

Marketing & Sales Practice

# What makes Asia–Pacific’s Generation Z different?

Gen Zers in the Asia–Pacific region aren’t like their older siblings. Here is what you need to know.

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**Gen Zers (born 1996–2012)** are coming of age. By 2025, the group will make up a quarter of the Asia–Pacific (APAC) region’s population—the same as millennials (born 1980–1995). And as Gen Zers mature, they will make and spend more money. Although Gen Zers share many qualities with millennials, it’s wrong to think of them simply as a younger version. Generation Z has its own unique characteristics. For one thing, unlike millennials, Gen Zers are entering into adulthood during a global pandemic. Still, the demographics are clear: by 2025, the two cohorts will compose half of APAC consumers.

and Gen Xers (born 1965–1979). The survey asked respondents about their general attitudes toward brands, shopping, digital, and media, as well as their outlook on the world. It also asked specific questions about shopping habits and brands for selected categories (Exhibit 1).

In this article, we describe the consumer trends that are shaping the behavior of Gen Zers, the six broad segments that describe them, and how companies can reach them.

In an effort to understand the distinctive ways that Gen Zers research, consider, purchase, and use products, in the second half of 2019 McKinsey surveyed more than 16,000 consumers in six countries—Australia, China, Indonesia, Japan, South Korea, and Thailand.<sup>1</sup> Then we compared results across three generations—Gen Zers, millennials,

### Gen Zers in APAC: Five consumer trends

Obviously, there are massive differences among the six surveyed countries in their population profile (aging Japan versus more youthful Indonesia), economics (Australia’s GDP per head is several times that of Thailand), and history and culture. In specific areas, China shows tendencies that set it

Exhibit 1

## The research on Generation Z consumers considered six countries and seven categories.



**Themes**

- Attitudes and behaviors in shopping and consumption
- Attitudes and behaviors in food
- Digital use
- Financial outlook
- Personal lifestyle

<sup>1</sup>Quick service restaurant.  
Source: McKinsey Asia–Pacific Generation Z Survey, November 2019, n = 16,000

<sup>1</sup> About 3,000 Generation Z consumers responded in each country except Thailand, where there were around 1,000 respondents.

# Across APAC, almost a third of Gen Zers spend six hours or longer a day on their phones, a considerably higher share than millennials (22 percent) and Gen Xers (10 percent).

apart. Nevertheless, we were able to come to five broad conclusions about APAC's Gen Zers:

- They rely on social media but are thoughtful about how they engage with it.
- They want it all—and are used to getting it.
- They prefer brands that show their personality and uniqueness but that are also well known enough to be recognized.
- They are greatly influenced in their brand selection by video content.
- They want to be seen as environmentally conscious, but they often don't want to pay for this.

## **They rely on social media but are thoughtful about how they engage with it**

Gen Xers, millennials, and Gen Zers are all comfortable with the digital world and rely on it for learning, shopping, and entertainment. Even in this context, Gen Zers stand out, which makes sense: they have never known a world without the internet and have grown up with social media. Across APAC, almost a third of Gen Zers spend six hours or longer a day on their phones, a considerably higher share than millennials (22 percent) and Gen Xers (10 percent). Indonesians stand out: the average Gen Zer there spends 8.5 hours a day on the phone. In most countries, Gen Zers spend roughly two hours longer a day than Gen Xers and an hour more than millennials on their phones; they also spend more time on social media. That helps explain why 50 to 60 percent of the primary influence in brand

decisions for Generation Z comes from social media and online sites.

However, Gen Zers are aware of the downsides of constant connection. In four of the six countries surveyed, they were more likely than millennials or Gen Xers to say people spend too much time on their phones and to believe that technology gets in the way of social relationships (Exhibit 2). In this regard, it's interesting that Gen Zers trust family and friends more than any other source—and more than millennials or Gen Xers do. More than half of Gen Zers surveyed—including 75 percent of Japanese respondents—say they think people overshare, and 49 percent are concerned about the use of their personal data.

Given those worries and Generation Z's high digital literacy, it isn't surprising that many Gen Zers actively manage their online identities. Of the Gen Zers surveyed, 36 percent said they "carefully curate" their online presence, compared with 31 percent of millennials and 24 percent of Gen Xers.

