How Marketers Can Win with Gen Z and Millennials Post-COVID-19

Boston Consulting Group partners with leaders in business and society to tackle their most important challenges and capture their greatest opportunities. BCG was the pioneer in business strategy when it was founded in 1963. Today, we help clients with total transformation—inspiring complex change, enabling organizations to grow, building competitive advantage, and driving bottom-line impact.

To succeed, organizations must blend digital and human capabilities. Our diverse, global teams bring deep industry and functional expertise and a range of perspectives to spark change. BCG delivers solutions through leading-edge management consulting along with technology and design, corporate and digital ventures—and business purpose. We work in a uniquely collaborative model across the firm and throughout all levels of the client organization, generating results that allow our clients to thrive.

How Marketers Can Win with Gen Z and Millennials Post-COVID-19

Carmen Bona, Lara Koslow, Renee Frantz, Brian Nadres, and David Ratajczak
June 2020

AT A GLANCE

COVID-19 is causing seismic shifts in consumer behaviors, creating opportunities for marketers to define winning strategies for strongly affected, high-priority consumers: Gen Z and millennials.

Gen Z and Millennial Marketing Matters More Than Ever

Companies that invest in marketing—especially digital—during a crisis stand to win. A critical strategic move is to invest in young consumers, whose spending power is growing and whose dollars and loyalties are in flux during these times.

Things Will Never Be the Same

Gen Z and millennial consumers have altered their behaviors dramatically. They have increased their consumption across digital media and their online spending across products and channels. And they expect to stick to most of these newly developed patterns beyond the COVID-19 disruption.

How Marketers Can Harness This Opportunity

To capture the fluid spending and loyalty of younger consumers, marketers should reset their view of the world, lean in on digital at the bottom of the funnel, avoid missing out on brand strategy and the top of the funnel, and add new capabilities.

Consumers have responded to the COVID-19 pandemic by altering their everyday behavior in many striking ways—from where they work to how they occupy their leisure hours to what they buy. Leading the way in making these changes are the generations of consumers who are most adventurous and least settled in their ways: Gen Z and millennials. Their impressionability invites a critical question: How can marketers take advantage of this moment of disruption when consumer behaviors and loyalties are in flux and when new longer-term behaviors, loyalties, and spending preferences may emerge?

Gen Z and Millennial Marketing Matters More Than Ever

Disruptions—whether technological, economic, or otherwise—trigger dramatic and permanent changes in consumer behaviors, creating unique challenges and opportunities for brands. Our recent history offers many examples of this phenomenon and teaches us how smart advertisers can come out ahead by leaning in on digital channels and targeting young consumers.

The rise of high-speed internet in the early 2000s and of smartphones a decade later led to a boom in e-commerce and video streaming that has permanently altered the retail and media landscape. From 2009 to 2019, e-commerce penetration in retail rose by more than 10 percentage points in the US and the UK and by 7 points in France.[1] During the same period in the US, use of digital and streaming video rose from practically zero to 30%.[2]

ABOUT THIS REPORT

In the wake of COVID-19, Snapchat commissioned BCG to undertake a study of how Gen Z and millennial consumers' behaviors and spending are changing, which of these changes are likely to stick, and how marketers can most effectively capture the opportunities that these shifts create. To answer these questions, we surveyed more than 9,500 consumers of ages 16 and above across the US, Canada, the UK, and France on their behaviors during the COVID-19 pandemic and their expected behaviors in the longer term. We also led six virtual focus groups to obtain further details and insights on the themes that emerged from the survey.

All figures in this report represent averages across the four countries surveyed, unless otherwise noted. For purposes of our research, we have defined Gen Z as ages 16-23 and millennials as ages 24-40. We have discussed our work with Snapchat executives, but the analysis and conclusions are entirely BCG's.

Following the SARS outbreak of 2002–2003, China saw a fivefold increase in its rate of e-commerce penetration. In the wake of the global financial crisis of 2008–2009, we saw a disruption in the retail landscape. Consumers' price-conscious habits became a lasting trend, driving value grocery retailers to grow twice as fast as traditional supermarkets, for more than a decade, and ushering in the expansion of off-price apparel formats such as Nordstrom Rack.

