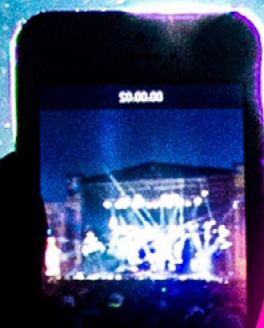


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GEN Z: THE TOTALSOCIAL[®] GENERATION

September 2018



MARKETERS HAVE AN INHERENT FASCINATION WITH THE NEXT BIG THING, AND THE NEXT BIG THING IS GENERATION

According to [AdWeek](#), “Generation Z is widely recognized as the next consumer powerhouse,” in large part because they are expected to account for [40 percent](#) of all consumers by 2020, and because they are assumed to be different from the Millennial generation that precedes them.

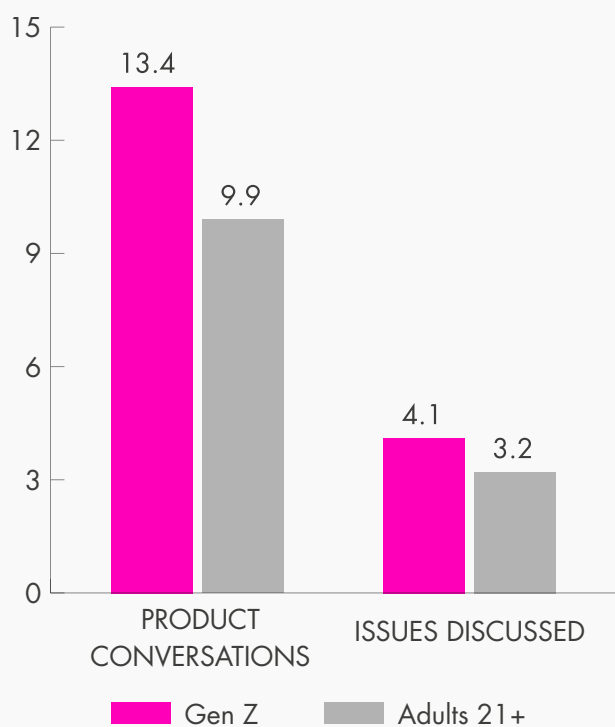
Generation Z is the generation following the “Millennials,” born in the 21st century, and still teenagers today. Generation Z has become the topic of many sweeping generalizations—often based on anecdotal evidence. In this report, we reveal the first comprehensive analysis based on listening to the actual conversations of Generation Z.

THE NEXT SOCIAL POWERHOUSE

Conversations are powerful. They drive about 20 percent of consumer purchases, and half that impact comes from what gets talked about on social media and half from offline conversation. For that reason, our analysis includes not only social media, but also what Generation Z is talking about face-to-face, in the real world.

Conversations can also predict elections. In her book, *What Happened*, Hillary Clinton pointed to conversation data from Engagement Labs as providing critical evidence for her thesis that the James Comey letter of October 2016 was the single biggest factor in the outcome of the election.

HOW MANY DAILY CONVERSATIONS



Source: Engagement Labs TotalSocial®

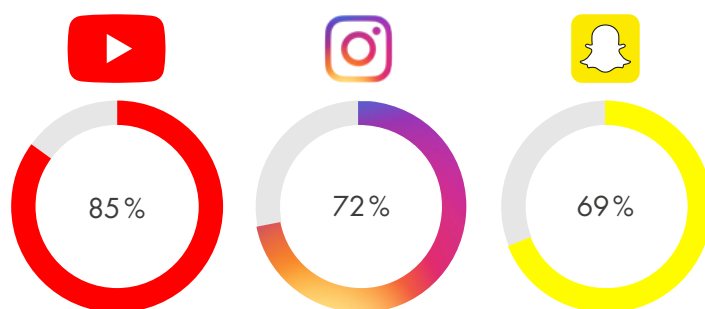
THE HIGH VOLUME OF CONVERSATION REVEALS TWO THINGS ABOUT GENERATION Z:

Their **wide-ranging interests**, and their **desire to share those passions with somebody else**, both online and offline. Gen Z is the TotalSocial® generation.

SO, WHAT DO CONVERSATIONS TELL US ABOUT GENERATION Z?

It has become a cliché to call these young Americans a “social” generation. According to Pew, 95 percent of them have a smart phone, and 45 percent claim to be “constantly” online, mainly on Snapchat, YouTube, Instagram, and other social media platforms. Fully 85 percent use YouTube, 72 percent Instagram, and 69 percent Snapchat*.

GEN Z USAGE OF SOCIAL PLATFORMS



Source: Pew Research Center

But Generation Z is not just a social media generation—they are supremely social offline as well. Indeed, conversation data suggest a group that highly values face-to-face social interactions in restaurants and neighborhood stores, while shunning chatter about the automobile that until recently played a central role in the “*rugged individualism*” of our 20th Century, post-war culture. Children of the 21st Century, Gen Z shows all the signs of more fully embracing the idea that they are part of a community. They are not simply individuals on a path to self-actualization. They seek social-actualization.

