TRAJECTORY

Gen Z: Turning Point

May 2020

Introduction: Forming Generations

The coronavirus pandemic is a once in a lifetime event for all of us, but for Gen Z (those born between roughly 1996 and 2010, currently aged 10-24) it is the defining event of their young cohort.

Generational analysis has its limits. Of course, being born in the same decade and a half as someone else does not mean you will have everything – or even much – in common with them. Attitudes and values, as well as experiences and behaviours, can diverge sharply within generations. Ozzy Osbourne and Prince Charles were born just a few weeks apart, it's true, but it's also true that you'd market to them rather differently.

But generational analysis has its benefits too. Huge events shape generations, particularly when they happen at a crucial juncture in their formative years. The last half-decade has teased us with events that look like they will be the defining one for Gen Z - Brexit, Donald Trump, MeToo, the Climate Schools Strike – but the pandemic is likely to have deeper consequences than all of them.

In recent years we have looked in depth at the forces shaping Gen Z and the possible futures they will drive. In that analysis we highlighted the fact that Gen Z are not yet done being shaped – that at this point in the previous generational cycle Millennials' positive future narrative was being rewritten in the wake of the financial crash. The Millennial experience is highly instructive here: pre-crash Millennial narratives centred on their ambition, power, questioning of authority (Generation WHY) and fortune at reaching maturity in time to reap the benefits of the digital revolution. This changed – seemingly overnight – and Millennials spent much of the last decade being referred to as the Jilted Generation; the losers of the crash, priced out of the housing market and laden with student debt.

Will a similar fate befall Gen Z? Certain defining aspects – their demographic diversity, their connection to their parents, their digital savviness – are unlikely to be dramatically altered by the pandemic. But almost everything else, including their social values, their attitudes to work and leisure, their education and their economic opportunity will all be shaped by the pandemic.

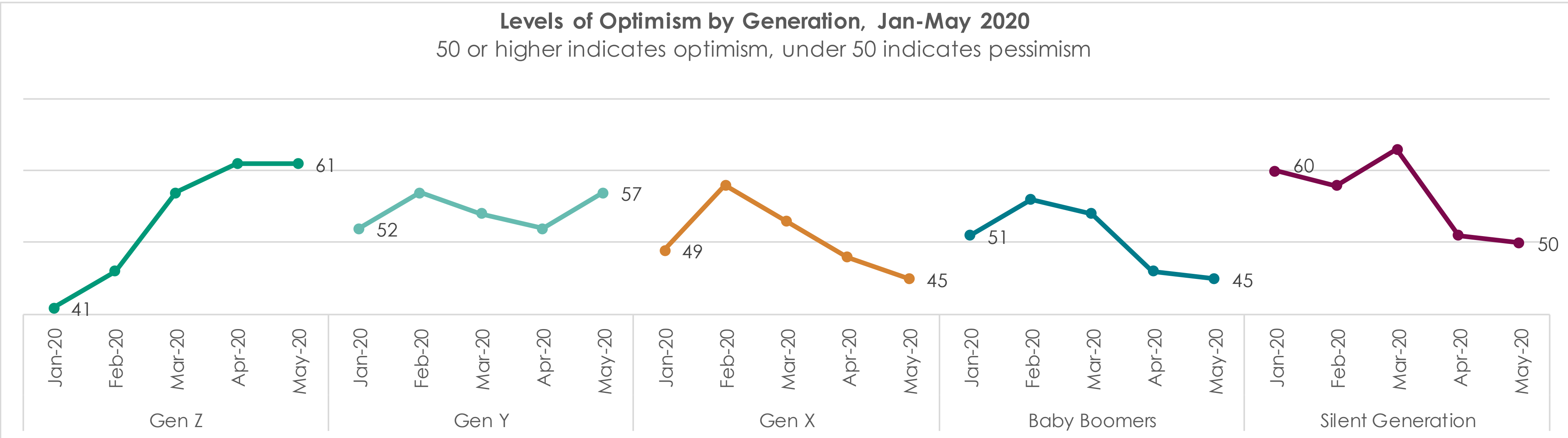
In this report, we dive into the data to understand what is already changing – and what is likely to change in the future.

Gen Z and the Pandemic

In recent weeks there have been no shortage of dire projections for Gen Z, particularly when it comes to the economic impacts of the pandemic and the enforced shutdown. The Resolution Foundation predicts that the unemployment rate for Gen Z will hit 27% this year – up from 10.5% last year. Those still in education – whether at school, college, or university – will find their teaching and exams heavily disrupted, both this year and next. Beyond the hard numbers of employment and education Gen Z will also miss out on a summer – maybe a year, maybe more – of socialising, leisure, and formative experiences.