Presented with the prospect of similarly massive market shifts in response to the COVID-19 pandemic, brands must reassess their marketing strategies and expenditures. Those that act quickly and aggressively, and invest in the right moves now—when many of their competitors do not or cannot—stand to gain immediate and lasting benefits.

Marketers that quickly and aggressively invest in the right moves now—when many of their competitors do not or cannot—stand to gain immediate and lasting benefits.

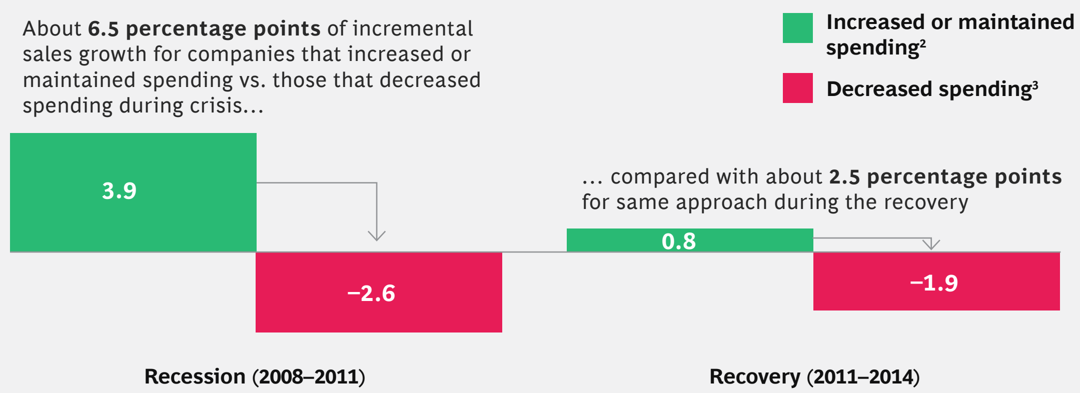
During the global financial crisis of 2008–2009, we saw winning brands double down on marketing investments, revamp their marketing strategies, reallocate their spending to digital channels, and more aggressively target members of a rising young generation—millennials, at the time.

Within the S&P 500, companies that maintained or increased their marketing spending in 2008 significantly outperformed their industry peers, growing sales by about 6.5 percentage points more than those that reduced marketing spending. In comparison, companies that maintained or increased their marketing spending during non-crisis years (2011 to 2014) grew sales by only about 2.5 percentage points more. (See Exhibit 1.) Previous studies from HBR and Forbes point to similar findings about performance during recessions.

US

EXHIBIT 1 | Higher Marketing Spending During a Crisis Pays Off

Three-year sales CAGR vs. sector average across S&P 500 companies[1] (%)



Sources: Capital IQ; BCG analysis.
[1] Sales relative to average sector performance; N = 188 (recession 2008–2011), N = 185 (recovery 2011–2014), N = 168 (represented in both periods). Marketing spending is measured in 2008–2009 for the recession period and in 2011–2012 for the recovery period.
[2] "Increased or maintained spending" is defined as ≥5% spending change.
[3] "Decreased spending" is defined as ≤5% spending change.

But aside from how much marketers spend, they must consider what they say, where they say it, and to whom they say it. As a former CEO of a major advertising agency put it, "The lesson coming out of 2008 was to maniacally focus on digital."

Two companies that embody these lessons are Domino's and Nike. Both made bold marketing investments during the depths of the recession, pivoting their product and messaging strategies to target millennials, who were just coming into adulthood. In 2008–2009, both brands sought to strike an authentic tone with their values-oriented younger consumers: Domino's pivoted its marketing by launching a shockingly honest campaign for its new pizza recipe, and Nike doubled down on its investment in innovation and sustainability across key categories.

The companies amplified these messages in newfound ways, leveraging then-nascent social media platforms and launching innovative digital consumer experiences, such as "Domino's Pizza Tracker" and "Nike+" to engage directly with young consumers. These investments paid off, as each gained disproportionate market share throughout the recession and the recovery period.