For all the impressive statistics about social media use among Generation Z, consider this: Each day, today’s youth under the age of 21 have 13.4 conversations about products and services on average, one third more than the 9.9 conversations among people 21 and older. They also talk more about issues such as education, the environment, and the President’s job performance—an average of 4.1 issues talked about per day, versus 3.2 issues among people 21 and older. They are arguably more engaged in the nation’s political, cultural, and consumer life than their parents and grandparents.

* www.pewinternet.org/2018/05/31/teens-social-media-technology-2018

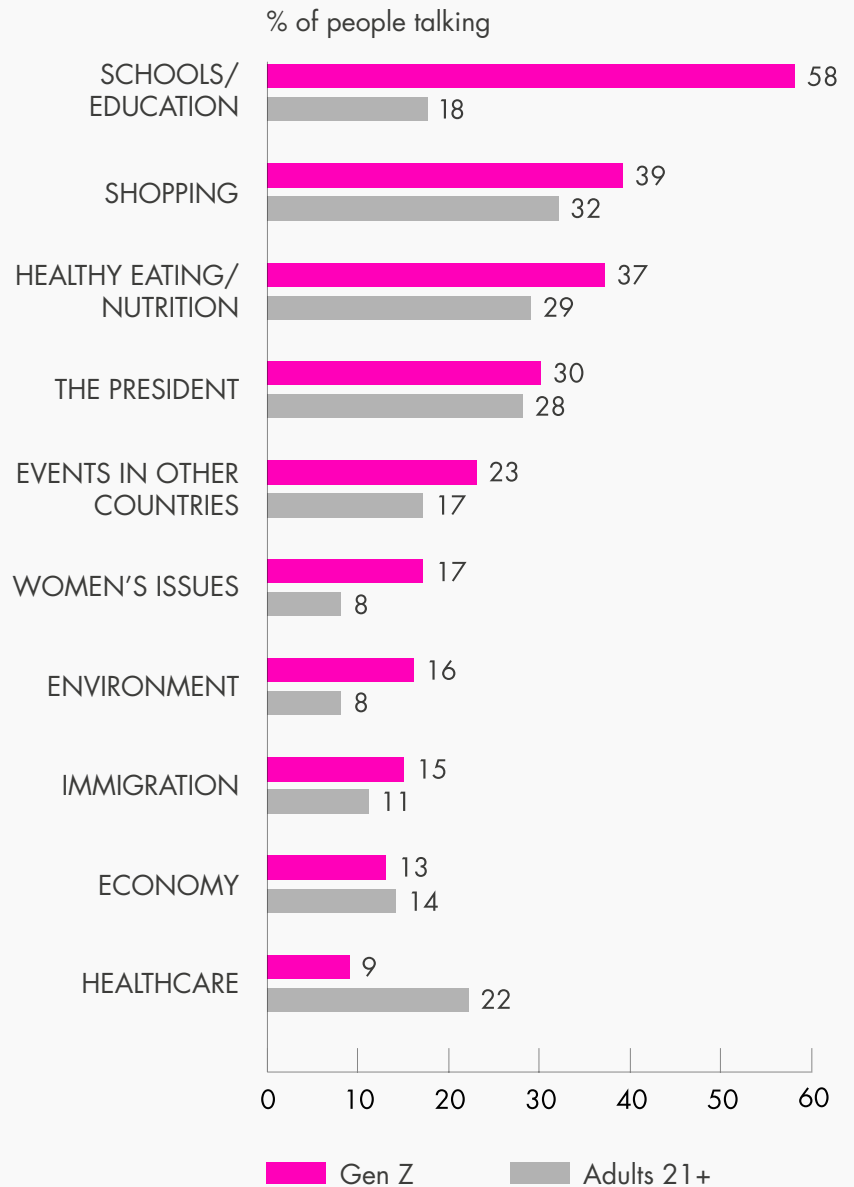
GEN Z: ENGAGED IN ISSUES RELATED TO SCHOOLS, THE ENVIRONMENT, IMMIGRATION, AND WOMEN

It has often been suggested that young people are self-absorbed and unengaged in the world. Yet as mentioned above, they are about 30 percent more talkative about a wide variety of issues compared to adults. Which issues in particular?

Among more than 20 issues we track regularly in our TotalSocial® platform, the most popular daily topic of teens is “schools or education,” which makes sense given that most of them spend their days in a school. Some 58 percent of teenagers talk about schools every day, versus 18 percent of people aged 21+. But they also talk more about nutrition and healthy eating, shopping, the President, foreign affairs, women’s issues, the environment, and education. In fact, the only issue they talk about less often about than adults is healthcare—undoubtedly due to the fact that at their age, they are not particularly worried about getting ill or injured, and not likely to be financially responsible if they do.