Despite these dire projections, Gen Z seem to be responding to the crisis with something approach positivity – a reaction that puts them sharply at odds with older cohorts.

Gen Z are not just more optimistic than every other generation – their positivity has in fact risen since the start of the pandemic, a complete reversal on their Brexit-induced funk of pessimism in January. There are several reasons why this might be the case – beyond the obvious one that the virus appears to affect younger people less severely.



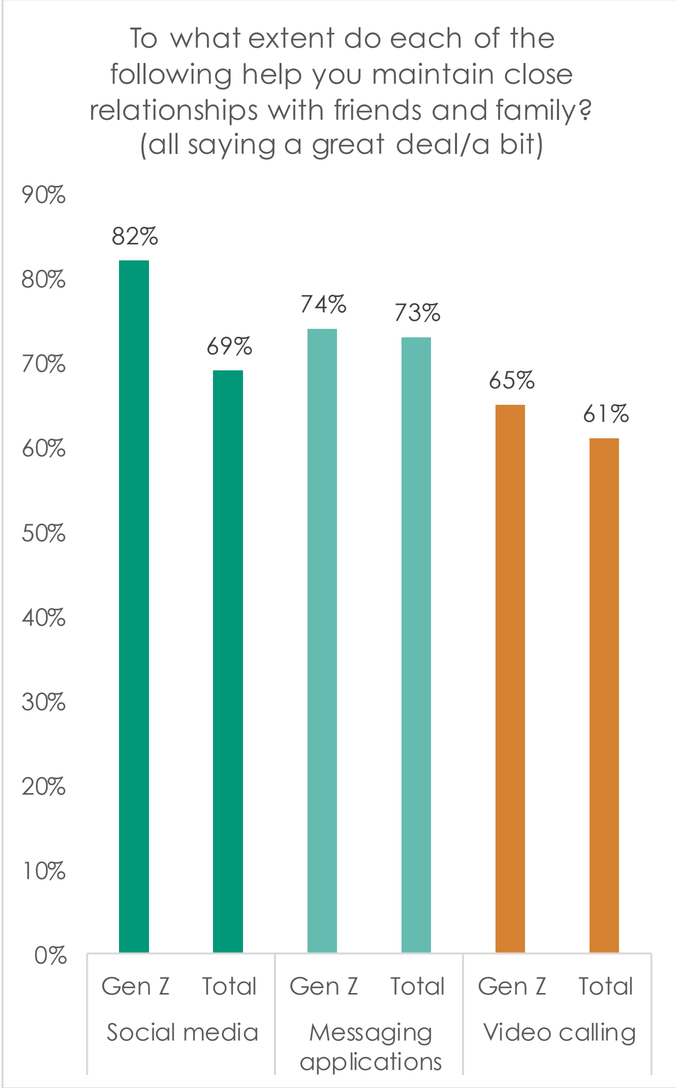
Trajectory Optimism Index, 1500 UK Adults per month, 18+

Firstly, dire economic predictions have not yet resonated; this generation remain economically optimistic and twice as many Gen Z's (32%) expect their household finances to improve over the next 12 months compared to the UK average (16%). Those missing out on education right now and those that will struggle in the jobs market in the year ahead might be enjoying a moment when the pressure is off – for a short period at least. For now, Gen Z are less likely to worry about the financial stresses and more likely to be seeing some benefits in inactivity: 48% say they are saving more than they usually do, the highest of any age group.

Secondly, there is a trace of cynicism in their attitudes to the pandemic. Over a quarter (28%) say they think the virus has been overhyped and they are not that concerned about it. No doubt influenced by the age-related impacts of the virus this is the youth manifesting itself as perceived invincibility. This cynicism may yet be cowed as the virus wrecks yet more families, but for now a sizeable minority of this generation are happy to adopt a blasé attitude. If it does continue, leisure and hospitality businesses, as less as retail, sport and travel can expect Gen Zers as their first and most enthusiastic customers when restrictions are lifted: only 41% admit to worrying about going back to public spaces. For every other generation that figure is more than 60%.

Thirdly, Gen Z might simply have been best adapted to pandemic conditions even before social distancing measures started. Part of this relates to lifestage – they are far less likely (although, of course, not universally) to have dependents to care for or rent or mortgages to pay.

Additionally, however, they were better set up to shift wholesale to digital interactions. Gen Z are more likely to view digital communication as key to maintaining close relationships and already much more likely than other generations to be using the internet for creative activities (including things like TikTok) or even simply for watching films or TV. Against this, of course, is the fact that Gen Z were already more likely to be seeing friends and family in real life more regularly than other generations – their tech savviness cannot completely make up for this.