Meanwhile, early digital-native brands such as Uber and Warby Parker emerged and disrupted more cautious incumbents, capitalizing on the ongoing digital and mobile surge, and fulfilling consumer needs that the crisis accelerated. These brands offered convenience and value for increasingly digitally savvy and cash-strapped young consumers.

Although prior crises offer a multitude of useful lessons, in many ways the current environment is unique. Unlike other recent economic downturns, the COVID-19 pandemic is not simply a financial crisis. It is also a health crisis with unprecedented impacts on society, such as social distancing and business closures. And it comes at a time when massive shifts in purchasing and media consumption behaviors were already occurring in response to the technology disruptions of recent years. For these reasons, we can expect the pandemic to have more significant impacts on consumer behaviors than previous crises did, amplifying the impacts of marketers' responses and enabling winners to emerge more strongly and rapidly than ever before.

In this context, defining a winning marketing strategy for Gen Z and millennial consumers becomes the ultimate challenge and opportunity for brands. With or without a crisis, these generational cohorts are of special interest, given their increasing spending power in the coming years and their ability to influence older generations. Millennials, who have now overtaken baby boomers as the largest population segment, are on the cusp of their peak spending years, and will increase their per capita spending by more than 10% over the next five years. Gen Z consumers will increase their per capita spending by more than 70% in the same period, while both Gen X and baby boomers will decrease their spending. Young consumers will continue to influence additional dollars, as more than 80% of parents of Gen Z teens report that their children influence household spending.

During a crisis, when younger generations experience the most dramatic shifts in behavior and spending, these consumers become even more critical than in normal

With or without a crisis, Gen Z and millennials are of special interest, given their increasing spending power in the coming years, and their ability to influence older generations.

times. Smart companies will develop a deep understanding of Gen Z and millennial consumers, anticipate their shifts, and adjust their marketing strategies in order to catch the wave early, when behaviors are in flux and consumers are more winnable, and ride that wave forward as it continues to swell—or risk being disrupted.

Things Will Never Be the Same

The changes in consumer behavior and spending patterns that have occurred since the COVID-19 outbreak began are extraordinary. Across the globe, consumers have hunkered down and figured out how to fulfill their needs—from socializing to eating to having fun—through a mix of traditional approaches and new, technology-enabled methods. Suddenly, spending time with family and cooking meals at home are sharing the spotlight with video and delivery apps.

Consumer spending has reflected these seismic shifts in behavior. E-commerce has grown more in the past eight weeks than in the decade before that, jumping from 16% to 27% of retail in the US and from 18% to 30% in the UK.[3] Entire product and service categories have been disrupted, while others have surged. Sales in the travel and tourism sector fell by 90% in the US during March and April, and department stores saw drops of more than 50%, while food delivery saw a 90% spike.[4]

In many cases, Gen Z and millennial consumers have altered their behaviors and spending more dramatically than older generations have. And perhaps not surprisingly, given the impressionability of these younger consumers, they expect to stick to many of these newly developed patterns in the period after the COVID-19 disruption.

E-commerce has grown more in the past eight weeks than in the decade before, jumping from 16% to 27% of retail in the US and from 18% to 30% in the UK.