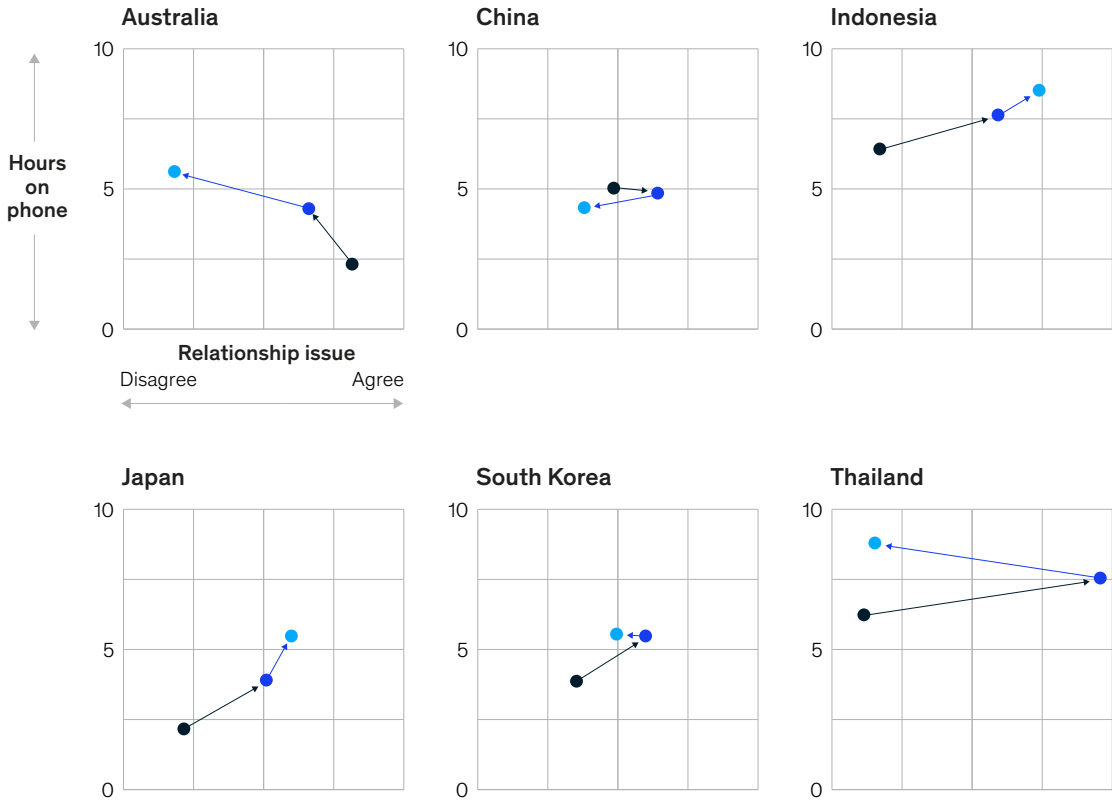
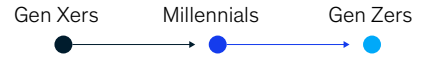
## **They want it all—and are used to getting it**

Gen Zers like to research before they shop. They are especially interested in finding deals. Gen Zers are considerably more likely than millennials or Gen Xers to say that they always, or almost always, look for discounts. In Australia, 66 percent of Gen Zers surveyed say they always look for discounts before they buy, and in China, the share is 50 percent; that is ten percentage points higher than millennial peers. Gen Zers also want the benefits of personalization. Except in Japan and South Korea, though, they are generally less willing than

Exhibit 2

**Gen Zers tend to spend more time on their phones than other generations do—and many worry it may be too much.**

Hours spent on phone each day, and perception that this gets in the way of social relationships



Source: McKinsey Asia-Pacific Generation Z Survey, November 2019, n = 16,000

millennials to provide personal information to retailers and service providers.

Because Gen Zers are young and less likely to be working full time, they generally have less money to spend than older cohorts do; that may be behind some of their deal-hunting behavior. But they aren't willing to sacrifice quality for price. The percentage saying they would "prefer to buy higher-quality products which will last a lifetime" differs little between Generation Z and the other cohorts in

most countries; 73 percent of both Gen Zers and millennials in China agree with this statement.

Gen Zers also expect a wide range of services and features, such as personalization, customization, exclusive or limited products, and brand collaborations. In Australia, for example, 61 percent of Gen Zers surveyed consider brands that collaborate with other trendy brands more interesting; only 51 percent of millennials do. In short, Gen Zers want more for less—making them, quite literally, tough customers.

**They prefer brands that show their personality and uniqueness but that are also well known enough to be recognized**

In brands, too, Gen Zers want it all. They are significantly more likely than Gen Xers to say they prefer brands that are popular with others—40 percent of Gen Zers surveyed look for popular brands, versus 34 percent of Gen Xers. In Japan, 51 percent of Gen Zers (compared with 31 percent of Gen Xers) say they prefer brands that are popular with others.

