Global Intelligence

Generation Z is Not the Next Big Thing

Why we need to Rethink Targeting

Zenith
The ROI agency

About Zenith

Zenith is The ROI Agency. We blend data, technology and brilliant specialists to scout out new opportunities, solve complex challenges and grow our client's businesses. Zenith is part of Publicis Media, one of four solution hubs within Publicis Groupe. We have over 6,000 brilliant specialists across 95 markets. We are experts in communications & media planning, content, performance marketing, value optimisation and data analytics. Zenith works with some of the world's leading brands including Coty, Electrolux, Essity, Kering, Lactalis, Luxottica, Nestlé, Nomad Foods, Oracle, Perrigo, RB, and 21st Century Fox.

Contents

04 *Rethinking Targeting*

06 *Behavioural Targeting*

10 *Disposable Income*

14 *Attitude & Mindset*

18 *Perennial Marketing*

Rethinking Targeting:

The Move to Perennial Marketing

Recently, marketing guru Gina Pell coined the term Perennials, "because age ain't nothin' but a number". Her argument is that the days of targeting media and products at people based on their age is over.

Perennials in her mind are ever-blooming, live in the present time, know what's happening in the world, stay current with technology, and have friends of all ages. Perennials she says are not defined by age but by mind-set. At Zenith, we believe that marketers should take this Perennial approach, eschewing age in favour of targeting not just mind-set but also behavioural change and disposal income.

We especially need to think 'perennially' about targeting because in recent years there has been a fundamental shift in media consumption and a revolution in the way media is traded. Historically, reaching young people was hard as their media was scarce. The only way to socialise was face to face, this meant their consumption of media was limited. Today, the mobile revolution (see table 1 opposite) means that the young connect in the virtual media world of messaging and social media apps, leading to massive declines in 'hanging out' since 2011 (see table 2) and providing an abundance of youth media opportunities.

This same revolution has led to a fragmentation of audiences across multiple platforms and devices, making all audiences hard to reach through historic targeting approaches on traditional media. When you buy traditional broadcast media, what you buy is the media exposure of the audience. The price is based on the delivery of your specific target audience, but you reach other people exposed to the media. As young people are pre-occupied elsewhere, broadcast media consumption was - and still is - biased in favour of older consumers, which used to mean a high advertiser demand for younger audiences.

When you buy new addressable digital media, such as programmatic display and social, what you buy is an individual's exposure to ads across different media and platforms. This is priced just on the individual ad exposures of the specific target audiences, with other individual exposures being sold to other advertisers. Unlike broadcast media, if you buy a young audience, you are only reaching that audience. The reason that this is an issue is that compared with other targeting opportunities available today, age is a poor proxy for potential sales conversion. This is why we need to adopt a perennial approach to targeting focusing on behavioural change, disposal income and, of course, mindset and attitude.