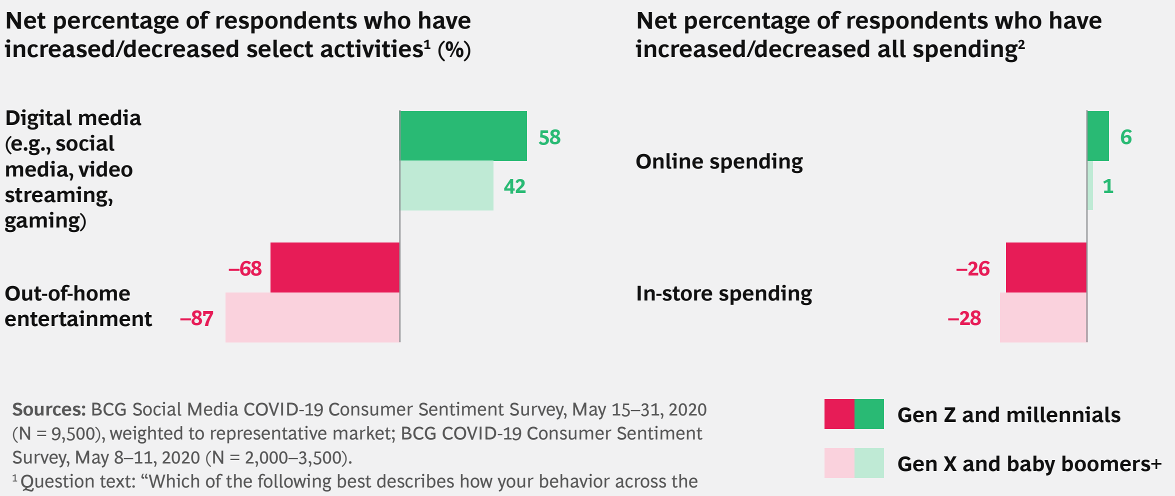
In our exploration of these shifts below, our findings are based on survey averages across the US, Canada, the UK, and France, and represent net increases in spending or activity (that is, the percentage of consumers who will increase it minus the percentage who will decrease it), unless otherwise noted. Our findings focus on the recovery period, over the next 6 to 18 months, when the world stabilizes at some sort of "new normal," and do not represent a multiyear outlook.

In terms of how they spend their time, Gen Z and millennial consumers have increased the amount of time they dedicate to family and household activities, much as older generations have. What sets them apart is how much time they devote to various forms of at-home and mobile digital media to entertain themselves and socialize: 62% have increased their time spent on social media (versus 42% for older generations), 70% have increased their time spent on video streaming (versus 61% for older generations), and 59% have increased their time spent gaming (versus 35% for older generations).

In terms of how they spend their dollars, Gen Z and millennials are leading the shift to e-commerce. Since the pandemic began, 33% of these consumers have increased their online spending, for a net increase of 6%, versus 23% of consumers in older generations, or a net increase of 1%. This acceleration of e-commerce is occurring on two fronts: a shift of existing products, services, and retailers to online, and a surge in digital-only or digital-first products, services, and retailers. (See Exhibit 2.)

US, CANADA, UK, FRANCE

EXHIBIT 2 | Gen Z and Millennials Have Shifted to Online More Dramatically Than Older Generations



Sources: BCG Social Media COVID-19 Consumer Sentiment Survey, May 15–31, 2020 (N = 9,500), weighted to representative market; BCG COVID-19 Consumer Sentiment Survey, May 8–11, 2020 (N = 2,000–3,500).
[1] Question text: "Which of the following best describes how your behavior across the following activities has changed due to the coronavirus?"
[2] Question text: "In the next month, what do you expect your spend to be relative to before the coronavirus outbreak?" Data from Canada not collected for this question.

The more interesting and complex question is whether these shifts will stick or whether consumers will revert to their pre-COVID-19 behaviors, once the world gets to a near-term new normal. Consumers are notoriously bad at predicting what they will do in the future—so in painting the picture that follows, we use BCG's New Normal Predictors (NNPs) methodology, which takes into account not only consumers' self-reporting, but also such additional indicators as past behavior, level of enjoyment, psychology of habits, context, and sentiment.

According to our research and NNP methodology, Gen Z and millennials will at least partially sustain the increase in the time they are spending on digital media, registering the clearest gains in streaming video and gaming. With regard to social media, young consumers expect to end up closer to their pre-outbreak levels of consumption, although this reported correction might be aspirational and more of the increase in consumption could stick. On the flipside, Gen Z and millennial consumers expect to spend less time on linear television and out-of-home movies in the future than they did before the pandemic, in line with ongoing trends.

Consumers confirmed these findings in our focus groups. A millennial noted that he had discovered new stress-relieving mobile games during the crisis and said that he planned to continue playing these post-COVID-19. A Gen Z participant mentioned that she has been spending more time on social media to connect with friends she can't meet in person and to fill free time. However, she expects that her use of social media will become more selective in the future as her free time lessens.