But Gen Zers are also more likely to say they want “brands that set them apart”—about twice as often as Gen Xers and 1.3 to 1.5 times more than millennials across APAC do. To reach Generation Z, then, won't be easy. Brands will need to balance achieving popularity through scale so that they are widely recognized while also maintaining a sense

of relevance and distinctness that connects with younger consumers.

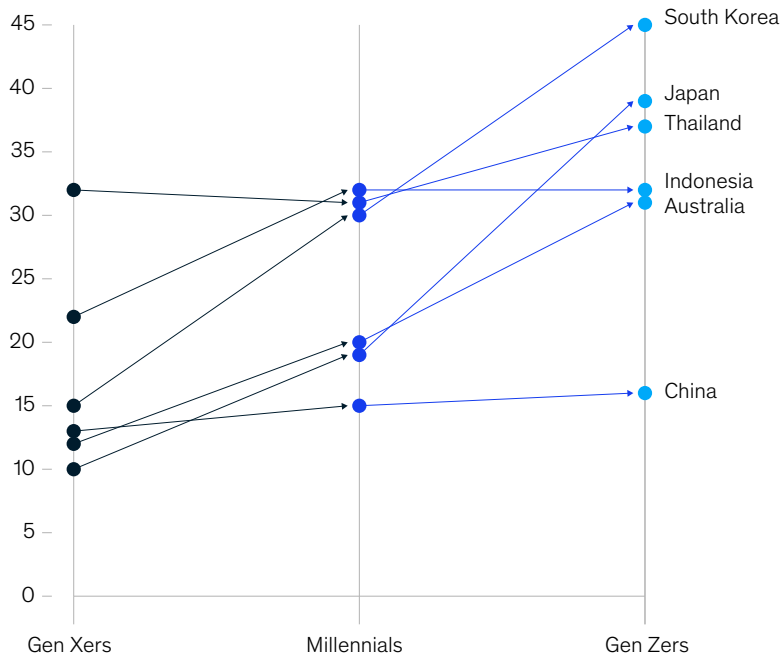
**They are greatly influenced in their brand selection by video content**

Gen Zers view significantly more video media on platforms such as YouTube or TikTok than other cohorts do. This influences how they choose brands and products. Majorities of Gen Zers in all six countries surveyed, and 70 percent overall, say they learned about new brands via video-based social media at least once a month. The overall shares of millennials (58 percent) and Gen Xers (46 percent) who say that are much lower. Video influences Generation Z not only in brand awareness but also in purchase decisions: in all six countries, Gen Zers are more likely than other cohorts to cite video as a top three influence (Exhibit 3).

Exhibit 3

**Particularly in Japan and South Korea, many Gen Zers use video for brand- and product-purchase decisions.**

Video sources are among top 3 influences for brand and product selection, % of respondents agreeing



Source: McKinsey Asia-Pacific Generation Z Survey, November 2019, n = 16,000

**They want to be seen as environmentally conscious, but they often don't want to pay for this**

Across APAC, Gen Zers say they care about sustainable consumption. Just as much as millennials, Gen Zers say they prefer environmentally friendly products, organic foods, and ethical fashion. For example, in China, 60 percent of Gen Zers and millennials surveyed state that they are trying to minimize the negative effects their eating habits have on the environment; half of both cohorts say they always look for locally sourced produce. In Japan, those attitudes are particularly pronounced; 54 percent of Gen Zers say they always look for clothes produced sustainably, and 46 percent prefer to wear used clothing—much higher figures than for millennials and Gen Xers.

Extending beyond environmental consciousness, 60 to 80 percent of Gen Zers surveyed think that

