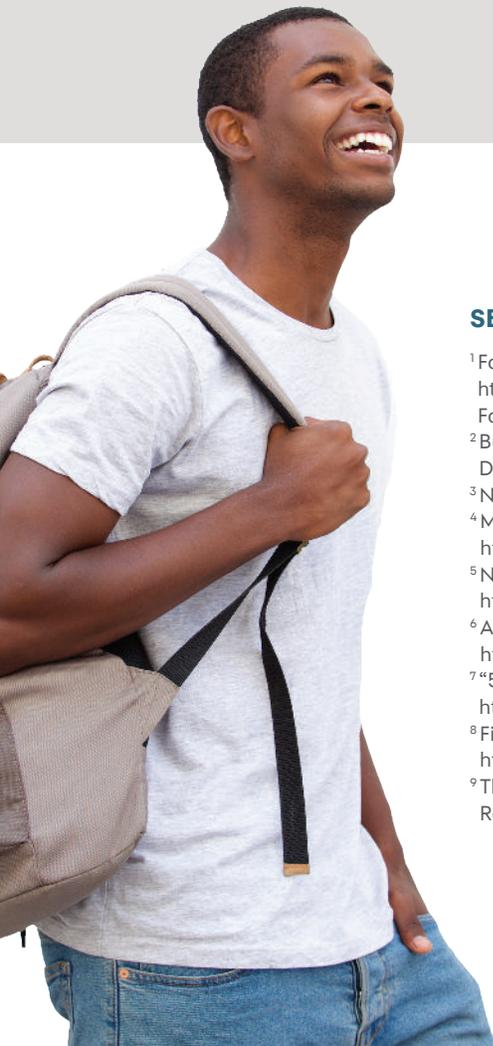
Timing: October – November 2017

PHASE 3: QUANTITATIVE

For comparison, Synchrony conducted a multigenerational survey with over 4,000 respondents.

Timing: December 2017 – January 2018

All references to consumers and population refer to survey respondents, except where specifically cited.



SECONDARY RESEARCH SOURCES

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- ⁷ “5 facts about student loans.” Pew Research Center, Washington, D.C. August 24, 2017. <http://www.pewresearch.org/fact-tank/2017/08/24/5-facts-about-student-loans/>
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- ⁹ The Center for Generational Kinetics. The State of Gen Z: Meet The Throwback Generation. January 2017. National Research Study. <http://genhq.com/gen-z-2017-research-white-paper/>



About Synchrony Connect

Synchrony Connect is a value-added program that lets Synchrony partners tap into our expertise in non-credit areas. It offers knowledge and tools that can help you grow, lead and operate your business.

Grow

Marketing, analytics and research expertise to help you drive business growth

Lead

Tools for leading your organization and developing yourself as a leader

Operate

Best practices around business strategy and optimizing cost

Contact your Synchrony representative or visit us at **Synchrony.com** or **SynchronyBusiness.com** to discover how we can help you grow your business.

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