Gen Z and millennials are also expected to maintain significant shifts in what they buy. Unsurprisingly, young consumers have increased their spending on products geared toward at-home consumption, essentials, and health and wellness, while they have decreased their spending on more discretionary products. And they expect to stick with these trends beyond the outbreak. Specifically, in the aftermath of COVID-19, a net of 10% of consumers expect to increase their spending on packaged food and beverages, 12% on household products, and 6% on health and personal care products, compared with their pre-outbreak spending. Consumers expect to offset these increases by reducing their spending in discretionary categories such as alcohol (a net 8% decline) and by delaying purchases of high-ticket items such as electronics, mobile devices, and cars and motorcycles (with a net of approximately 20% of consumers indicating that they would delay spending on each of these categories). (See Exhibit 3.)

In addition to changing what products they buy, younger consumers are changing where they buy them.

In addition to changing what products they buy, younger consumers are changing where they buy them. Consistent with the food product trends, Gen Z and millennial consumers are expected to increase their overall spending and their online spending at food retailers that are geared toward at-home consumption and are value-oriented, such as grocery stores and superstores (for example, a 14% net increase for superstores online). A millennial from the UK mentioned ordering groceries for the first time during the coronavirus crisis and emphasized how she has enjoyed the ease and convenience. She plans to continue shopping online for the bulk of her purchases in the future, supplementing them with a few trips to the store.

Along the same lines, young consumers expect to decrease their spending at dine-in restaurants and shift toward off-premises eating, with fast-food restaurants faring better than casual ones across both channels. Takeout, drive-through, online ordering, and delivery apps—all of which have accelerated during the outbreak—are expected to revert closer to their pre-COVID-19 growth trajectory. These increases are more likely to persist in the US and Canada, while the correction back to pre-COVID-19 levels would be more stark in the UK and France. As with social media, the reversion that consumers reportedly plan might be driven by their aspiration to cook more and order less; therefore, more of the increase in consumption might stick.

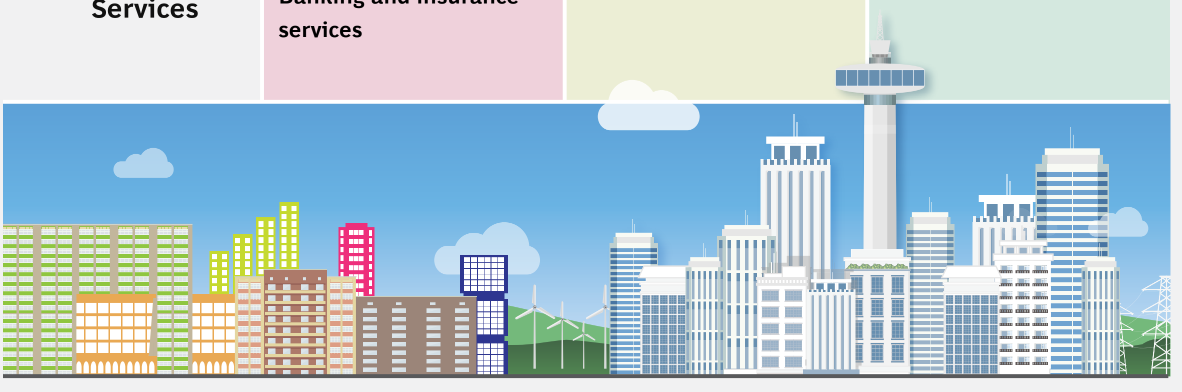
Among other retailers, online marketplaces are expected to be winners with Gen Z and millennials in the new normal, with a net increase of 16% in comparison with the period before COVID-19. Department and clothing stores, and specialty stores are likely to fare worse, with net declines of 10% and 6%, respectively, driven by expected brick-and-mortar declines offset by nearly flat expectations for online channels. This negative expectation, which might reflect consumers' anticipation of a recession, is more pronounced in the US and Canada than in the UK and France.