Table 2

Huge decline in teens hanging out

Times per week teenagers go out without their parents

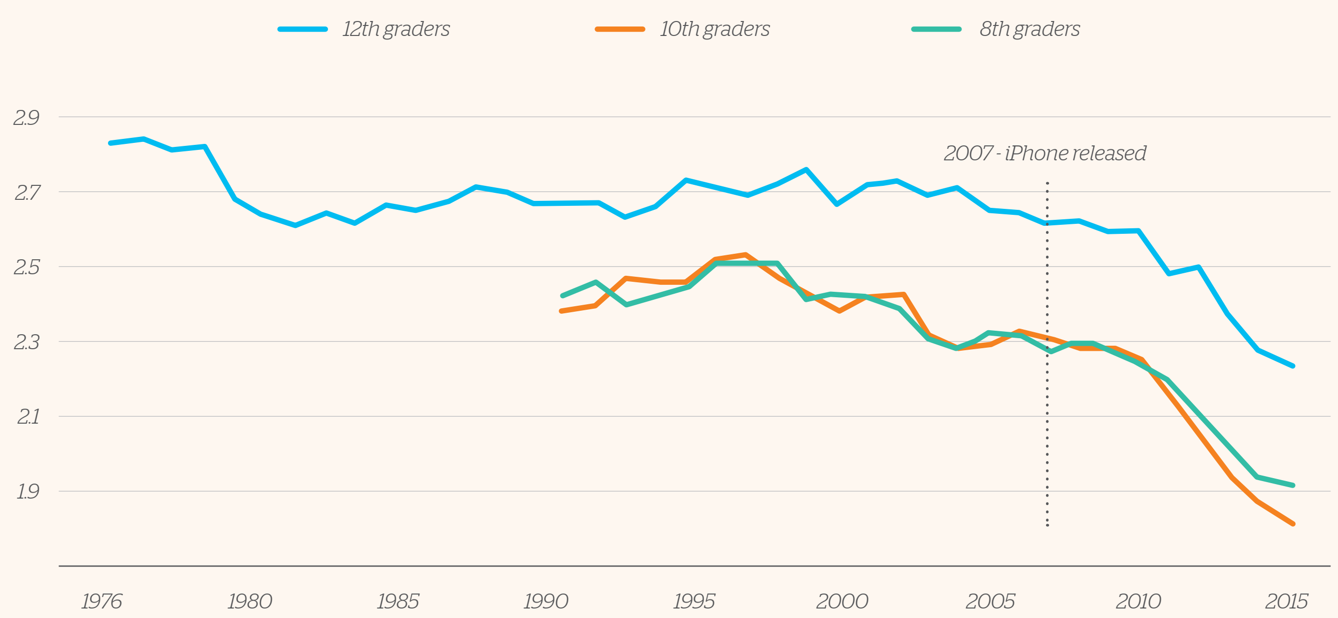


Fig 2

Implications for Marketers

- Due to the transition from hanging out offline to hanging out online, youth media is no longer scarce
- Addressable media means that you only reach the individuals you target, which means that you need to be more precise on your buying audience definitions
- Compared to the new options available, targeting by age is poor proxy for potential sales

Table 1

The mobile revolution

In 5 years, time on online mobile by 16-24s has doubled

3hrs 12m	**Europe**	+124%
3hrs 20m	**USA**	+101%
4hrs 4m	**ROW**	+114%

Fig 1

Source GWI

Behavioural Targeting:

The New Life Stages

One of the biggest drivers of behavioural change is a new life event. Previously most defining changes happened before the age of 35. Now, we are living longer and have more changes throughout life… with profound implications on marketing.

> *"In the 20th century, our 20s were the defining decade of adulthood. It was said that 80% of life's most defining moments took place before 35."*

If behavioural economics through Daniel Kahmemen's *Thinking, Fast and Slow* has taught marketing anything, it is that we are creatures of habit. Once we get into a habit, our brains make it hard to break. So the secret of brand growth is to win at the point of change. One of the biggest drivers of change in behaviour (see table 3) is life event/lifestage change. This is true across a huge array of categories from automotive, bank accounts, alcoholic drinks to mobile phones and beyond.