ISSUES DISCUSSED DAILY



Source: Engagement Labs TotalSocial®

Teens talk almost twice as much as their elders about schools, women’s issues, and the environment, suggesting a more politically progressive value system compared to older Americans.



MOST TALKED ABOUT BRANDS REVEAL A LOT ABOUT GEN Z

iPhone and Apple are the two most talked about brands of Generation Z, making a profound statement about the importance of technology, connectivity, and mobility for teenagers today. Indeed, 31 percent of teenagers talk each day about Apple owned brands, a truly impressive level of social dominance for a company that has dominated the youth culture since the Baby Boom. The iPhone brand is currently ascendant, up 82 percent since 2013, while the parent Apple brand is down 40 percent.

Holding steady over the last five years is Apple's key rival brand, Samsung, fourth among all brands for teenage conversation, demonstrating the enormous importance of the mobile device category among teens today.

THE GEN Z TOP 8 BRANDS



Source: Engagement Labs TotalSocial®

Chart: Percent of teens talking about brand on an average day, with change versus 2013.



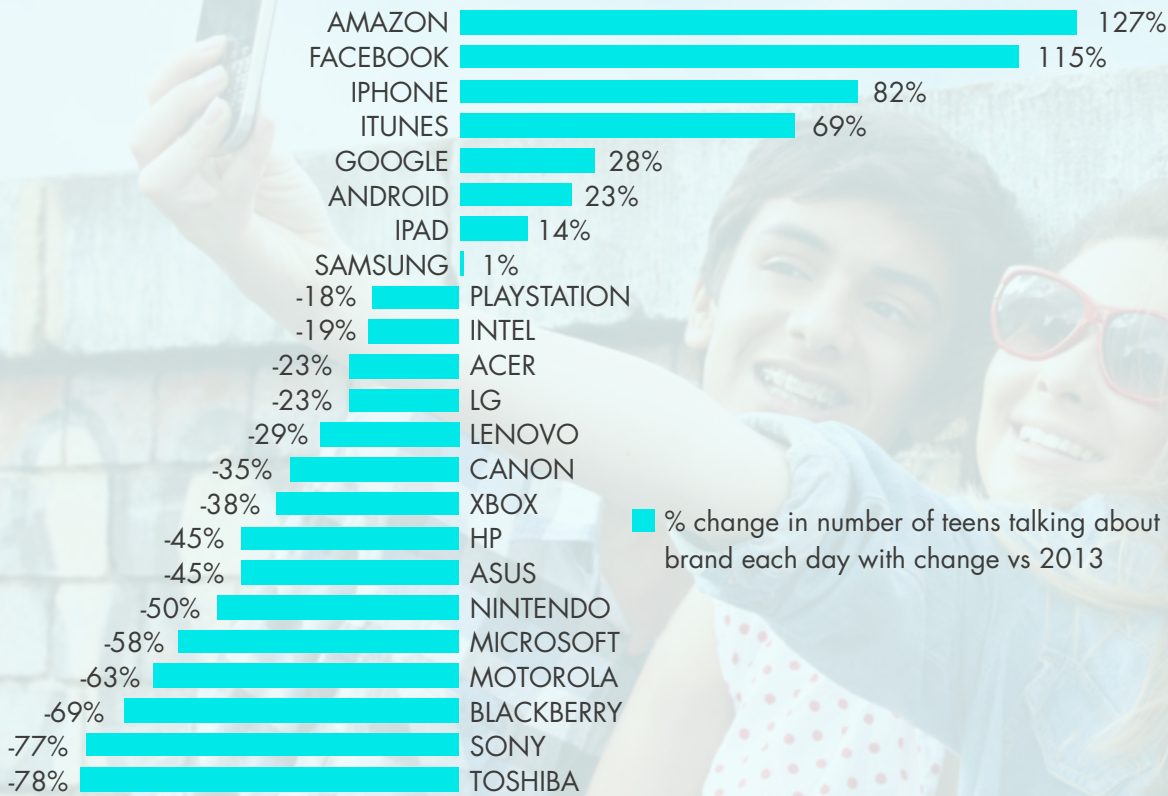
Other rising brands on the list include Nike, proving its relevance to yet another generation, and Walmart.

Two of the great competitive brands of our eras—Coca Cola and Pepsi—are down 21 percent and 49 percent, respectively, suggesting Generation Z is moving swiftly away from sugary beverage brands that have dominated their category for several generations.

TECH BRANDS: TEEN TALK FAVORS MOBILITY AND CONNECTIVITY TO HARDWARE

Among Generation Z, the ascendant brands in tech are the one that travel well in denim pockets—brands like iPhone, iTunes, Facebook, Amazon, and Google. These brands are all much more talked about by teens versus five years ago, while less portable hardware brands like Toshiba, Sony, HP, and Lenovo are being talked about far less often by teens.