The same effects are observable in how Gen Z and millennial consumers plan to use and spend on services going forward. Following COVID-19, they will maintain their increased use of certain at-home services they have enjoyed during the lockdown, such as virtual classes (an expected 4% net increase). On the flip side, they will continue their decreased spending on ride- and home-sharing apps in the aftermath of the outbreak (an expected 21% net decrease), as mobility and travel and tourism continue to face significant uncertainties in the near term. They will also maintain their decreased spending on services that constitute higher-ticket items and require bigger commitments, such as phone service, and banking and insurance services.

US, CANADA, UK, FRANCE

EXHIBIT 3 | What Post-Outbreak Gen Z and Millennial Consumption Will Look Like

	Less than pre-outbreak	Similar to pre-outbreak	More than pre-outbreak
Media	**Linear TV** **Out-of-home movies**	**Mobile gaming** **Social media** **News, books, and magazines**	**Streaming video** **PC and console gaming**
Products	**Alcohol** **Electronics and mobile devices** **Cars and motorcycles**	**Clothing and footwear**	**Packaged food and beverages** **Household products** **Health and personal care products**
Retail channels	**Casual restaurants** (dine-in) **Fast-food restaurants** (dine-in) **Department and clothing stores** (in-store) **Specialty stores** (in-store)	**Casual restaurants** (off-premise) **Fast-food restaurants** (off-premise) **Department and clothing stores** (online) **Specialty stores** (online)	**Grocery stores** (in-store and online) **Superstores** (in-store and online) **Online marketplaces**
Services	**Ride-/home-sharing apps** **Phone services** **Banking and insurance services**	**Delivery apps** **Lifestyle apps** (e.g., dating)	**Virtual classes** **Productivity apps** (e.g., finance)



Source: BCG Social Media COVID-19 Consumer Sentiment Survey, May 15–31, 2020 (N = 9,500), weighted to representative market.
Note: Question text: “How much do you expect your total/online spend on these products/stores/restaurants to change six months from now compared to before the coronavirus pandemic?” and “After things return to ‘normal’, how much do you plan to do each of the following activities compared with how much you did before the coronavirus pandemic?”

How Marketers Can Harness This Opportunity

Consumer spending in flux can be a good thing because it creates opportunities for brands to pivot their marketing and win both in the immediate term and in the longer term. And based on our research, as described above, Gen Z and millennials have a whole lot of spending in flux right now. To capture this opportunity, marketers should act along four dimensions:

1. Reset their view of the world.
2. Lean in on digital, including mobile, at the bottom of the funnel.
3. Don't miss out on brand strategy and the top of the funnel.
4. Add new capabilities to their arsenal.

Reset your view of the world. The first and most immediate step is for marketers to fundamentally refresh their understanding of the consumption and advertising sides of their business. This will be foundational for the marketing investment recommendations that follow.

On the consumption side, marketers must dig beneath the macro shifts outlined in the previous section, and develop an evolving, detailed understanding of demand-supply dynamics. This will allow them to focus their efforts on specific products (and SKUs) and retail channels that have increased demand—while not outstripping supply—and offer the best profitability.

Marketers must also grapple with the media landscape, which is experiencing a major upheaval in terms of eyeballs and of pricing. Marketers need to thoroughly review their pre-COVID-19 media plans to identify dollars that are not committed or can be renegotiated, and use a "clean slate" approach to their spending allocation. Gen Z and millennial eyeballs, which are notoriously challenging to reach, have shifted during the COVID-19 crisis. While consumption is up across all media, it is disproportionately up in digital, including mobile, versus television. And the near- and longer-term outlook for the latter remains uncertain, given the limitations on tentpole, fresh content—from sports to fall shows— and the broader headwinds that were already present when the pandemic began. (See Exhibit 4.)

