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New Strategies to Engage Millennials and Generation Z in Times of Uncertainty

Lan Ha and Alison Angus

08 March 2021

Millennials (born between 1980-1994) and Generation Z (born between 1995-2009) account for 46% of the global population in 2021, making them the most important consumer segment. Engaging millennials and Generation Z (Gen Z) has become more challenging after the outbreak of the Coronavirus (COVID-19) pandemic, as many young people experienced worsening education, employment, and income prospects, and a rise in stress and anxiety. Engaging young consumers, however, has never been an easy task for business, given these cohorts' unique characteristics and diversities. Both generations have high expectations for technology and innovation and increasingly value experience over things while being progressive and socially responsible. These are characteristics that have driven a shift in today's consumption from conspicuousness to consciousness. They are also real activists and can influence older generations.

To stay relevant to young consumers in times of uncertainty, companies should focus on four pillars of engagement strategy: Innovation, Price, Values, and Activism.

Collaborative Innovation to Leverage the Creativity of Young Consumers

Young consumers are constantly looking for products and services that are new, exciting, and accessible. They want to be a part of the innovation process, collaborating with businesses to get what they want and need. Gen Zers in particular want to maintain fun in their lives, even more so since being cut off from friends during COVID-19 and millennials want convenient solutions and safer out-of-home experiences for their young families. As a result, alternative channels to shop, play, and live are evolving; social media, virtual venues, e-sports, and digital gaming, alongside safe out-of-home venues and social distancing pods for exercise, dining, and festivals. These new platforms, as well, as new services such as virtual try-on or in-store fitting appointments, will enhance lifestyles in the future as they sit alongside normal pre-COVID-19 routines.

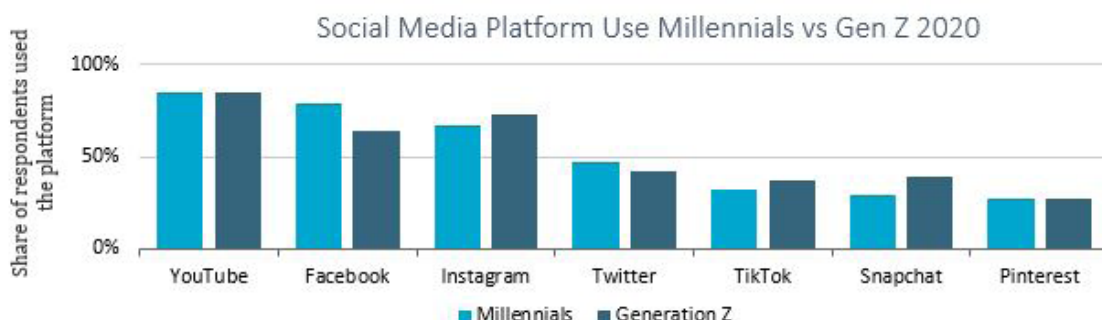
Highlights

- This issue provides the insights of Euromonitor International's Lan Ha and Alison Angus on new strategies in engaging younger consumers during this COVID-19 pandemic.
- The report thoroughly discusses how the Millennials and Generation Z are expecting more technology and innovation-driven products and services. These generations are also particular in being progressive and socially responsible which also reflects on the brands and products that they support.

Price Strategy to Align with New Value and Affordability Perceptions

Even before the pandemic, Millennials and Gen Z consumers' perceptions of value were already multi-dimensional, as it did not depend on pure price or quality, but also personal and societal values such as uniqueness, wellbeing, and sustainability. Now amid the pandemic and recession, as many young consumers have seen their income declining, value and affordability will be increasingly important factors informing their purchase decisions. In 2020, the global average annual gross income of people aged 25-29 dropped by 6% in real terms.

However, as the level of price sensibility varies across different income groups, there will be no one-size-fits-all strategy. Businesses and brands will need to reassess their target consumer group's perceptions towards affordability and refine their value and price strategies accordingly to meet their new needs and priorities. Overall, risk-averse young consumers will seek products and services that deliver value and quality as well as peace of mind for them.