Seismic shifts leading to multiple life events

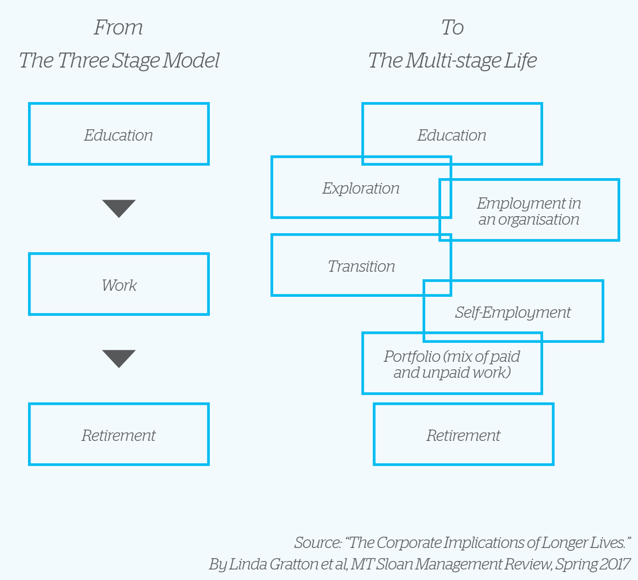


Table 4

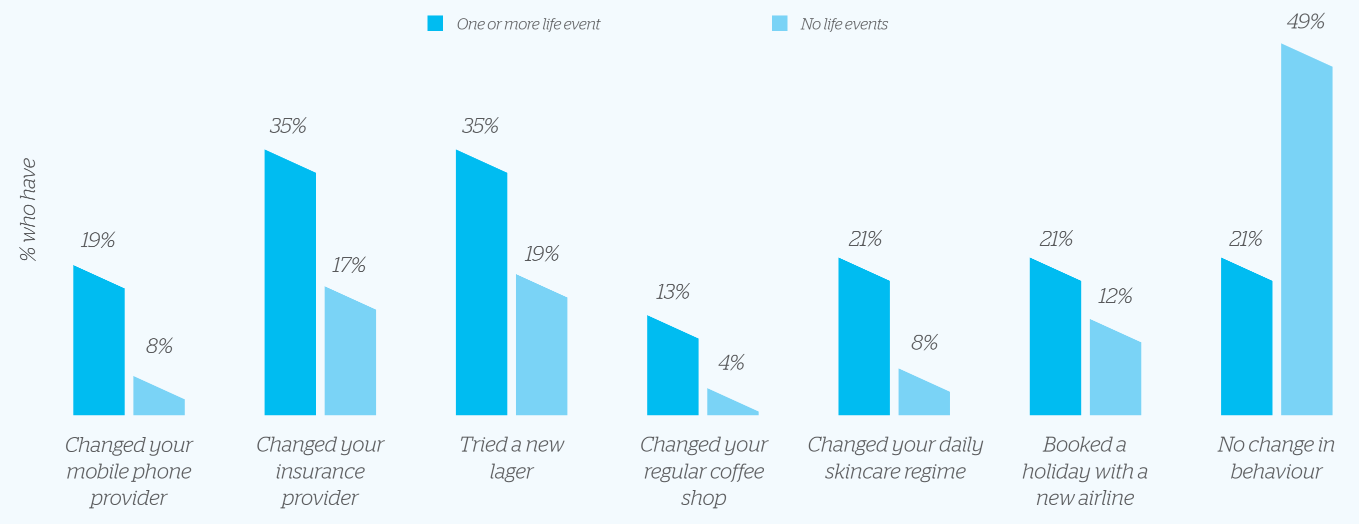
In the 20th century, our 20s were the defining decade of adulthood. It was said that 80% of life's most defining moments took place before 35. Two thirds of lifetime wage growth happened during the first ten years of a career. More than half of Americans were married or were dating/living with their future partner by age 30. Just think about the brand changes that you went through at key points in your life: becoming a student, getting a new job, starting a new relationship or even divorcing. On this basis, as people went through three lifestage changes (study, work, retirement), targeting twentysomethings made a lot of sense.

The 21st century has seen seismic societal, cultural and technological shifts. This has forced society to evolve from a three-linear lifestage (see table 4) to multi-stage life and an unpredictable future. This has been reflected by the 'gig economy', later marriage, older mums and same-sex parents becoming part of the new normal. Increasing lifespan is challenging conventional lifestages. It is estimated that half the babies born in wealthier countries since 2000 may reach their 100th birthdays

Life events are the biggest drivers of behavioural change

Which of the following have you done recently?

Table 3



Source: Google Consumer Survey, n=1121

(source: Human Mortality Database, 2018). This increased lifespan makes life a marathon, requiring careful pacing to stay fully engaged, with sufficient resources in terms of money and health to enjoy it. Both Dick Bollies in his book *The Three Boxes of Life and How to Get Out of Them* and Lynda Gratton & Andrew Scott in their award-winning book *The 100-Year Life* stressed that the three-stage linear trajectory lifestage - education, work, retirement - is no longer relevant. Bollies argues that learning, working, and playing should be part of every day, regardless of our age. While Gratton & Scott believe that for individuals to enjoy the gift of long life, they will have to yield to a multi-stage life that involves repeated changes of direction and attention. Material and intangible assets will need upkeep, renewal or replacement. Skills will need updating, augmenting or discarding, as will networks of friends and acquaintances. Earning will be interspersed with learning or self-reflection.