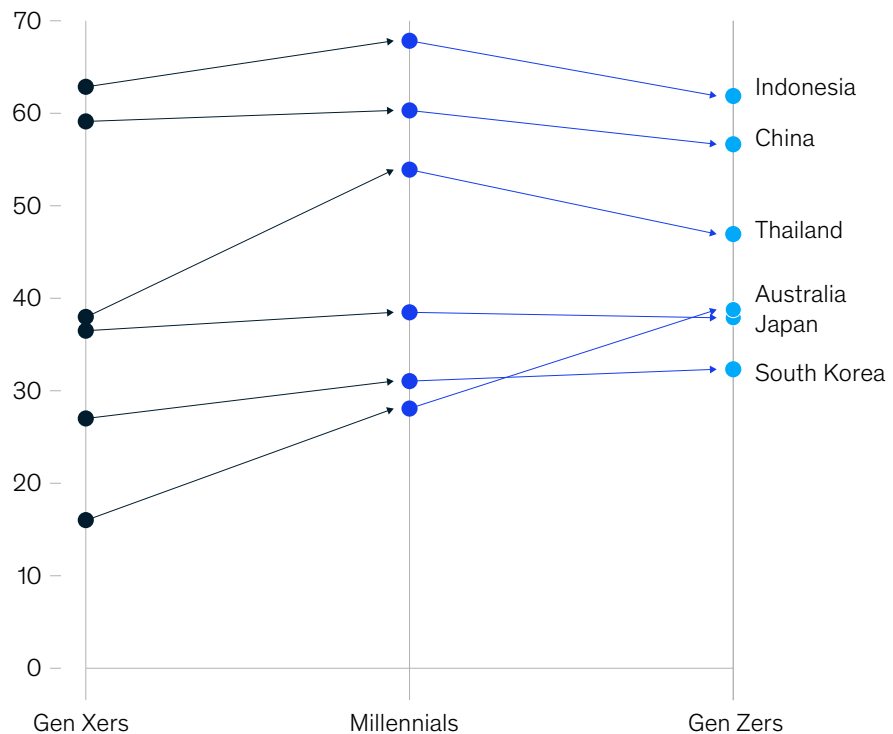
brands should be held to account for their actions. But only in Australia are Gen Zers noticeably more likely than their elders to say that they are willing to pay more for environmentally responsible products—39 percent for Gen Zers versus 28 percent for millennials and 16 percent for Gen Xers (Exhibit 4).

When digging into the underlying motivations for such attitudes, we found a strong correlation between the aspiration for sustainable consumption and the desire to be “on trend.” In addition, those willing to pay more for green products also tended to be more conscious of brands in general. This suggests that buying and using environmentally friendly products and having a green mindset are associated with social status in the minds of Gen Zers.

Exhibit 4

**Only in Australia are Gen Zers significantly more willing than other generations to pay extra for environmentally responsible brands.**

Willing to pay extra for environmentally responsible brands, % of respondents agreeing



Source: McKinsey Asia-Pacific Generation Z Survey, November 2019, n = 16,000

## Six kinds of Generation Z consumers

To assume that all Gen Zers are one homogenous cohort would be false. Through an analysis of the survey results, we identified six segments that, together, describe the Generation Z consumers in APAC (Exhibit 5). Brands need to understand these segments to develop products and services to meet Generation Z's needs.

### Brand-conscious followers

Brand-conscious followers make up the largest single segment (24 percent) of Gen Zers surveyed, composing roughly a third of those cohorts in China and Thailand and a quarter of them in Australia, Indonesia, and Japan (South Korea is the outlier, at only 14 percent). Brand-conscious followers love brands of all kinds, and they follow trends closely, but they don't necessarily love shopping. In Japan, half of that segment say they hate shopping for clothes, but 57 percent also say it's important for

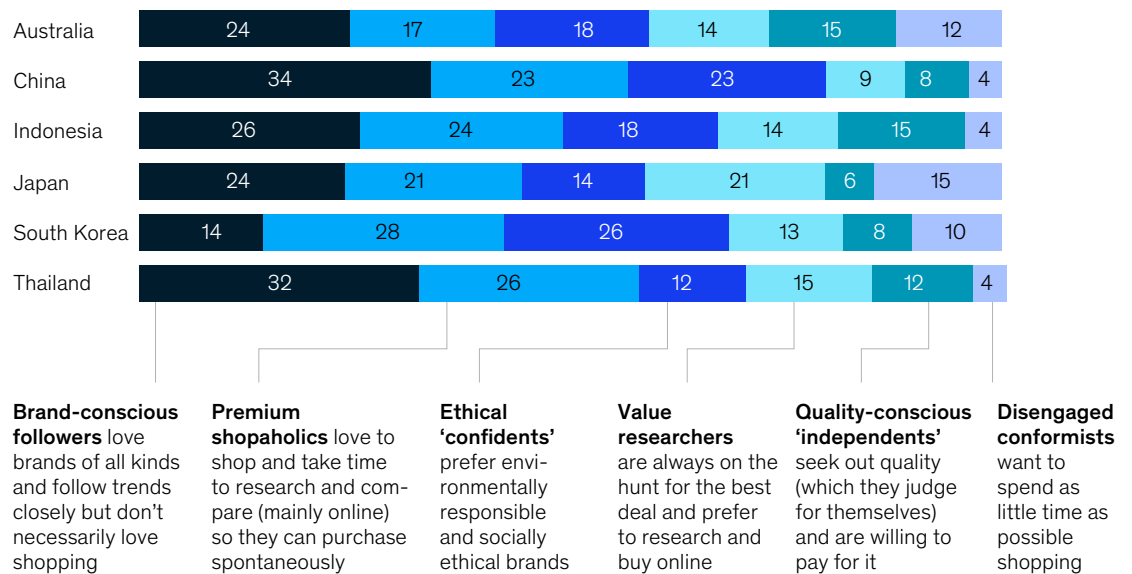
them to be on trend. Gen Zers in APAC tend to prefer buying online because it's more efficient. They know what they want, and they don't invest extra effort in finding the best deals, with 62 percent of Chinese Gen Zers in this segment finding online to be the best way to shop, and 45 percent loving to shop on Taobao or Xianyu.