TEEN TECH CONVERSATION SHIFTS AWAY FROM HARDWARE



Source: Engagement Labs TotalSocial®

Even the powerful Microsoft brand is seeing declining conversation—down 58 percent, even when counting in conversations about the Microsoft Surface device.

The invented-for-teen category of video game systems also has experienced a reduction in teen engagement. The Nintendo family of brands (including Wii, Wii U) is

down 50 percent, while Xbox brands (including Kinect, Xbox One) is down 38 percent, and Playstation is down 18 percent. But video games are not out, as it appears that conversations are gravitating more toward game titles rather than hardware and platforms.

MOST RESTAURANT BRANDS GAIN FROM A SOCIAL GENERATION

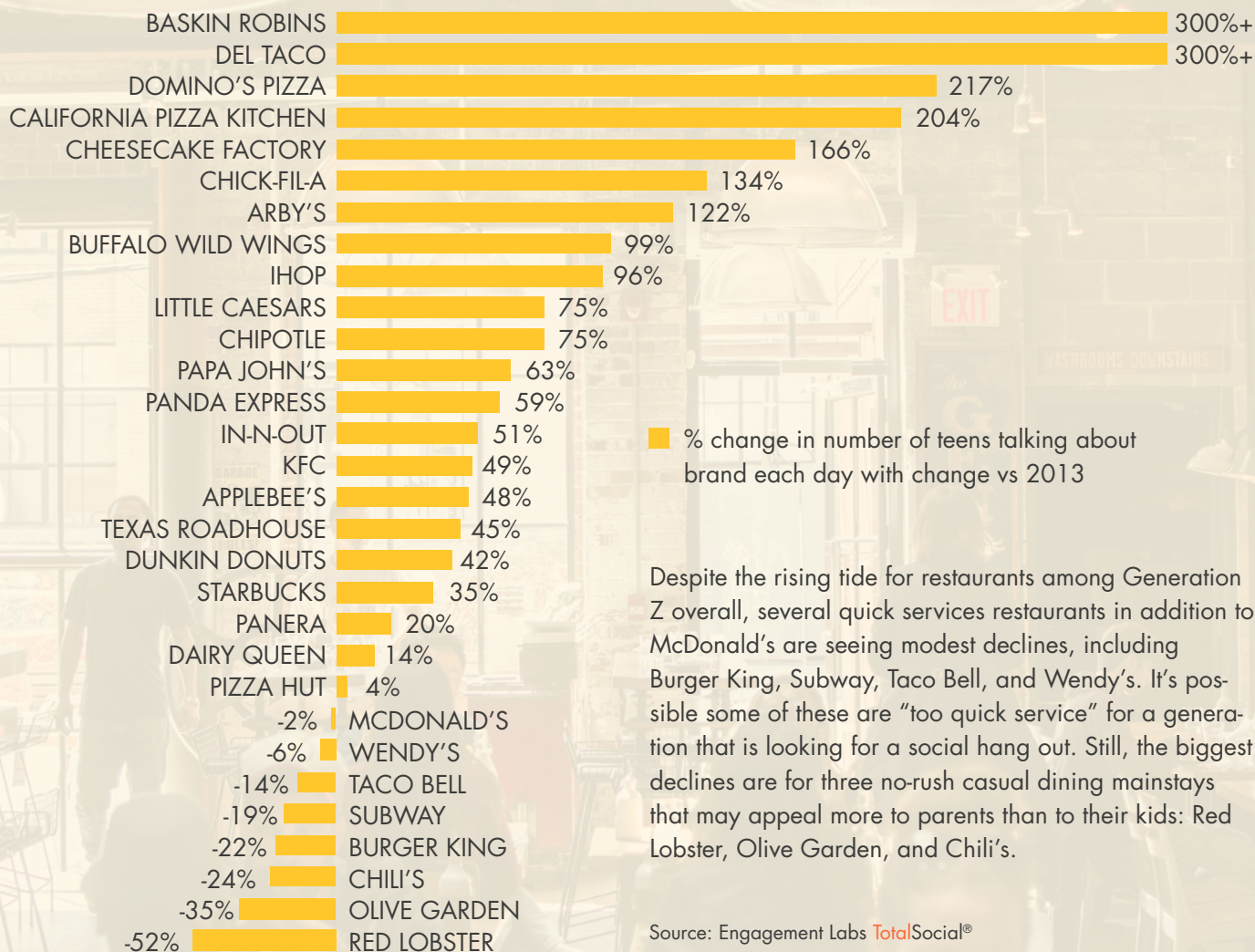
When we compare teenagers today to those of just five years ago, a key indicator of their social nature is found in the restaurant category, which provides young people with a place to hang out with friends. Today, compared to 2013, nearly every restaurant is being talked about more often by young people 13 to 20 years of age.