In this new world, twentysomethings will no longer have the monopoly on lifestage changes. So it is more important than ever to focus on what matters: the changes in lifestages and events that drive brand behaviour change. As we conduct our lives online, these change moments are easy to identify, predict and target. In fact, when we think about it, older 'middle' aged people might change behaviour less often, but when they do they stay in a habit for longer, so the change has a longer lifetime value.

This means that we shouldn't simply swap one demographic for another. In this new addressable world we should take the Perennial approach, targeting people prior to or at key lifestage events to win at point of change.

Implications for Marketers

- 21st century behavioural science has taught us that the key driver of brand growth is winning at the point of change
- Changes in life span, society & expectations mean that life change is no longer just a twentysomething thing. Furthermore, when older people change habits, they stay with brands longer
- As we lead our lives online, we give signals about lifestage events, which can be targeted to win at point of change.

Disposable Income:

The Rules Have Changed

High disposable income made young baby boomers very attractive to marketers. Today, many young people are struggling to find work and future spending power is shifting to the older generations.

> *"The young are eschewing income and frivolous spending today, instead investing their time in studying while taking on debt to pay for increasingly costly education."*

Disposable income was what originally made young baby boomers so attractive to advertisers. Historically, young people worked - either on holiday or direct from school - unlike unpaid internships today. With little reason to save and no dependants or responsibilities, they were a marketer's dream. Today, significant paid work for young people is a thing of the past. In 2016 just 43% of American 16- to 19-year-olds were working in July, during the summer holidays—down from 65% two decades earlier. Teenagers now have other priorities. Thanks to the minimum wage in many markets, pay has improved from previous years but it is still a pittance next to the cost of university tuition or the large and growing wage differential between professional-level jobs and the rest. The drop in summer working has been mirrored by a rise in summer studying and internships. More teens attend school during the summer now than in previous years. The proportion of teenagers enrolled in July 2016 was more than four times higher than it was in July 1985—42.1% versus 10.4%. Today, teenagers and young people around the world are more focused on academic work and job readiness. Across the OECD club of rich countries, the share of 25- to 34-year-olds with a tertiary degree rose from 26% to 43% between 2000 and 2016. This, combined with the increasing cost of further education, means that the young are eschewing income and frivolous spending today, instead investing their time in studying while taking on debt to pay for increasingly costly education.

Thanks to better education and improved nutrition, intelligence tests show that younger generations are brainier than previous ones - especially in the much sought-after areas of problem solving. Yet this does not translate into better job opportunities.

In most regions, millennials are twice as likely as their elders to be unemployed. Not only is the job market more competitive than ever, in many countries employment rules favour those who already have a job. Rigid labour laws in many developed markets are tougher on younger workers. People without much experience find it harder to demonstrate that they are worth employing, and when a company knows they cannot easily get rid of poor performers, they become reluctant to hire.

The housing market also works against the young - compared to previous generations - on four levels: the higher cost of rent as a proportion of disposable income, the smaller sizes of affordable accommodation, the lengthening commute to affordable areas, and the huge increase in the time needed to save for a deposit on a mortgage (see table 7 on page 13.)

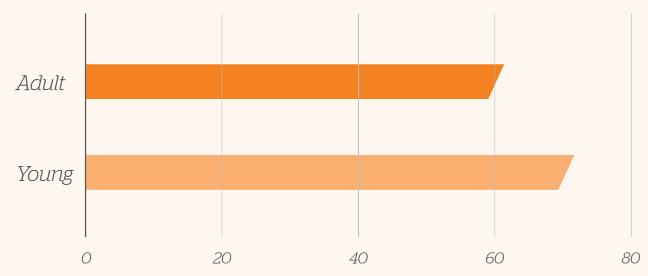
Constraints in the supply of housing in mega-cities where many of the good jobs are located exacerbate these factors, reducing disposable income and the time and space to enjoy it. And it doesn't end there. Unlike baby boomers with fixed salary pensions, or gen Xers with safe jobs and valuable property, these younger generations will need to save more to fund the cost of their 100-year-life. To make matters worse, in rich countries, public spending favours pensions and healthcare for the old over education for the young, paid for by borrowing today which the young will have to pay for tomorrow.