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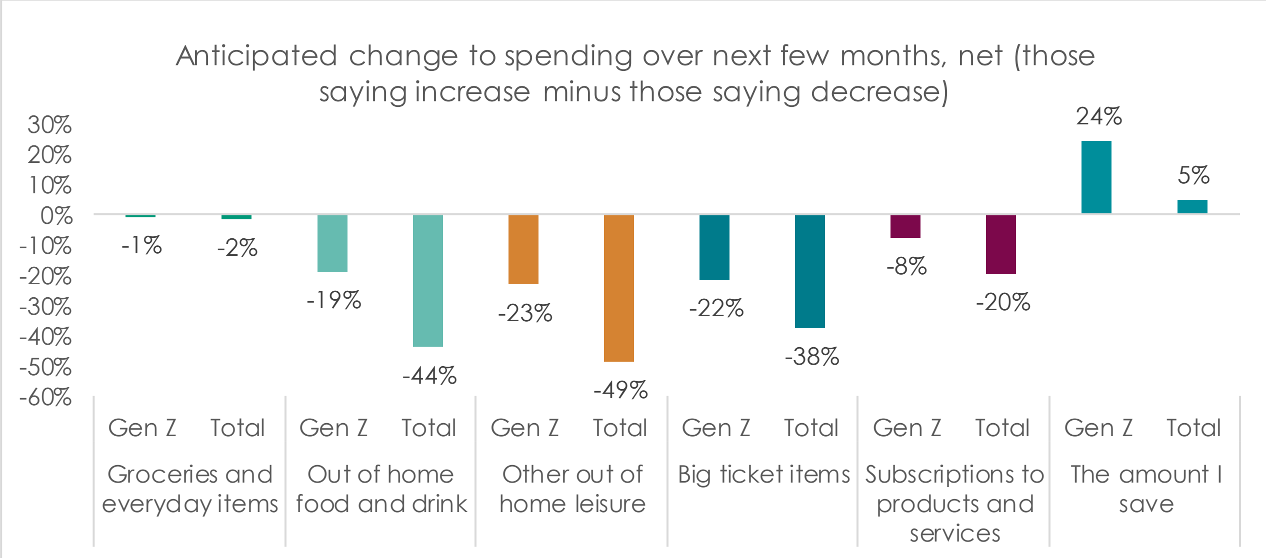
Gen Z: Adjusting Consumption

With a more positive outlook and unruffled by projections of economic ruin, it is no surprise that Gen Z are also the least pessimistic when it comes to spending over the next few months.

Except everyday spending, Gen Z are less likely to expect to continue reducing their spending over the next few months: suggesting that if retail and leisure activity picks up in the summer, Gen Z will be at the vanguard of it.

This optimism is not without consideration. In addition to extra savings activity, Gen Z are also adjusting their consumption in the downturn, more so than any other generation.



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- Shopping around for groceries – 45% of Gen Z started/intend to, compared to 36% of consumers ove
- Using online comparison – 46% of Gen Z started/intend to, compared to 36% of consumers overall
- Looking out for loyalty points – 50% of Gen Z started/intend to, compared to 29% of consumers overall
- Using auction sites (e.g. eBay) – 37% of Gen Z started/intend to, compared to 27% of consumers overall