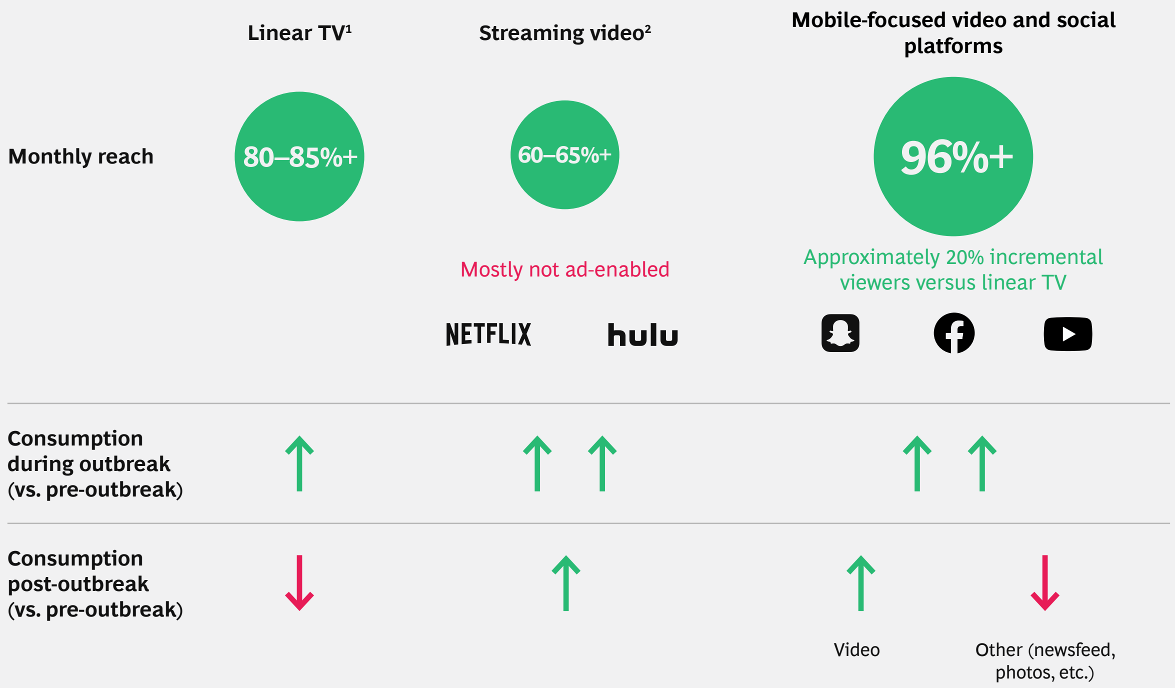
Given the increasing use of e-commerce that younger consumers are leading, marketers should consider increasing their investment in direct-response advertising on digital and social media platforms, where the jump from advertising exposure to purchase can be immediate.

Lean in on digital, including mobile, at the bottom of the funnel. Given the increasing use of e-commerce that younger consumers are leading, marketers should consider increasing their investment in direct-response advertising on digital and social media platforms, where the jump from advertising exposure to purchase can be immediate. Among Gen Z and millennials, 60% say that an advertisement on social media has influenced their purchase decision during COVID-19, compared to 25% of older generations.

Furthermore, the lockdown has increased consumers' openness to trying new products and brands, without having experienced them previously in the physical world. Across the product categories we researched, 69% of younger consumers have purchased a new product for the first time during COVID-19, compared to 43%

US

EXHIBIT 4 | Key Media and Advertising Platforms for Gen Z and Millennials



Sources: Comscore; Nielsen; eMarketer; BCG analysis.
[1] Consisting of live cable or broadcast and DVR.
[2] Consisting of over-the-top streaming services such as Netflix, Hulu, and Prime Video.

for older generations. To capitalize on this behavior, marketers must push their executions and harness the best that digital has to offer—for example, augmented-reality advertisements to enrich the “try out” experience and increase conversion.

Don’t miss out on brand strategy and the top of the funnel. For many advertisers, winning a larger share of mind and loyalty from Gen Z and millennials is as critical an objective right now as short-term sales. As noted earlier, the steps taken by Domino’s and Nike during previous crises offer powerful examples of how the two objectives can reinforce each other. Nike has continued to stand out during COVID-19 with the launch of its remarkable “Play for the World” campaign, accompanied by temporary free access to its Nike Training Club app.