Sadly, younger generations are not doing all they can to help themselves; typically voter turnout around the world is nearly half among 18-24s compared to the over-65s.

It is therefore no surprise that young Brits are experiencing the tightest squeeze on household spending since 2000 and now consume 15% less than older workers on items other than housing (source: Resolution UK, 2017). This finding of a consumption 'youth deficit' is in stark contrast to common

The young are better suited to today's jobs

Ability to deal with new changing technologies by age group



Source: US Bureau of Labor Statistics, Consumer Expenditure Survey 2008, Japan Statistics Bureau; Statistisches Bundesamt; BCG analysis.

Table 5

The 55+ market will account for a significant share of consumer spending growth

Consumer spending $ trillion

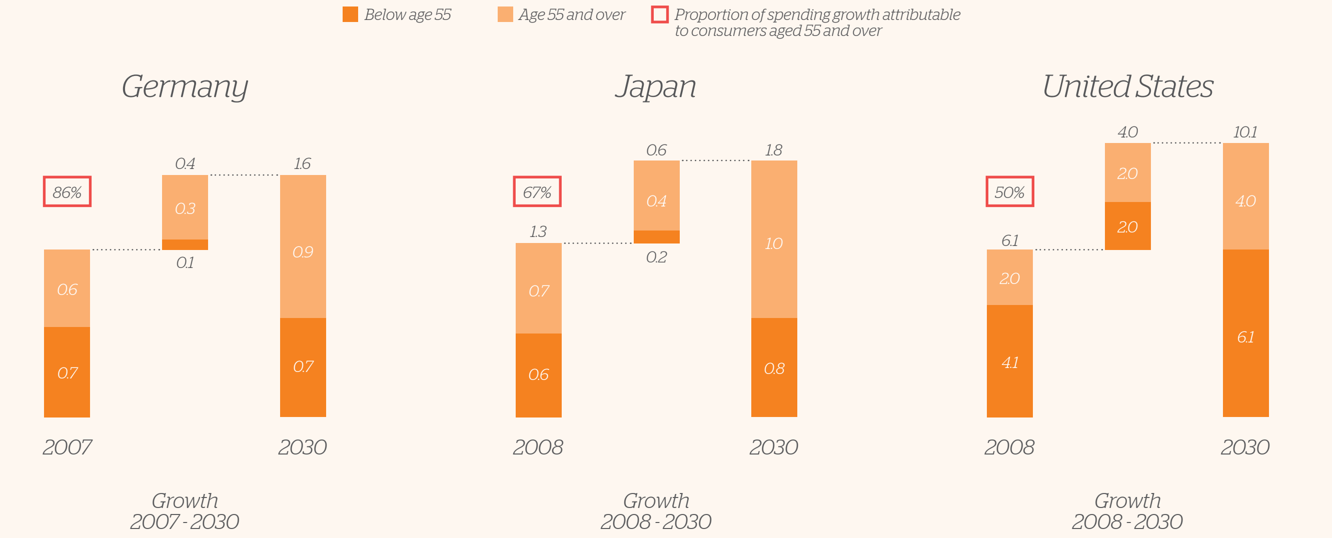


Table 6

Source: US Bureau of Labor Statistics, Consumer Expenditure Survey 2008, Japan Statistics Bureau; Statistisches Bundesamt; BCG analysis.

media claims and marketing perceptions that today's young are spending like there's no tomorrow. The strongest future growth potential in spending however lies not in these older workers but in older people in general.