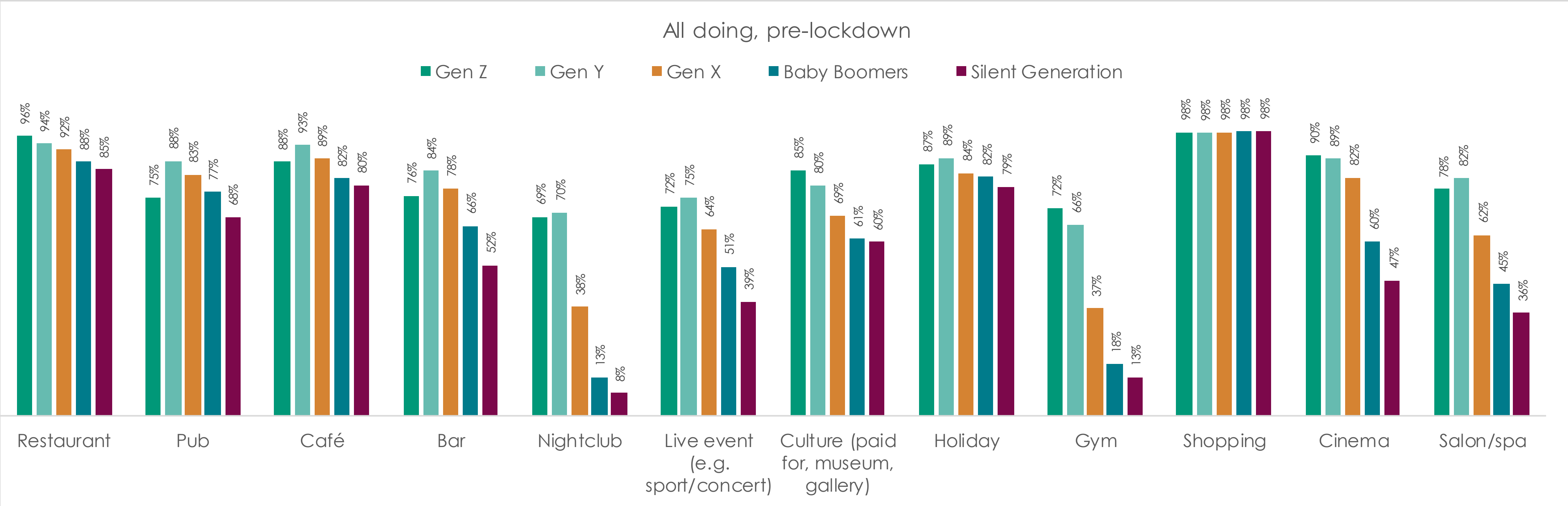
These adjustments suggest that Gen Z are leading pandemic consumer trends in mercuriality, price hunting and reuse/reselling. It also suggests that, beneath the cynicism towards the pandemic and the higher levels of economic confidence, spending habits are being meaningfully changed, or even shaped. This is an early indication of the kind of formative, lasting change on consumer attitudes – redolent of Millennials and the crash, or even the silent generation and rationing.

Gen Z: Leading the Leisure Restart

In a society that places a strong emphasis on leisure and play, Gen Z are the most likely to ascribe a high level of importance to leisure.

They are also the group keenest to get back into the swing of leisure post-pandemic, and the least likely to be put off by ongoing health concerns. For an industry increasingly anxious about both the extent of the economic damage done by the lockdown and the likely shape of the leisure restart (whenever that might be) there is one certainty: Gen Z are the least likely to anticipate long term changes to their behaviour as a result of Covid-19.

Firstly, which bits of the leisure economy to Gen Z play in? The answer, quite straightforwardly, is all of them. Pre-lockdown, the majority of Gen Z were likely to take part in each of 12 different paid-for leisure activities that we asked about, from alcohol and food led occasions to culture, events and personal care like the gym or salon. In several areas, older generations are notably less relevant but Gen Z are always a key customer base.



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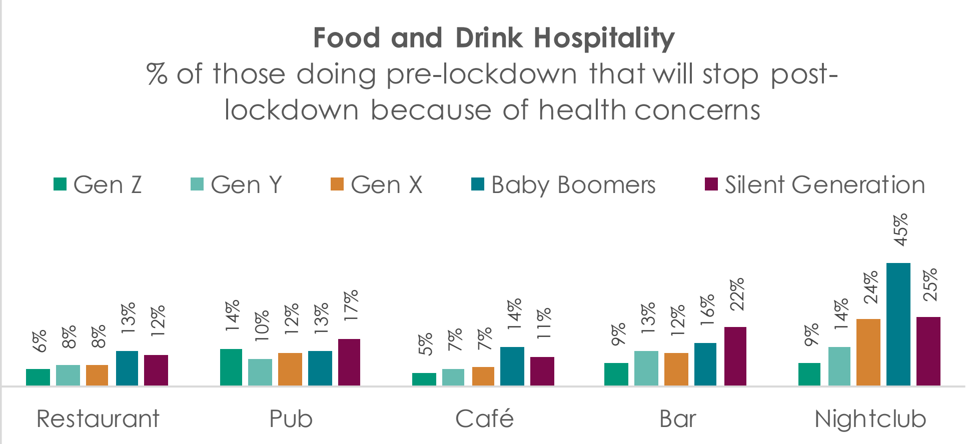
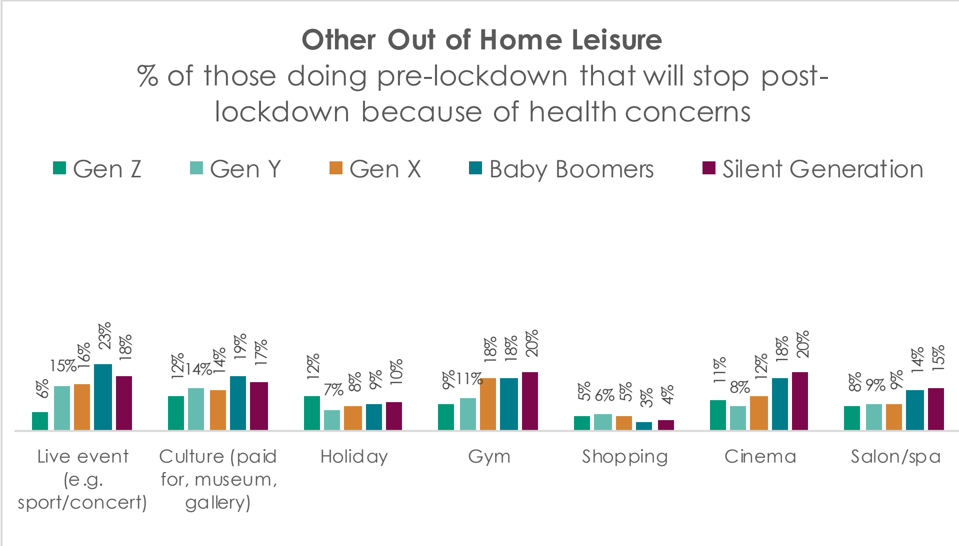
Since the end of March, virtually all these activities have been shut down, with tentative moves towards reopening not planned to begin until July. We face the prospect of living with the threat of Covid-19 for some time, and so public health concerns – feeling safe in these leisure spaces – places a question mark over their survival even after the Government's restrictions are lifted.