Conversation levels among teens have literally tripled—or more—for several restaurant chains: Baskin & Robbins, Del Taco, Domino's, and California Pizza Kitchen. Suggesting an impressive trend for nearly all the pizza chains, Little Caesars and Papa John's also have enjoyed large gains. Besides pizza, we see a robust trend for casual

dining restaurants where it is possible to linger around a table with friends: Cheesecake Factory, Buffalo Wild Wings, Applebee's, and Texas Roadhouse.

In a sense, the trend is confirmation of the value of the "third place"—in addition to home and work (or school)—that Starbucks founder Howard Shultz prophesized our society needed. Indeed, Starbucks is the second most talked about restaurant brand among teens, after McDonald's. But Starbucks is still rising with this young generation, up 35 percent versus five years ago, while McDonald's is down 2 percent.

RESTAURANTS ARE THE GATHERING PLACE FOR TEENS, AS REVEALED BY THEIR CONVERSATIONS



Despite the rising tide for restaurants among Generation Z overall, several quick services restaurants in addition to McDonald's are seeing modest declines, including Burger King, Subway, Taco Bell, and Wendy's. It's possible some of these are "too quick service" for a generation that is looking for a social hang out. Still, the biggest declines are for three no-rush casual dining mainstays that may appeal more to parents than to their kids: Red Lobster, Olive Garden, and Chili's.

Source: Engagement Labs TotalSocial®

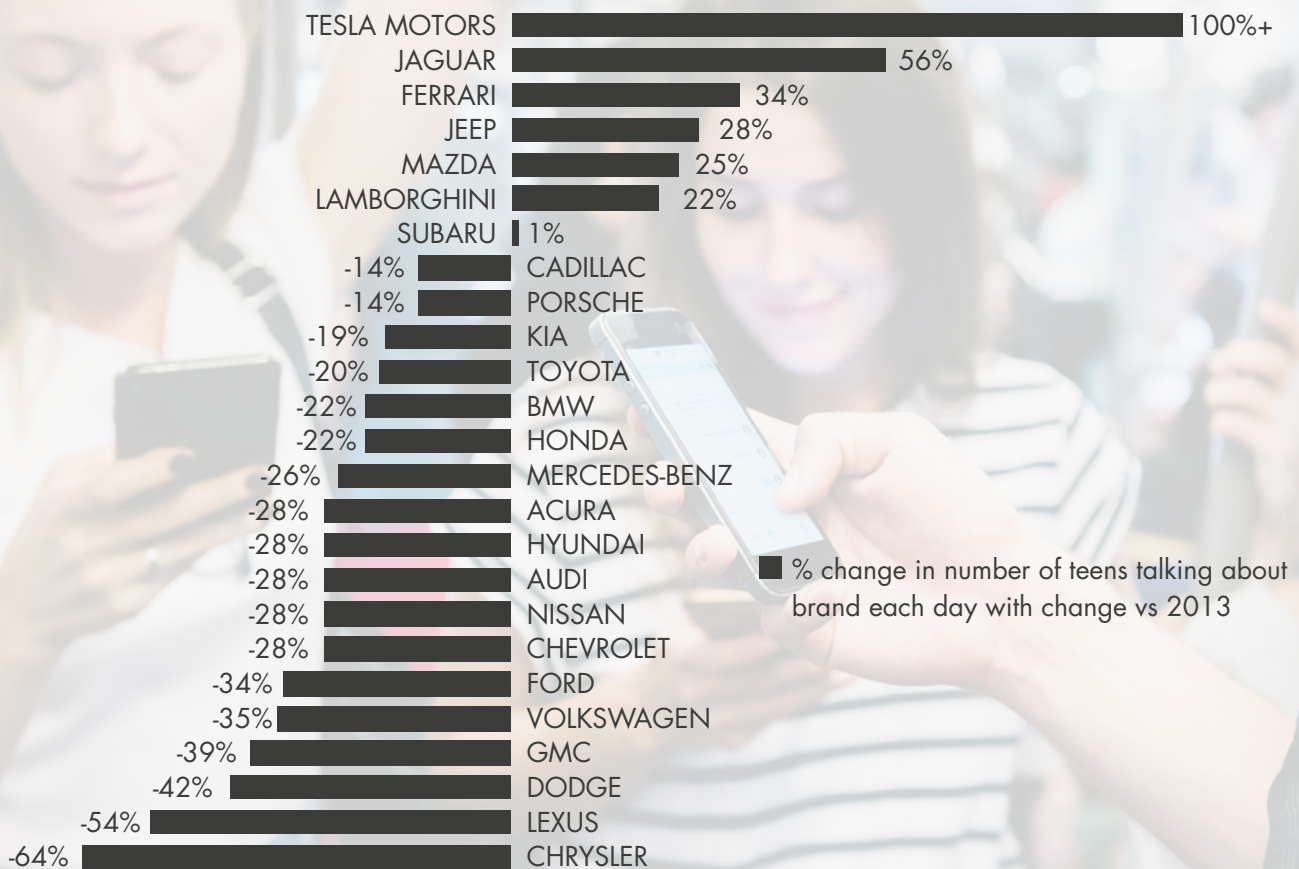
A CULTURAL SHIFT AWAY FROM CARS

Since the first wave of the Baby Boom in the late 1950s and early 1960s, the automobile has been a teenage rite of passage and powerful symbol of independence and self-reliance. But as we have [noted before](#), Generation Z is turning away from the American love affair with cars.