In less than five years, 50% of the US population will be over 50. Not only that, but they will control 70% of the nation's income and stand to inherit $15 trillion in the next 20 years. Yet for most brand marketers, the over 45s are not seen as having any growth potential. It might surprise them to know that in the 1970s, baby boomers were the first twentysomethings, nicknamed the 'me generation' as they intended to spend their money on themselves. Consumption amongst those aged 60 and over rose 50% compared to those under 30 over the past two decades, according to Eurostat. In the coming years, over 55s are expect to represent 50-86% of consumer spending growth (see table 6).

This generation of empty nesters is rediscovering the joys of youth while those who never had kids are still indulging. Americans over 60 are divorcing at twice the rate as in 1990, and in UK it is three times. In the US, 55-64 year-olds are 65% more likely to set up a business than 20-34s (Kauffman Foundation). We expect these major life events to translate into changes in brand behaviour. After all, the over-50s represent 40% of adventure travellers (Adventure Travel Trade Association). Behaviours like these suggest that many are looking for something different.

This does not mean that we should be targeting baby boomers exclusively despite their increasing prosperity. In the world of addressable advertising we should be 'age-blind' and take a perennial approach. If we want to target disposable income, we should be looking at targeting people with the income, brand inclination, time and space to enjoy the experience, irrespective of age, gender or any other outdated targeting label.

Implications for Marketers

- The young no longer work, instead they invest in education & internships to get good jobs
- Although the young are better educated, older generations have biased the job market in their favour
- This generational shift in wealth now means that older people are more likely to have disposable income

Fig 5

Table 7

Quadruple Whammy - Youth losing on every dimension

Millennials - GenX - Baby boomers

23% - 21% - 14%

Age 25 Income Spent Of Housing vs

1996 - 2014

40m² - 32m²

Av. Visible Space Per H/H Member for under 45s

Millennials - GenX

28 Mins - 26 Mins

Age 25 Mean Travel Time To Work

1988 - 2003 - Now

4yrs - 8yrs - 19yrs

Av. Time Saving For Deposit for Young H/H aged 27-30

Source: Resolution Foundation 2017

Attitude & Mindset:

Who Are The New Disruptors?

Historically, young people were the disruptors, the trend setters. But today's young people are more like conformists trying to beat the system. Marketers need to rethink their obsession with youth.

> *"Many things considered by marketers to be youth disruption are not truly disruptive and probably were never that youthful."*

Historically, advertisers targeted young people because they were the people who changed how we view brands and the culture around them. The young have traditionally been the disruptors in society, from the rock & rollers in the fifties, hippies & revolutionaries in the sixties and punks in the seventies to slackers in the 1990s. This was expressed in misbehaviour brought on by 'Sex and Drugs and Rock 'n' Roll'. The young today think and behave differently from previous cohorts of the same age. Younger generations are becoming more conformist. These shifts can be seen in almost every developed country from US to South Korea and are accelerating.

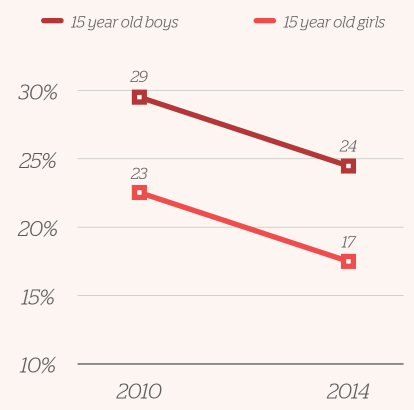
Teenagers start drinking alcohol later and are getting drunk less often. Since 1998, the age when young Australians first try alcohol has risen from 14.4 to 16.1. Since 2002, the proportion of 15-year-olds getting drunk more than once has more than halved [see table 8]. In the UK, 20% of 16-24s are teetotal. Teenage drug use of any sort is also falling, including alcohol, tobacco, cannabis, inhalants and sedatives, dropping from 89% to 69% in Sweden and 77% to 39% in Iceland [see table 9].

