

JUNE / 2019

RETAIL

# INNOVATION WATCH

## Gen Z

With an estimated global population of two billion, this demographic is slated to be the single largest group of consumers worldwide within the next 10 years.

**CBRE** + streetsense.

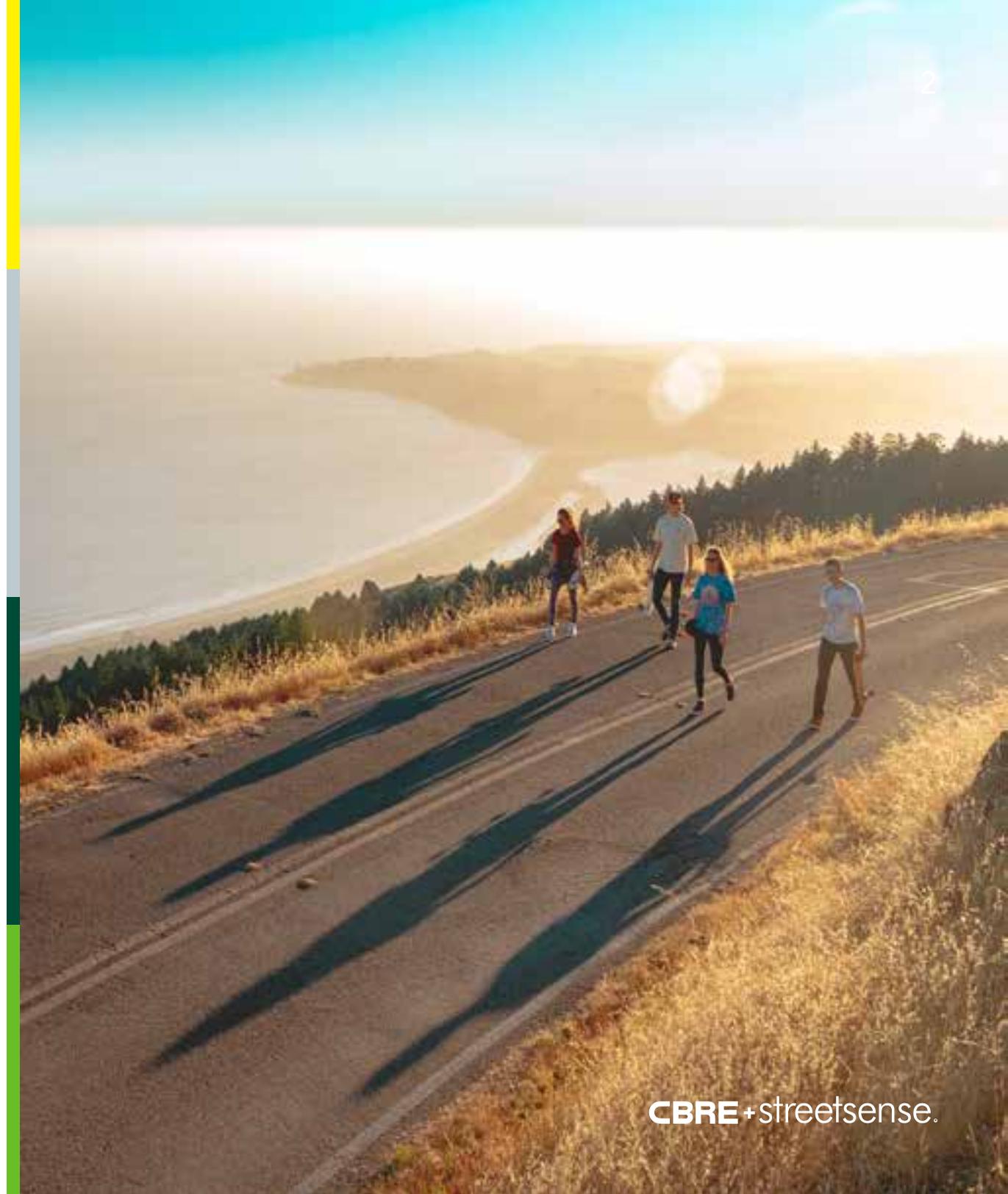
Forrester Research – The State of Global Online Grocery Retail, 2018

## THE INSTAGENERATION

---

Soon enough, Generation Z will surpass Millennials to be the largest generation, making up roughly 32 percent of the world's population. The most diverse generation to date, this group of digitally savvy, social-first, and eco-conscious consumers is already changing retail practices around the world. Forward-thinking brands are playing with boundaries and introducing radical new business practices to show this upcoming generation that they're valued and understood.