Gen Z, however, are the least concerned about the virus and in many categories, the least likely to anticipate any change to their behaviour. In food and drink hospitality this is especially apparent in food-led venues, such as cafes and restaurants, with bars and nightclubs already more skewed by age. In cafes and restaurants older generations are more than twice as likely to expect to stop visiting altogether post-Covid. Pubs are an exception here: Gen Z are more likely than all other generations, except the Silent Generation, to anticipate ending visits due to health concerns.

Wider leisure activities give even stronger evidence of the importance of Gen Z to the leisure economy restart. The youngest generation are most likely to anticipate stopping holidays but less likely to anticipate change to any other area: especially live events, going to the gym and paid-for culture.

At this point in the crisis it seems that little is changing in Gen Z's leisure priorities – unlike other generations. The youngest generation are currently stockpiling demand: missing out on summer activities and keen to get back out there. There are barriers on the horizon; the government has indicated that hospitality and leisure will be the most difficult to safely reopen and by the time they have we are likely to be in the middle of an economic storm. But the will is there, and leisure and hospitality businesses should be focussing their energies on attracting Gen Z to their venue as a priority.





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Social Values: Positive, but not in control

As we have seen, Gen Z have greeted the pandemic and the lockdown with abundant positivity. They are generally relaxed about the health risks and are overwhelmingly optimistic about the future. Their social values – including their identity and outlook, their levels of trust and their sense of nostalgia – are changing in this period, giving us an indication of how this generation will be shaped by these events.

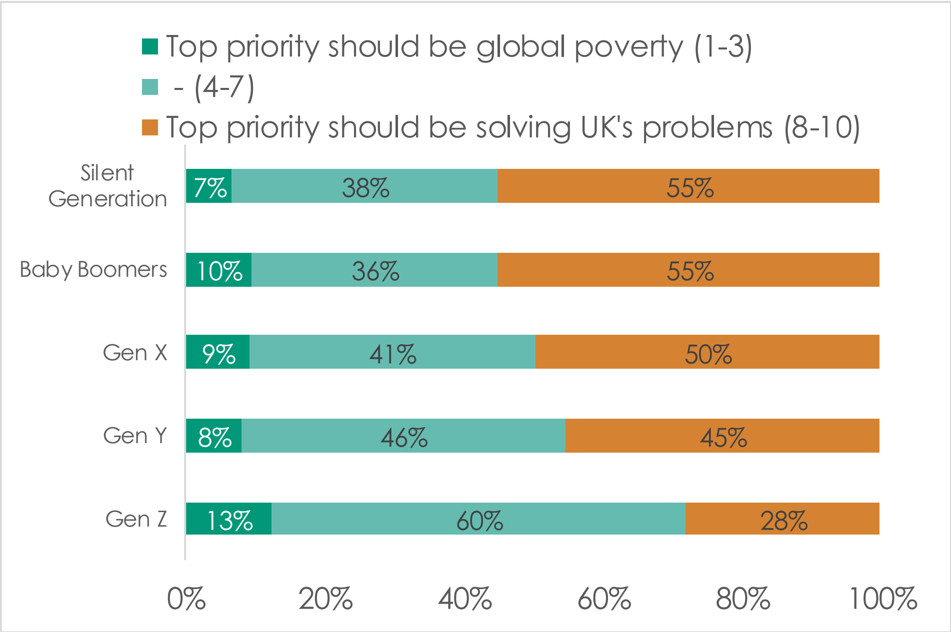
There are two key elements to the trends revealed by the social values data:

1. The generation that Gen Z have most in common with is usually the oldest, the Silent Generation
2. Despite the positivity on display in virtually every aspect of the data in this report, Gen Z are the least likely to feel in control: they are subject to trends, not driving them

Globalism

An area in which there has been little change is the propensity of Gen Z to see themselves as world citizens – 48% agree, up only two percent from 2019. The lack of change here is perhaps the most interesting element of this – other generations have seen more substantial shifts since last year (Gen Y up 12% and Gen X up 7%, for example).

However, other generations are less likely to sacrifice national priorities in favour of broader global needs, suggesting that Gen Z are less affected by the New Morality trend than older age groups. Already the global pandemic has seen divergent national responses, with financial crash-era leaders urging greater international cooperation when it comes to tackling coronavirus. For most generations however, there is a clear view that the UK's problems should be the government's primary focus. Gen Z are much more likely to be on the fence, with more than one in eight arguing that global issues should take precedence.



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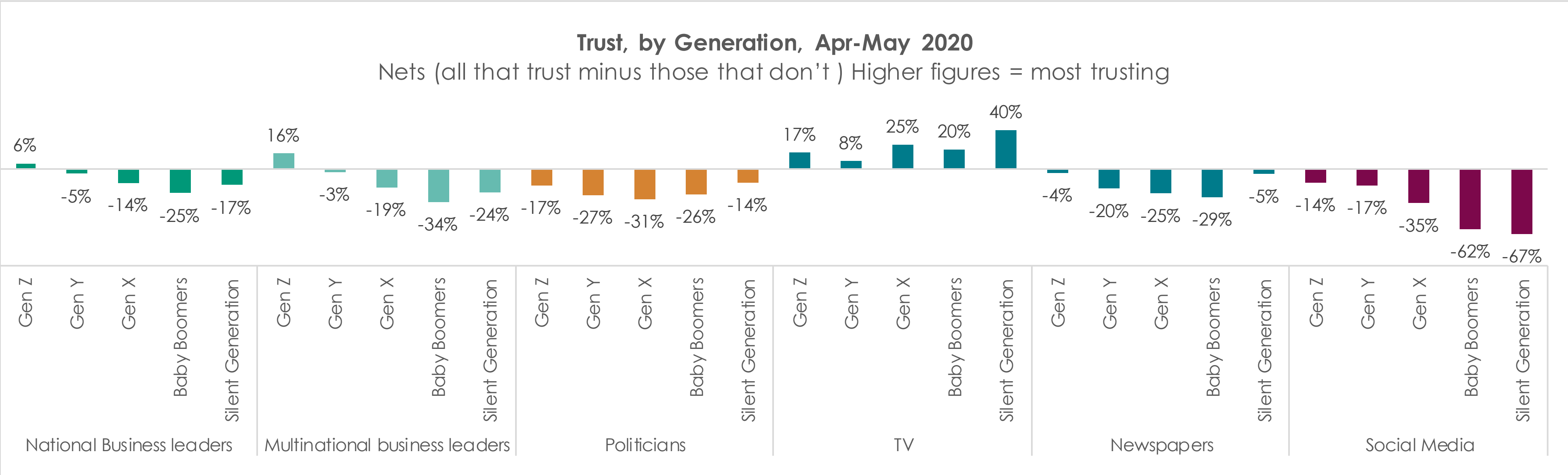
Trust

Crises such as this one prompt togetherness and deference as the population rallies around the flag to support those individuals and institutions deemed essential to recovery. However, such spirits are short-lived, and this month has seen trust decline in both politicians and the media – but not amongst Gen Z and their demographic opposites, the Silent Generation. Although separated by decades these cohorts have the most in common when it comes to trust: both are retaining higher (but still negative) levels of trust in newspapers and politicians.

Gen Z mark themselves out, however, with their views on business leaders. Here, they are the only generation with positive net trust, creating a sharp, age-based trust polarisation to match the income one identified in April's report on Pandemic Trends.