In a world with ride sharing via Uber and Lyft, video calls with Facetime and Facebook, electric bicycles, and public

transit, conversation levels for automobiles have plummeted among teenagers for nearly every mass market brand and many smaller nameplates as well. Teen talk levels have declined by more than one-quarter for Chrysler, Dodge, Volkswagen, Ford, Chevrolet, and Nissan.

THE TEEN CONVERSATION TREND LEAVES OUT MOST MAJOR AUTO MAKERS



Source: Engagement Labs TotalSocial®

Among the few gainers is Tesla, primarily based on its novelty in the market. The only traditional auto brands up among teens were Jeep and Mazda, along with several aspirational sports car brands.

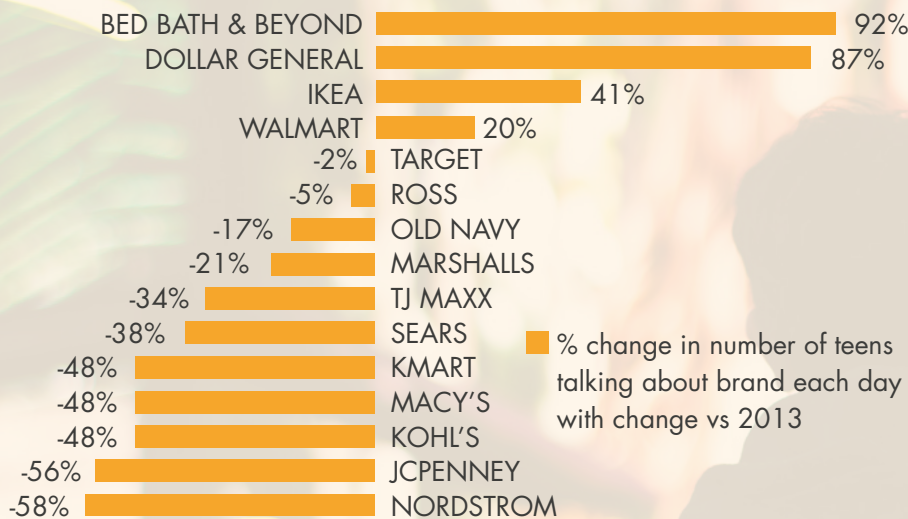


DESTINATION RETAIL GIVES WAY TO CONVENIENCE AMONG TEENS

The mall used to be the great destination for teenagers with wheels. A Friday night meet-up in the food court was de rigueur among the teenage set. Those malls were also key shopping destinations, anchored by Macy's, Nordstrom, and Bloomingdales. Today, those department stores and mass merchant discounters are seeing steep declines in conversations among Generation Z.

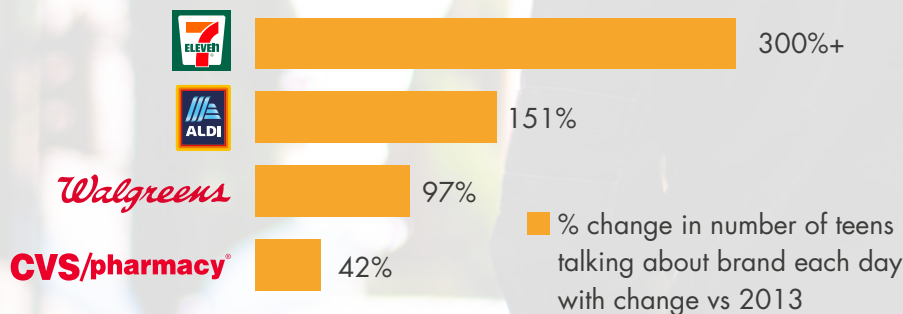
The biggest declines among teens since 2013 are for Nordstrom, JCPenney, Kohl's, Macy's, Kmart, Sears, and TJ Maxx. There are some bright spots though, for the back-to-school leaders Bed Bath & Beyond, Dollar General, Ikea, and Walmart. It is interesting that Walmart has not suffered declining teen engagement, remaining among the most talked about brands for teens and bucking the broader trend impacting so many of its rivals.

LEAVING THE MALL BEHIND: GEN Z TALKING LESS ABOUT DEPARTMENT STORES



Source: Engagement Labs TotalSocial®

GEN Z IS TALKING MORE ABOUT NEIGHBORHOOD C-STORES AND DRUGSTORES



Source: Engagement Labs TotalSocial®



Another bright spot for teenagers are "neighborhood" convenience and drugstores, which are more likely to be within walking or biking distance, providing easy access to a wide variety of teen necessities, from hair care and acne products, to single-serve beverages, snacks, and vaping products. 7-Eleven is up by more than 300 percent among Generation Z in terms of the frequency of conversation, while Aldi's, Walgreens, and CVS are also posing double and triple digit gains.