Brands must brace themselves for evolving consumer behavior as we welcome the single largest group of consumers worldwide.





## Gen Z: 1995–2010

Generation Z – largely defined as those born between 1995–2010 – number around 74 million in the U.S., making up almost a quarter of the country’s population at 23%.



## Size Sometimes Matters

Soon enough, millennials will be surpassed by Gen Z. By 2019, Gen Z will make up roughly 32% of the global population, overtaking millennials, who account for 31.5% of the 7.7 billion global population.



## Show Me the Money

Gen Z are slated to be the single largest group of consumers ever. They spend \$143 billion per year and influence an additional \$460.5 billion in spending by others.

“They don’t want to  
end up like millennials”

**Jason Dorsey**

Gen Z and Millennials Researcher

# Gen Z Characteristics

6

## **Characteristic 1: Info-Hungry**

The Gen Z consumer is more information-hungry than any of its generational predecessors.

8

## **Characteristic 2: Digitally Savvy**

Gen Z are the first generation in history to grow up with little-to-no memory of life before the technology revolution.

10

## **Characteristic 3: The Online/Offline Paradigm**

Gen Z crave brands and retailers that can offer an immersive online/offline experience.

12

## **Characteristic 4: Social-First**

Gen Z are driving the demand for the creation of true communities around brands.

14

## **Characteristic 5: Focused On Inclusivity**

Gen Z are notably the most diverse generation to date.

16

## **Characteristic 6: Cost-Conscious + Sustainability Friendly**

Gen Z were children in the recession, and it's fundamentally changed their spending habits.



RETAIL

# INNOVATION WATCH

Welcome to Retail Innovation Watch, a collaboration between CBRE and Streetsense thought leaders. The series highlights key trends across the consumer and retail sectors, current examples of industry innovation, and forward-looking predictions for what's next.

CHARACTERISTIC 1:

# INFO- HUNGRY

From provenance to product development, the Gen Z consumer is more information-hungry than any of its generational predecessors. They demand to know the how, why, when, and where of the brand, and care deeply about sustainability, humane working conditions of brand employees, and quality of materials.



## Impact on Retail



LUSH

To stay competitive, brands and retailers will have to incorporate information and education into every stage of the purchasing journey – from engaging stories told online to immersive product display and merchandising strategy in-store.

### EXAMPLES

- E-commerce wunderkind Everlane made a huge name for itself when it debuted with what the brand calls “radical transparency.” The company makes “beautiful essentials, at the best factories, without traditional markups” and goes as far as listing the individual costs for materials, hardware, labor, duties, and transport for each of its products. Everlane’s retail location in NYC opened in December 2017 – and still draws such large crowds that there are usually lines on the weekends.
- U.K.-based cosmetics retailer Lush has long been on the forefront of transparency and is also a leader in sustainability – Lush’s in-store product displays include information about provenance as well as information about the Lush employee who packaged or produced the product.

CHARACTERISTIC 2:

# DIGITALLY SAVVY

Generation Z are the first generation in history to grow up with little-to-no memory of life before the technology revolution. They flex their digital expertise to their advantage, cost-comparing across platforms and educating themselves about competitors.



## Impact on Retail

The Gen Z consumer doesn't even walk into a retailer without having done their homework: in-store experiences must be tailored to a sophisticated consumer and must add value beyond what can be discovered online. This is a marked departure from the tradition sales floor model, in which associates were often introducing products to potential customers.

### EXAMPLES

- Nike's Nike Live members-only concept store – the first of which landed in L.A. in 2018, with Tokyo coming next – accommodates the Gen Z shopper by offering pre-order for items on the NikePlus app with pick-up in-store. The app can also be used to scan codes on different products, request price information, and alternative colors and sizes. Merchandise changes every two weeks to keep customers coming back to the store.
- Sephora: Sephora's online and offline experiences are creating high standards for other retail companies. Sephora allows their customers to visually "try on" products from a mobile device. This creates a better user experience and allows the customer to know what they are buying before they make their purchase. Personalization is also made a priority by leveraging augmented reality and facial scanning to help the consumer with specifics. Sephora provides their customers with benefits and rewards programs to help cultivate loyalty. They track past purchases as well as provide recommendations for new items.<sup>1</sup>

<sup>1</sup>cbsinsights.com

### CHARACTERISTIC 3:

# THE ONLINE/ OFFLINE PARADIGM

While Gen Z are digital natives, they crave brands and retailers that can offer an immersive online/offline experience. The purchasing process always starts online, but it ends in-store: Gen Z actually prefer shopping brick-and-mortar. In a report by ICSC, 76% of Gen Z reported believing that physical stores provide a better experience compared to online.