Put simply, Gen Z are looking to business leaders to get them out of the crisis – and will want the advice of big employers and businesses to influencing government decision making. They will have sympathy for the arguments of business leaders when they appeal for state support. In this regard Gen Z as a whole – who are very unlikely to earn more than £41k – are aligned with the proportion of older generations who do earn more than this figure. This polarisation will be a key facet of the post-pandemic landscape as government choices on when and how to apply support are made.



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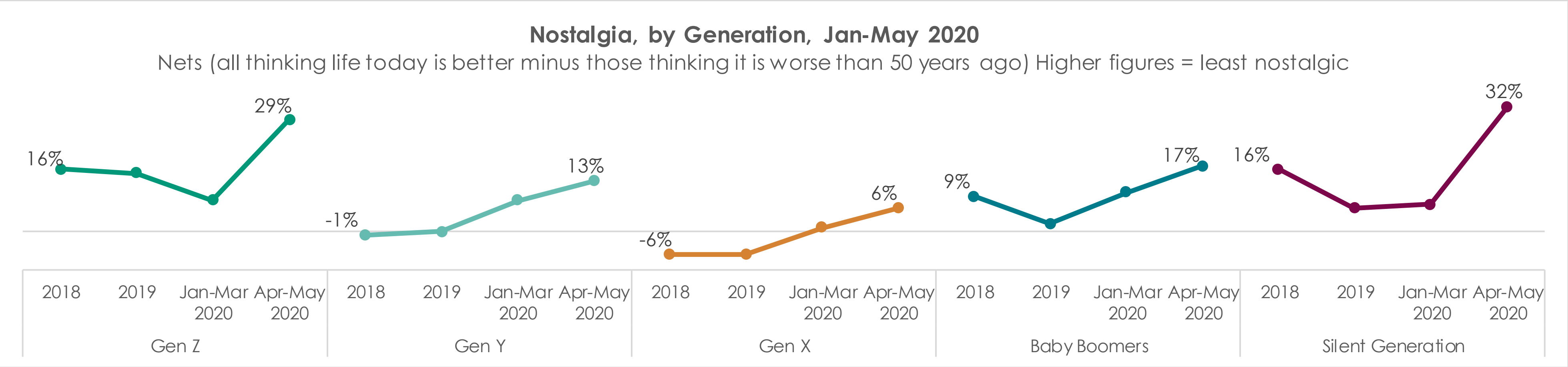
Nostalgia

Consumers might be forgiven for thinking, in the middle of a global pandemic, that life isn't quite what it used to be. Gen Z in particular might be forgiven for feeling unlucky to have been born when they did: reach maturity and independence just as a world shuts down. But UK consumers – led by Gen Z and the Silent Generation – are increasingly unlikely to feel nostalgic for the past and more likely to consider life today to have been better than it was several decades ago.

This runs counter to the strength of nostalgia in normal times and in other times of uncertainty (for example, during the financial crisis a decade ago or in the immediate aftermath of the Brexit vote). This is likely to be the result of the nature of these crises: those were political and economic, not seen as inevitable and with plenty of blame to go round. A pandemic, on the other hand, is more commonly regarded as an act of God – a challenge we just have to get through. In these circumstances, generations young and old – especially young and old – count themselves lucky to be experiencing it today rather than in decades gone by, when both digital technology and medical advances were less progressed.

This appreciation for the now and diminishing appeal of the sepia-tinged yesterday is a key change in values and one that may lead to longer term changes in outlook even beyond this current period of social and economic lockdown. Perceptions of technology are changing sharply with greater levels of tech positivity apparent in all age groups. This is a reversal of the usual terms of the debate when technology is held up as a reason – if not the reason – why yesterday is better than today. Gen Z – partnered by their allies in older generations – may yet influence a more sustained period of optimism driven by fresh recognition of trends such as this.