Marketers should carefully revamp their communications strategies and messaging to effectively convey their brand’s values and value proposition to consumers in the context of the present day. Effective brands will both recognize the strong emotions that young consumers are feeling and relate to new consumption occasions. Our focus groups suggest that digital-native brands are doing a particularly good job at both of these elements.

The digital world offers endless possibilities to expand touch points with young consumers on their own turf, digitizing additional components of the customer journey and inventing innovative brand interactions. To execute on these, marketers should leverage their own branded channels and applications. But on their own, these will not suffice. Marketers should amplify their efforts with digital and social platforms that have high reach with young demographics, and that best allow for brand storytelling, brand experiences, and the embedding of brand-consumer interactions organically, through friends or trusted influencers.

Add new capabilities to your arsenal. For years, marketers have had to develop new capabilities on what feels like a daily basis. Some, such as "waste management" (frequency capping, viewability, and so on) will be as critical as ever, as the economic uncertainty of the post-COVID-19 period drives companies to scrutinize every dollar invested. But marketers will also need some new arrows in their quivers—namely, to reflect the limitations of their historical data, and the increased need for speed and flexibility in the new paradigm created by COVID-19.

The digital world offers endless possibilities to expand touch points with young consumers on their own turf.

Developing high-frequency demand-sensing capabilities and a hyperlocal approach to marketing will be crucial to addressing the differences in epidemic impact, government regulations, and subsequent consumer behaviors across markets. So will experimentation and incrementality-based approaches to measuring marketing effectiveness, in a world where the past can hardly predict the future, and where last-touch attribution cannot reflect the growing complexity of the digital journey. And particularly when targeting Gen Z and millennials, marketers will need to stretch their creative capabilities, relying on partners to understand what resonates best with these generations and how to get the most out of new formats.

These capabilities will be critical in the short-term and will remain a source of competitive advantage for marketers well beyond the current situation.

COVID-19 HAS DRAMATICALLY changed our lives, and its impacts will reverberate for many years to come. Younger consumers have experienced some of the greatest changes in their patterns of consumption, and they will lead the charge as these shifts extend through society. Marketers should target these generations and act now to adjust to the new paradigm—or risk missing out on a once-in-a-generation opportunity.

NOTE
1. Euromonitor International, 2020.
2. Nielsen Global Media, "Nielsen Total Audience Report," 2012–2019.
3. Bank of America; US Department of Commerce; ShawSpring Research, 2020; UK Office of National Statistics, 2020.
4. BCG GAMMA; Earnest Research, 2020.

About the Authors

Carmen Bona is a managing director and partner in the Los Angeles office of Boston Consulting Group. She is part of the leadership team for both the firm's North America marketing and sales practice, and the media sector. You may contact her by email at bona.carmen@bcg.com.

Lara Koslow is a managing director and senior partner in BCG's Miami office. She is the global leader of BCG's Center for Customer Insight and its global customer demand and innovation business, as well as the North American leader of the firm's travel and tourism sector. You may contact her by email at koslow.lara@bcg.com.

Renee Frantz is a principal in the BCG's New Jersey office. You may contact her by email at frantz.renee@bcg.com.

Brian Nadres is an associate director in BCG's New York office. You may contact him by email at nadres.brian@bcg.com.

David Ratajczak is managing director and partner in BCG's Atlanta office. He is the North America leader of the firm's Digital Marketing Accelerator. You may contact him by email at ratajczak.david@bcg.com.

Acknowledgments

We would like to thank the following key contributors and supporters of this article: Jean Lee, Greg McRoskey, Nick Zwemer, Colin Dunn, Aparna Venkatesh, Ray Yu, Dan Metzel, Andrea Mendoza, Madeleine Macks, Ariel Hudes, Christian Ueland, Lolly Buenaventura, Thomas Uhler, Ian Irungu, BCG's Center for Customer Insight (CCI) team globally, our Knowledge Team, Rohan Sajdeh, Jean-Manuel Izaret, Scott Wallace, and Dynata.

For Further Contact

If you would like to discuss this report, please contact one of the authors.