## Impact on Retail

Retailers must deliver on-brand experiences that build on the online experience, whether it's in-store exclusives, collaborations, or tactile activations.

### EXAMPLES

- Luxury good company Diptyque – famed for their cult-favorite candles – stocks their global boutiques with candles specific to that store that cannot be purchased online. The “New York” candle can only be purchased in the Manhattan boutique, not online – building on the exclusivity of the brand by offering a product that also serves as a travel trophy.
- Beauty e-commerce wunderkind Glossier debuted its retail concept as the “Glossier Showroom” and calls sales associates “Offline Editors” – a reflection of a brand that understands its audience was born online. This super-Instagrammable space displays all Glossier products for shoppers to sample and have fun with.



CHARACTERISTIC 4:

# SOCIAL- FIRST

Gen Z are driving the demand for the creation of true communities around brands: not only do they crave peer review, but they seek out brands that understand the needs of the community and cater to them. Gen Z consumers don't just want a brand that offers them useful and delightful products – they want to be cared for and understood by their favorite brands.



## Impact on Retail



Brands are doing more and more to demonstrate that they understand and value their target customers, implementing more creative activations and installations that speak to consumers needs beyond just product.

### EXAMPLES

- American Eagle’s AE Studio concept store in New York makes community the focus of its retail presence, offering a wall of washing machines and dryers which students can use for free, in addition to communal study space where they can wait for their clothes to wash and dry.
- Sustainable clothier Reformation’s retail footprint reflects the online/offline relationship Gen Z consumers have with brands: in its retail concepts, shoppers scroll through products on TV-sized touch screens, and sales associates (“Offline Editors”) bring their selected items to spacious dressing rooms that are complete with different lighting options – for optimal selfie-taking.

## CHARACTERISTIC 5:

# FOCUSED ON INCLUSIVITY

Gen Z are notably the most diverse generation to date, and as such, they are disinterested in labels and exclusivity. Gen Z are less interested in gender-specific products than any previous generation and find freedom in the concept of androgyny. They value fluid identities and seek brands that reflect the changing faces of ethnicity, race, sexuality, and gender.



## Impact on Retail

Brands and retailers willing to play with boundaries will be rewarded by Gen Z – whether crossing gender lines or doing away with them altogether. Representation of varying identities is now the rule, not the exception – brands on the vanguard of this have captured the attention of Gen Z.

### EXAMPLES

- The Phluid Project's New York concept store has cultivated a gender-neutral space with non-binary mannequins and sizing.
- Mid-market retailers like Target, Abercrombie and Fitch, and Top Shop have all introduced gender-neutral fitting rooms in recent months.



CHARACTERISTIC 6:

---

# COST- CONSCIOUS + SUSTAINABILITY FRIENDLY

---

Gen Z were children in the recession, and it's fundamentally changed their spending habits and relationship to money and goods. As a young generation, much of Gen Z are spending their parents' money, but not all – discounters and price-comparing are more important to Gen Z than to millennials.