Maybe as a result, young people are also having less sex [see table 10]. In 1991, 54% of US teenagers aged 14-18 claimed to be sexually experienced, compared to 41% today. Across the same period, among 20-24-year olds those abstaining from sex increased from 6.3% to 15.2%. Japan is even more extreme: in 2015, 47% of unmarried men aged 20-24 had never had sex, up from 32% in 2002.

Table 10

New Conformists

Averages reporting sexual intercourse, 2010 and 2014



Source: WHO 41 countries

New Conformists

Behaviour and attitudes of 15-year-olds
Average of boys and girls, % of total

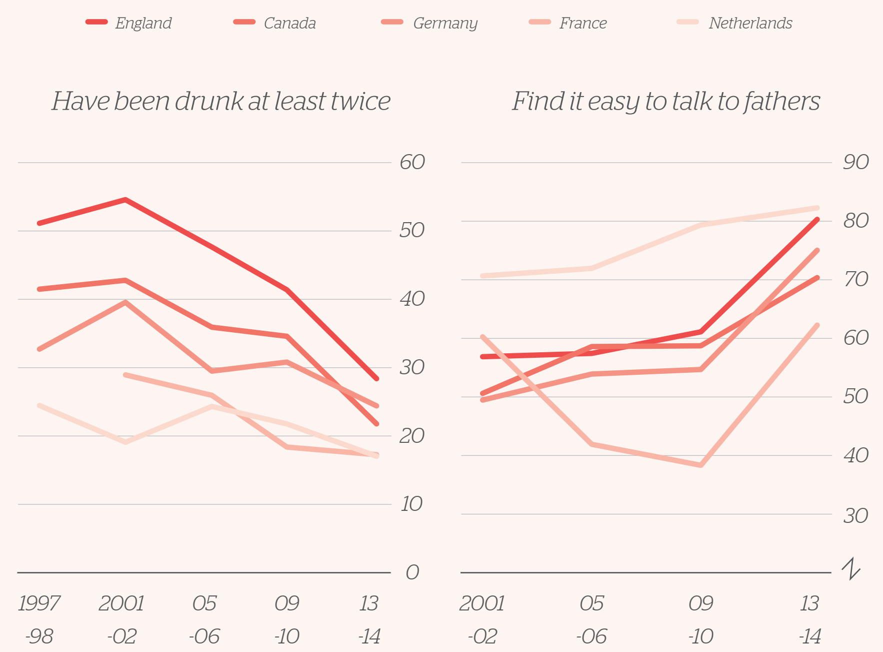


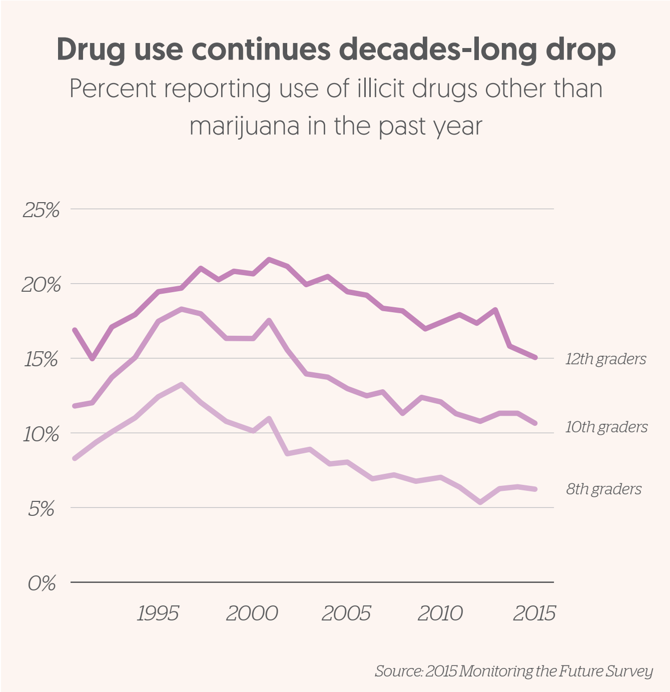
Table 8 | Table 11

Source: WHO, Health Behaviour in School-aged Children Study

Much of this is a function of more intense parenting. A study of 11 western nations published in the *Journal of Marriage and Family* found that since the sixties, the time mums spent on childcare has increased from 54 minutes a day to 104, while time spent by fathers has nearly quadrupled to 59 minutes per day [see table 11]. This doesn't include the time these 'helicopter' parents spend tracking their offspring. Surveillance by mobile, whether by technology in their phone or from their 24-7 presence on social media, means that there is little room for rebellion.