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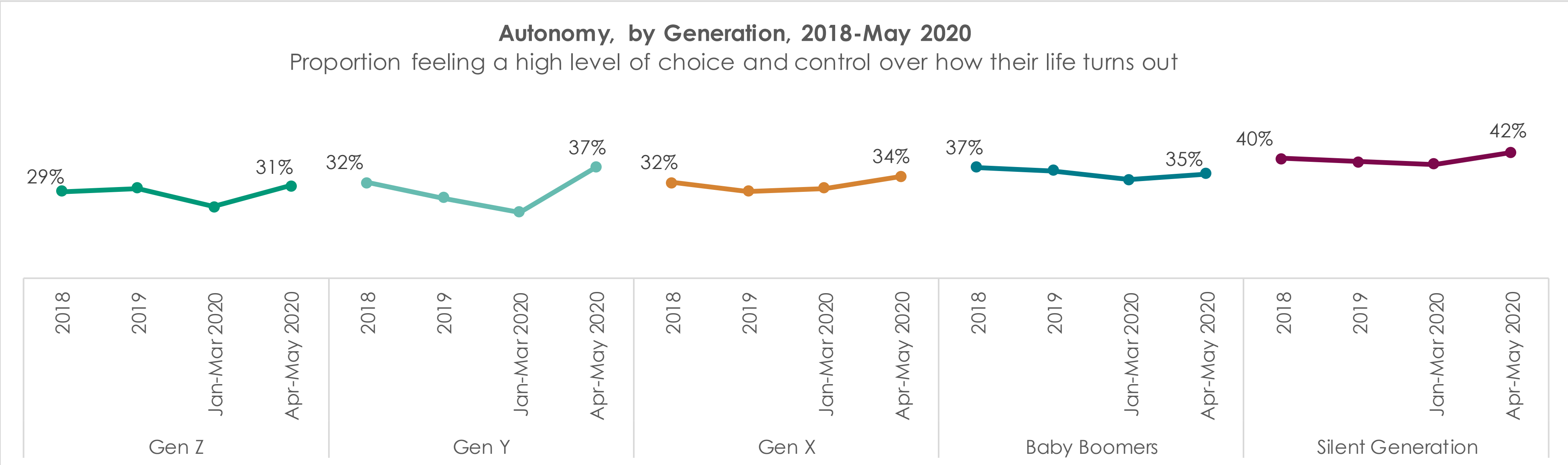
Autonomy

For all their positivity, optimism, trust and confidence, Gen Z's social values reveal a powerful chink in the armour. Of all generations, they are least likely to feel in control of their lives.

The past two months have registered an improvement on the very low figures seen at the start of the year, but this only returns them to 2019 levels. In contrast, the Silent Generation continue to record stable, high levels of autonomy, while Gen Y have seen a 15% rise since the first few months of the year.

Gen Z, it seems have more in common with Gen X and Baby Boomers on this front, although the reasons why are not immediately obvious. Gen X and Baby Boomers are demographically squeezed generations – likely to be caring for both children and elderly relatives – while also juggling financial commitments. Gen Z are more likely to have fewer financial commitments and fewer (or no) dependents. Furthermore, Gen Z autonomy is lower than either of these two generations.

Gen Z are currently characterised by positivity and optimism – a welcome perspective at the moment. But they also recognise that the trends they are subject to are more powerful than the trends they are driving at the moment. Until this changes, there will be a limit on the power of that optimism.



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Change and Continuity: an Evolving Generation

Generations are not made or formed overnight, and this pandemic has not finished influencing Gen Z just yet. But even at this early stage we can track if and how Gen Z's attitudes and behaviours are being shaped by Covid-19.

It is worth remembering that the defining event of Gen Y's formative years, the economic downturn, happened 12 years after the birth of the last member of that generation. We are at a similar place in the cycle here. Some of those impacts will be similar: a more challenging economic environment, winners and losers, competing political priorities.

But this crisis has a unique dimension: the lockdown has deprived all of us of time – with our families, friends, on our studies or in play. For children, teenagers and young adults this could be the lasting impact, and underlines the importance of their evolving values and attitudes as much as their economic opportunity or spending patterns.

Demographic Definitions	**Unchanged**. Gen Z remain highly diverse, sceptical of demographic boxes and self-defining.
Cares and Concerns	**Unchanged**. Unlike other generations, their gaze has not been lifted from the issues they cared about pre-pandemic. As others turn to worker safety and work-life balance, their key concern for businesses is the environment and they retain their global identities.
Tech Savviness	**Unchanged**. They started the lockdown best equipped to digitally replicate real world applications and are doing so – with their opinion about tech less likely to change as a result.
Confidence and ambition	**Emboldened**. They are more optimistic, sensing opportunities in the new normal and rejecting negativity, if they even hear it in the first place.
Leisure Behaviours	**Strengthened**. They are desperate to get back to leisure and are building up demand. They harbour very low levels of public health concern and, finances permitting, may return to the world with a renewed passion for out of home leisure, especially live events.
Consumer Habits	**Sharpened**. Here they are driving change as in many cases they will be forming habits rather than adapting them. Sharing, reselling and conditional loyalty all features of their tactics at present: length of the crisis will determine if these are coping mechanisms or lifelong habits.
Intergenerational Conflict	**Intensified**. Although conflict itself is not a feature of this data Gen Z have responded to this crisis attitudinally and behaviourally distinctively: their positivity and, in some cases, scepticism, see them at sharp odds with older generations. In the economic turmoil that follows, they will compete with older generations for attention and priority.

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