## Impact on Retail

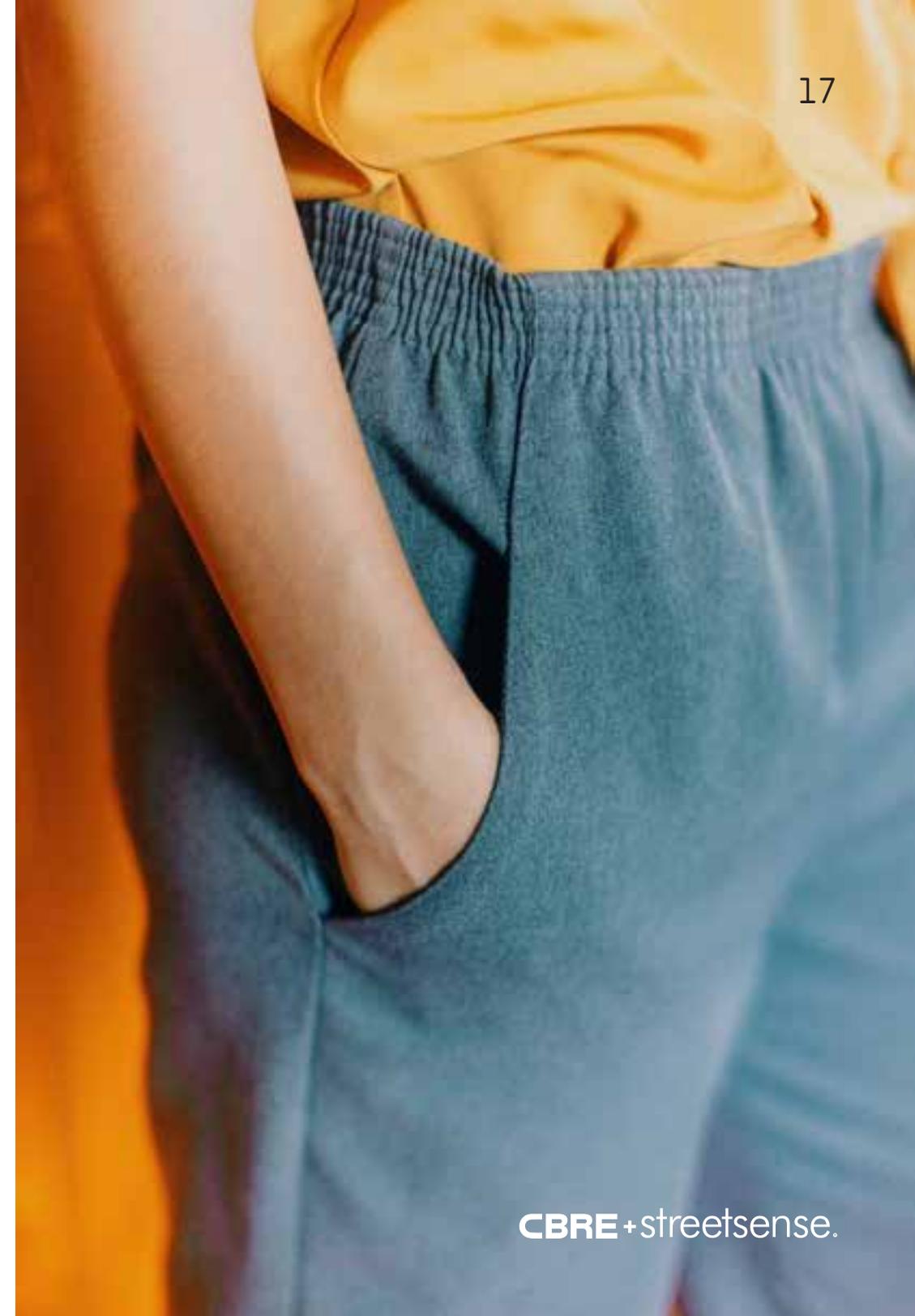
According to a new study from ThredUp, by 2022, the resell market is set to grow from \$21 billion to \$41 billion and will soon account for 11% of people's wardrobes.<sup>2</sup> With resell culture set to outpace fast fashion by 2027, brands must brace for this evolving consumption behavior – brands that can merge primary and secondary markets into their retail footprint will gain an edge.

### EXAMPLES

- Rent the Runway pioneered a revolution, and now mid-level brands are experimenting with their own rental models. Ann Taylor's "Infinite Style" program allows customers to rent three pieces at a time (unlimited orders) for \$95/month, with free shipping and returns.
- Poshmark is a platform for people to buy and sell new, used, or unwanted clothing. According to an article from Business Insider, there are around 5 million sellers, who so far have been paid out \$1 billion. Consumers are able to upload photos of their clothes, research what is selling well, review customer feedback, and compare prices on the platform.

<sup>3</sup> James Reinhart, Thred Up, 2018

<sup>4</sup> businessinsider.com



“When I think ‘cool,’ I imagine companies that do great things for customers/employees or beautiful/unusual products.”

**Gen Z Teen**

14 Years | Utah

# CBRE + streetsense.

CBRE and Streetsense's joint venture helps unlock value for brands and their customers; reimagine environments where people live, work, and play; drive demand for clients; and foster community and sense of place. Together, we strengthen our ability to connect with end users across industries and geographies.

For more on our partnership, please visit us at [cbre.us/streetsense](https://cbre.us/streetsense).

## **Melina Cordero**

Global Sr. Director, Retail Research  
CBRE  
[melina.cordero@cbre.com](mailto:melina.cordero@cbre.com)

## **Jamie Sabat**

Director of Trends + Consumer Forecasting  
Streetsense  
[jsabat@streetsense.com](mailto:jsabat@streetsense.com)