TRADITIONAL YOUTH BRANDS NO LONGER AT THE “COOL TABLE”

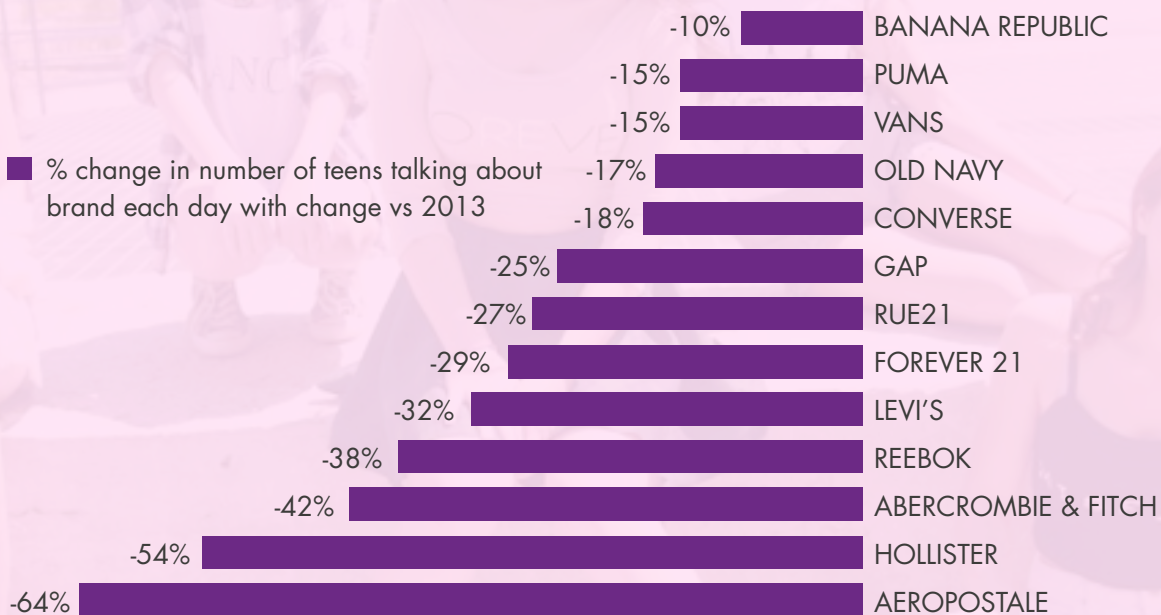
A surprising number of youth-oriented brands are being left out of the conversation among Generation Z. The biggest declines are for retail & apparel brands Aeropostale, Hollister, and Abercrombie & Fitch, so they may fit into the larger shift away from shopping mall retailers noted above.

But other factors may be in play as well. Abercrombie & Fitch has in recent months been the target of youth protests over allegations of mistreatment of workers in overseas

factories, and the brand has been criticized for over-glamorizing fit and attractive models at the expense of more average looks.

The fact that many of the declining brands are athletic shoes—Reebok, Converse, Vans, Puma—might lead one to think there is a category effect going on, except for the fact that Nike is rising, and is now one of the most talked about brands among consumers under 21.

MANY YOUTH APPAREL BRANDS LOSING CONVERSATION CURRENCY AMONG GEN Z



Source: Engagement Labs TotalSocial®

BRANDS OF OUR GRANDPARENTS ARE BACK!

Just as several youth brands are challenged to stay relevant to teens, some of the oldest brands seem to have discovered a fountain of youth among Generation Z.