As a result, the young of today are conformists trying to beat the system rather than disruptors trying to break it. From K-pop to YouTube Stars, today the youth play inside the box. Many things considered by marketers to be youth disruption are not truly disruptive and probably were never that youthful. Take UK 'youth' music festival Glastonbury. When it started, the median age of attendees was 34. Now it's 40. Brands, like music festivals, just need to feel young at heart rather than be exclusively young.

Table 9



In the business world, it is widely believed the most successful entrepreneurs are young, like Mark Zuckerberg with start-ups like Facebook. The *Harvard Business Review* tells a different story. Its analysis shows the founders of the fastest-growing start-ups were on average aged 45. In the music world, according to *Music Business Worldwide*, today's biggest pop stars are aged 38. While the average blockbuster movie star, according to blogger Stephen Fellows, is 45, up five years over the past decade.

So the marketing industry needs to get over its obsession with youth. The historic truths and the conventional wisdom that supports them are no longer relevant in today's world of digital transformation. Young people are easier to reach thanks to an abundance of youth media. Thanks to lifestage changes, their appetite for new brands may be bigger but the older consumer may have longer lifetime value, so we should focus on winning at the point of change not generation. The young have diminishing discretionary income so we need to focus on older age groups. Finally, the young are not the source of disruption, we all are!

Implications for Marketers

- The young are no longer a rebellious disruptive force in society
- Disruptive marketing approaches are not exclusively young and historically have been confused with 'young at heart'
- Appealing to disruptive forces in society is about targeting rebellious attitudes and mindsets rather than the young today, who are very conformist

Perennial Marketing:

The New World of Mass Personalisation

So rather than talk of millennials or Gen Z, we should think about how to leverage digital transformation to maximise the growth of brands based on what makes them appealing in the new world of mass personalisation. The interesting thing about successful 'millennial marketing' has not been the reach of the demographic but rather the appeal of modern marketing approaches to a broader consumer base.

So how should we express an approach that targets people by their attitude and behaviours rather than age?

Take the re-invention of Gucci over the past few years, which saw H1 2017 revenue up 43% and operating income up 69% year-on-year. It could be said that the sleepy sexy look and gender fluidity that Creative Director Alessandro Michele pushed resonated with consumers, but there is a lot more going into the house's revamp than a change in aesthetic.

Michele never went out to appeal exclusively to the under 35s, even though 50% of Gucci sales are to this demographic. Instead he created something new and fresh that appealed to 'quirky optimists' – and not just the clothes, but importantly the way in which they are communicated. Michele went on record to say that Gucci isn't trying to make a political statement, and fashion observers commented that the new collection is about having fun, with figures like American actress Hari Nef embracing the new Gucci on their social media channels.

Christina Binkley of the *Wall Street Journal* talks about Gucci as the celebrity's go-to brand of the moment "because it's the hottest brand around, their photos go viral when they wear it, and Gucci is brilliant about working with celebs."

Appeal to millennials is the by-product of good perennial targeting. Taking a step back and looking at the bigger picture, Gucci is simply doing it right from every angle: public relations, the right amount of accessibility, celebrity endorsement and street-style endorsement. Michele simply set out to "make Gucci a 21st century statement of contemporary coolness." Just because millennials came of age in this century does mean not that they are only ones who 'get it'.

Implications for Marketers

- Modern marketing approaches, while labelled as appealing to a specific generation, appeal to forward thinking individuals of all ages
- Digital transformation allows for better brand experiences, which are increasingly important to today's consumer
- Winning is about identifying the audience for growth, appealing to their mindset and winning their point of change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