Source: Euromonitor International Digital Consumer Survey 2020

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Connect with Young Consumers' Values and Priorities

Millennial and Gen Z purchase decisions are defined by their values and life priorities. Companies should embrace the similarities between the wants and needs of both cohorts when developing and renovating products and services but must also understand and accommodate differences between them, especially in this new normal brought about by the pandemic.

Covid-19 hit these progressive cohorts hard, forcing many to reassess their situations, their ideals, and expectations both now and for the future. New routines and needs have evolved around wellness, self-improvement, and new ways of doing things. COVID-19 has proven that not only is change possible, but it can also happen quickly, driving young consumers' determination to do things differently and build back better for themselves as well as the planet and society.

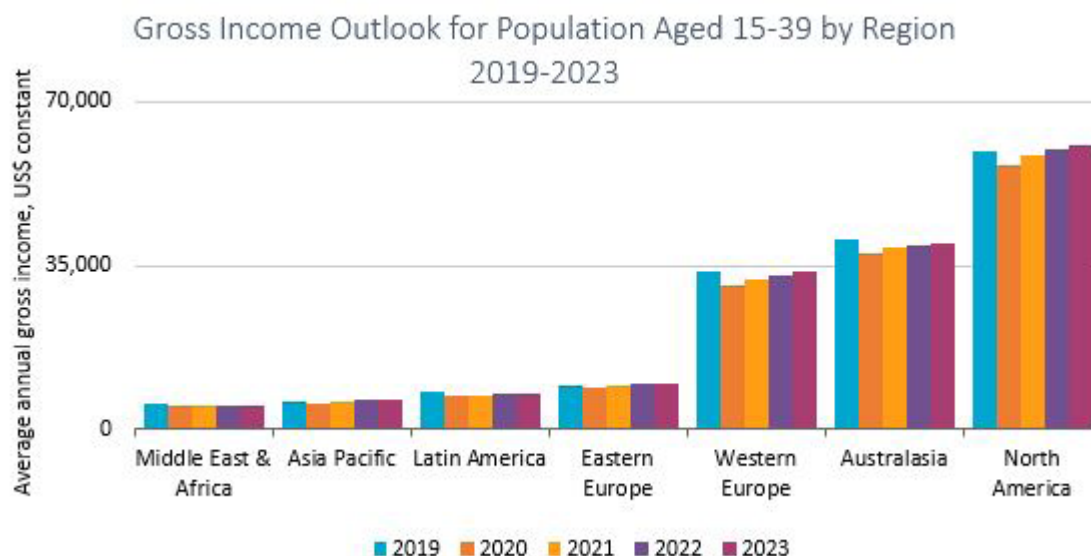
New Young Activists are Demanding Change for Both People and the Planet

Determined millennials have been joined by anxious, angry, and highly expressive Gen Zers who are taking activism online via social media and digital gaming, building larger communities of activists for greater impact. According to Euromonitor's 2020 Lifestyles Survey, 48% of Gen Z and 46% of millennials said they would be more engaged in their community in

the next five years. Lockdowns and restricted living have intensified their discontent. Dejected and vulnerable, they are outraged by yet another global crisis that has disrupted many areas of their lives. They have run out of patience and are fighting back. Consumers expect businesses to be more visible, active, and transparent. They are choosing to boycott brands that do not mirror their values and instead, are switching to those that are taking a stand on environmental and social issues.

The Gross Income of Young Consumers Remains Squeezed in the Short Term

With the pandemic having deep impacts on the economy and employment, young consumers' income growth will remain subdued in the coming years. In all regions, except the Asia Pacific and Eastern Europe, millennials and Gen Z's average gross income is expected to return to a pre-pandemic level only in 2023 or even later. But despite a slowdown in young consumers' income growth, the future consumer market will continue to be shaped by millennials and Gen Z. To successfully engage with young consumers in the new normal, businesses must adapt to agile innovation and redefine their strategies to align with the new priorities and values of young consumers. ■



Source: Euromonitor International from national statistics.

Note: Data from 2021 are forecasts.

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