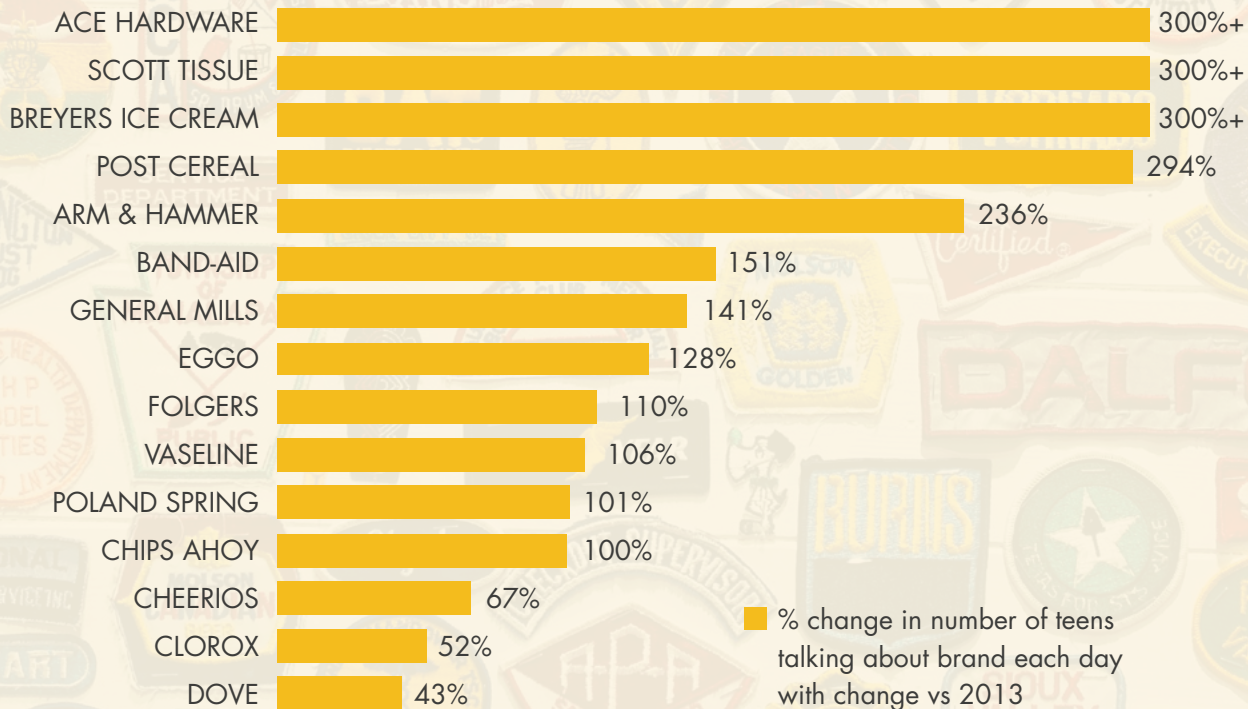
Brands as diverse as Ace Hardware, Scott Tissue, Breyers Ice Cream, and Post cereals are seeing new life with today's teens who are talking much more about their brands than five years ago, albeit still at modest levels compared to the most talked about brands.

Ace Hardware has been deliberate in working to attract what it calls the "maker" generations of millennials and

Gen Z who are interested in designing and building things to sell. For this reason, Ace bought Grommet, the ecommerce company for small-time manufacturers and have featured it in their stores as well as online.

Several of the other brands gaining with teenagers have made large corporate commitments to environmental sustainability—including Scott Tissue's parent Kimberly Clarke, Breyers parent Unilever, Post Holdings, and Arm & Hammer. These brands are addressing a key issue that twice as many teens as adults talk about each day.

GEN Z TALKING MORE ABOUT GRANDPARENTS' BRANDS



Source: Engagement Labs TotalSocial®



DEMYSTIFYING GENERATION Z

Understanding “kids these days” has always mystified marketers and parents alike. Listening to their conversations—both online and offline—can provide valuable insight into their interests and needs, including a few surprises.

Gen Z is highly social, online and offline, with greater conversational engagement than adults in most consumer, cultural, and political categories.

There is a clear shift away from the individualistic category of automobiles toward the social category of restaurants.

Shopping is shifting away from destinations to neighborhood stores as well as ecommerce.

Apple brands, particularly iPhone, are dominating the youth conversation today along with other brands that can “fit in your pocket,” while brands associated with larger types of hardware are declining.

Many traditional youth brands are struggling to maintain relevancy, while a surprising number of older, legacy brands are enjoying rebounds.

As important as the trends may be, there are plenty of brands that are succeeding despite them. No matter which category you're in, the key to connecting with Generation Z is to listen—and learn.

ABOUT ENGAGEMENT LABS

Engagement Labs is an industry-leading data and analytics firm that provides social intelligence for Fortune 500 brands and companies. The Company's TotalSocial® platform focuses on the entire social ecosystem by combining powerful online (social media) and offline (word of mouth) data with predictive analytics. Engagement Labs has a proprietary ten-year database of unique

brand, industry and competitive intelligence, matched with its cutting-edge predictive analytics that use machine learning and artificial intelligence to reveal the social metrics that increase marketing ROI and top line revenue for its diverse group of clients.

ABOUT TOTALSOCIAL®

TotalSocial® is a premier data and analytics platform that provides brands with unique insights, improved marketing ROI and strategies to grow revenue.

Fueled by actionable online and offline data, TotalSocial® is the only platform that encompasses and listens to the entire social ecosystem.

With the only ten years database, TotalSocial® offers unique, proprietary data about your brand, industry and competitive intelligence.

With cutting-edge diagnostics, patent-pending predictive analytics and machine learning, TotalSocial® identifies business opportunities and provides you with recommendations and a roadmap to grow your revenue and achieve your goals.

WANT TO KNOW WHAT YOUR BRAND'S
TOTALSOCIAL® PERFORMANCE IS?

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