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ALAMY

They're young, idealistic and ready to change the world, but what does the rise of Generation Z mean for your retail business? Sarah Jordan finds out

You probably know your current, core customer base extremely well. You may have even adapted your social media, digital footprint and marketing to attract the sub-35 millennial category. But what are you doing to appease Generation Z?

The children who once accompanied their parents into your store are now coming into their own, with their own credit cards and disposable income. Getting to grips with what makes them tick will future-proof your business, but sadly, it's not going to be an easy ride for traditional bricks-and-mortar retailers.

Generation Z, abbreviated to Gen Z,

is a much argued-about group, largely because experts can't decide on their collective age range. Some say the oldest are just shy of 21 years old, while others say it's a much more contained group, born from 1996 to 2010. Whatever the semantics, it would be unwise to ignore Gen Z, as they're expected to account for around 40% of all consumers by 2020, according to business-to-business magazine *Retail Week*.

Ample research has been done on the defining traits of Gen Z, with some surprising results. Their complete lack of patience, minuscule attention span and frustration with slow technology won't

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Marcie Merriman
Ernst & Young

be a surprise to anyone with a teenager or tween, but their intense commitment, loyalty and cause-focused passion to change the world might be. Whereas millennials were forced to take off the rose-tinted spectacles after a cushy childhood, Gen Z has grown up in a more globalised, technology-ridden and economically uncertain world. The result is a more practical and forward-thinking generation, where 57% would rather save money than spend it, according to a 2013 report by business news provider Forbes.

Jason Dorsey, co-founder and chief strategy officer at The Center for Generational Kinetics in Austin, Texas, ▶



◀ is an expert on Gen Z. His research and solutions company is helping businesses to develop key strategies and prepare for the advent of younger, digitally-minded customers.

In his view, the practical attitude of Gen Z (who grew up during a recession in the UK) will make them unusually high-spending customers. He says: "This generation has much more of an attitude of 'planning ahead reduces risks', rather than the free-spirited millennial mantra of 'it'll work out'. This is not only great for them making bigger-ticket purchases earlier, such as engagement rings, but also, they'll be more responsible with their spending overall. This allows them to not only spend more at the right times, but to do so in a way that does not create financial challenges for them in the long-term."

Gen Z also feels an intense obligation and responsibility towards people, places and things. A report by US advertising agency Sparks & Honey, for example, found that 60% want to have an impact on the world in their lifetime.

In a 2015 Ernst & Young report titled "What if the next big disruptor isn't a what, but a who? Gen Z is connected, informed and ready for business", executive director for growth strategy and retail innovation Marcie Merriman comments: "Research consistently demonstrated that, true to their frugal reputation, millennials were not willing to pay more for products or services based on a company's environmental or sustainability practices alone.

"Although millennials may have viewed these companies more favourably for their responsible practices, they sought additional benefits, such as better quality or healthier products, to justify a higher price point. A different trend unfolded among the younger kids studied. This cohort was more focused on what they were doing to help improve the environment."

This immediately puts companies offering ethical and fairtrade jewellery higher up the list in the eyes of Gen Z. Dorsey agrees, noting: "We think this is a huge area for the entire jewellery industry to focus. The reason is that Gen Z has come of age expecting transparency from the brands they buy from, a commitment to doing good rather than just making money, and a sense of equality and fairness that is even greater than the millennials."

"When we work with jewellery clients and brands, we always talk about the



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Jason Dorsey
(pictured above)
The Center for
Generational Kinetics

importance of not just playing lip service to ethical and fairtrade, but showcasing in videos, photos, and stories how this is a core piece of your company values."

Predictably, Gen Z is online, with around 24% using the internet "almost constantly", according to the Pew Research Centre. What they're looking for online is friendship, reactions, recognition and a sense of 'realness' that manifests itself in real people and real situations. Take, for example, the rise of YouTube celebrities and influencers, whose opinions are prized largely because they're deemed authentic. This is highlighted by the Cassandra Report by digital agency Deep Focus, which states that 63% of Gen Z prefer real people to celebrities in advertising, compared with 37% of millennials.

With this in mind, research shows that messages of exclusivity, like 'I'm cooler than you because I have this diamond ring' are unlikely to sway a Gen Z customer.

Dorsey explains: "Our research shows that Gen Z has an attitude of 'we're all in this together', which is the opposite of

millennials who tend to show how they're one of a kind and special. Gen Z's more inclusive attitude does make exclusivity a turn-off, for now. It will be interesting to see if that changes as they get older and their incomes, trajectory, and life stages begin to splinter from being in more of the same place to being in different places than their friends, schoolmates, or peers."

Reaching Gen Z is difficult, but not impossible. Their lack of patience and desperate desire for convenience lends itself well to top-notch delivery and returns processes. However, it puts bricks-and-mortar retailers in a more difficult position. Writing in Ernst & Young report "One tough customer: how Gen Z is challenging the competitive landscape and redefining omnichannel", Marcie Merriman explains: "While almost 93% of retail sales may still occur in brick-and-mortar stores, most consumers are buying in store for functional reasons, such as avoiding shipping charges, as opposed to personal enjoyment. This sentiment is strongest among Gen Z."

If you've made it through the noise, developed a fantastic brand that's active on social media and supported by influencers, as well as a retail store that creates genuine experiences and events, how can you ensure customers remain loyal? Writing for Ernst & Young, Merriman explains: "Our research shows that trying to gain the loyalty of Gen Z via traditional loyalty programmes, cards and promotions is a losing battle. No matter how we asked Gen Z, they are simply much less interested in these things."

Therefore, loyalty can no longer be bought, it has to be achieved a different way. Dorsey explains: "The key to maintaining loyalty with Gen Z amidst a world of distractions is to regularly communicate with them, not to them. What that means is engaging with them digitally in a way that drives two-way communication or even group communication, rather than just pushing ads, sales, or new products to them."

Clever retailers will therefore strive to create a genuine two-way relationship with their customers, meaning community managers and social media managers will be more essential job roles than ever. Experts also advise you to go beyond personalisation and customisation to allow Gen Z to create your product offer with you - keep them involved, present your ethics and market the right ways, and your business will be future-proofed for a long time to come. ●