

Retail Practice

The young and the restless: Generation Z in America

Connected and exuberant, the newest consumer generation in the United States is beginning to define itself.

by Shruti Bhargava, Bo Finneman, Jennifer Schmidt, and Emma Spagnuolo



© John Giustina/Getty Images

As members of Generation Z (born 1996 to 2012) grow up and start to spend, consumer-packaged-goods (CPG) companies and retailers need to recognize that they are more than just a younger version of millennials (born 1980 to 1995). They are coming into adulthood with a distinct sensibility. That is one of the conclusions in our latest research report, *The new age of the consumer*. (Our report, which focuses on the US market, is part of McKinsey's larger body of work on Generation Z.)

Using the data from our May 2019 survey of 10,000 Americans, we constructed a longitudinal view of consumer behavior in 25 product categories, in four age cohorts—Gen Zers (for the first time), millennials, Gen Xers (born 1965 to 1979), and baby boomers (born 1946 to 1964). Of course these segments are far from monolithic; each is made up of multiple segments that need to be understood.

Here are some ways that American Gen Zers are different from their millennial counterparts:

- They like brick-and-mortar stores: in a sense, members of Generation Z are always shopping,

because they are always connected. They buy on any device and in any format or channel. At the same time, they are surprisingly old school. They are much more likely to shop in physical stores than are millennials, who were the first generation to grow up with online shopping and who are more likely to shop that way.

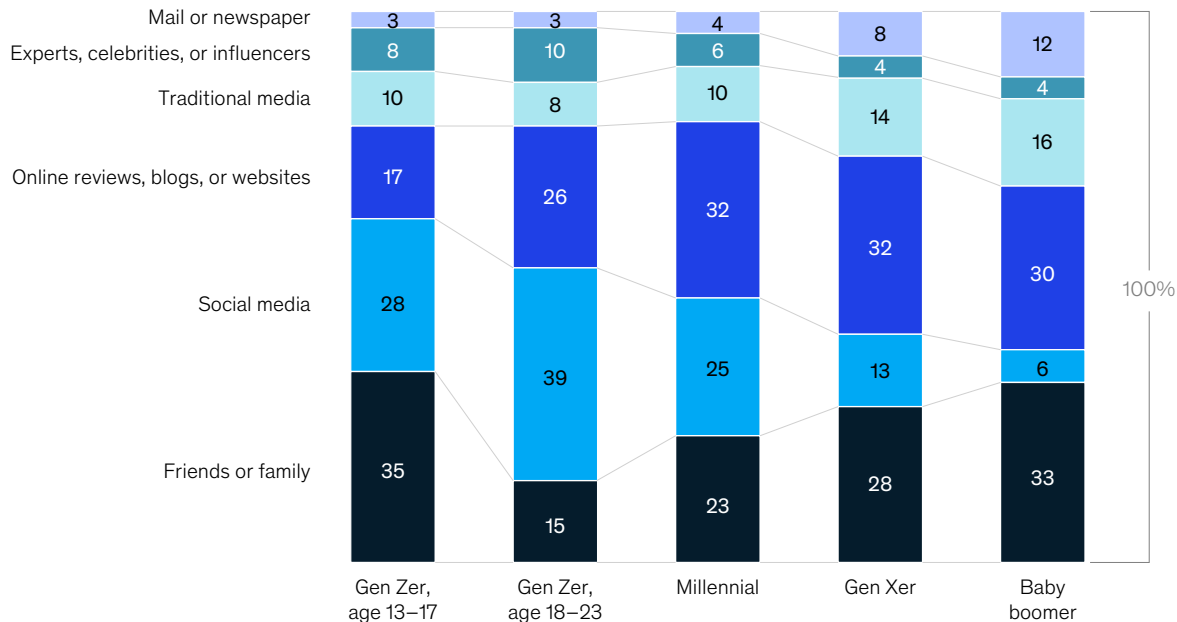
- Gen Zers want to stand out, not fit in, so brands are not as important to them. Rather, they are looking for the next unique product.
- Gen Zers care about experiences, but to them it is more important to spend on those that enrich their everyday lives, such as hobbies and home entertainment. Millennials are more likely to splurge on things like travel and luxury hotels.
- Almost 40 percent of adult Gen Zers (age 18 to 23) say their purchasing decisions are most influenced by social media (exhibit). For millennials, not so much.

This is not the first time we have looked at consumer behavior by generation. In a 2017 report, *Cracking the code on millennials*, we surveyed 11,000 Americans and concluded that millennials were discernibly

Exhibit

How does Generation Z decide what to buy?

Influences on buying a product or brand, % of respondents



Note: Figures may not sum to 100%, because of rounding.

Source: McKinsey US Generation Z Survey 2019

different from both Gen Xers and baby boomers. For example, millennials were spending on experiences but not at the expense of material goods. Indeed, they outspent other cohorts in many key categories, such as apparel and footwear. Millennials were also more willing to pay a premium to get exactly what they wanted and were less influenced by brand-owned messaging when it came to deciding what to buy.

Drawing on our findings from the two surveys, we conclude that America's Gen Zers are accelerating a number of trends that millennials started, such as social-media engagement and the desire for authenticity. At the same time, they are establishing

their own niche. For example, while both age groups look to social media, they do so differently: millennials are more apt to consult the hive mind—the online collective—whereas Gen Zers seek out those they believe are in the know.

As these cohorts get older and richer, CPG companies and retailers will need to appreciate what makes them tick—and what makes them unique—to build successful strategies.

Our full report, [The new age of the consumer](#), will be released later this year on [McKinsey.com](#).

Shruti Bhargava is a senior expert in McKinsey's Philadelphia office, **Bo Finneman** is a partner in the Miami office, **Jennifer Schmidt** is a senior partner in the Minneapolis office, and **Emma Spagnuolo** is an associate partner in the New Jersey office.

Designed by Global Editorial Services
Copyright © 2020 McKinsey & Company. All rights reserved.