For businesses, brand-conscious followers are critical resources. Not only are there a lot of them, but they tend to be early adopters of new products, services, and experiences. In Australia, a third of brand-conscious followers surveyed enjoy trying out products recommended by influencers, and 36 percent always follow brands they love on social media. But they are a tough audience to keep. While they like brands, they aren't particularly loyal to them: in Australia and China, brand-conscious followers are the least brand loyal of all six consumer segments.

Exhibit 5

## Brand-conscious followers and premium shopaholics are the largest segments within Generation Z.

Generation Z population by archetype, %



Note: Figures may not sum to 100%, because of rounding.  
Source: McKinsey Asia-Pacific Generation Z Survey, November 2019, n = 16,000

# Businesses should be aware that while ethical confidants support sustainability in principle, they won't necessarily pay more for it. In South Korea, only 32 percent within the segment say they will.

## **Premium shopaholics**

Premium shopaholics (22 percent of Gen Zers surveyed) *love* to shop. They take time to research and compare, mainly online, so that they can also purchase spontaneously. In South Korea, for example, half of the segment extensively research prior to shopping; at the same time, 20 percent—more than any other segment—often make spontaneous purchases. In China, 53 percent of premium shopaholics spontaneously make decisions on what to buy based on recommendations they receive as part of the shopping journey. To get exactly what they want, they are willing to pay a premium: two-thirds of Japanese and 75 percent of Chinese premium shopaholics want to trade up when they can afford to.

Additionally, premium shopaholics are conscious of how their consumption plays a social role: they want to fit in, but they also look for brands that help them stand out among their peers. In China and Japan, 61 percent of the segment want to stand out, and 65 percent want brands that are popular with other people. In Australia, it's the segment least likely to prefer smaller brands over well-known brands.

Finally, premium shopaholics are active in social media. They are twice as likely as those in other segments to say getting "likes" on social media is important to them. In China, for example, 49 percent of the segment say earning social-media likes is important to them—compared with an average of 26 percent in other segments.

The cohort is an obvious target for high-end brands because premium shopaholics are most likely to

be willing to pay extra to get what they want. To get their attention, brands need to provide a convincing story of why a product or service deserves to cost more. Small brands with limited awareness may struggle with the segment because they don't offer the recognition that it desires.

## **Ethical 'confidants'**

As the segment name suggests, these Gen Zers (20 percent of Gen Zers surveyed) prefer brands that are environmentally responsible and socially ethical. In Indonesia, 62 percent of the segment prefer natural and organic products, and 76 percent prefer to buy environmentally friendly brands—20 percentage points higher than in other segments. In all APAC countries surveyed, the segment constitutes a higher percentage of Gen Zers than of Gen Xers or millennials.

The relationship of ethical confidants with brands is fluid: they are open to trying newer and smaller brands, and they value customization and personalization. Compared with brand-conscious followers and premium shopaholics, they spend less time online and shop more in physical stores. They are confident in their choices and don't rely on others.

Given the buzz around sustainable consumption from consumers (as well as from regulators and industries), this segment is likely to grow. But businesses should be aware that while ethical confidants support sustainability in principle, they won't necessarily pay more for it. In South Korea, only 32 percent within the segment say they will.



### **Value researchers**

Although not one of the larger segments (15 percent of Gen Zers surveyed), value researchers are worth getting to know because they have a high degree of brand loyalty. For example, 80 percent of Japanese value researchers always choose a brand they know over a new product. This isn't blind loyalty, however, as only half stick with a brand. Always on the hunt for the best deal, they prefer to research and buy online, with 90 percent of Japanese Gen Zers and 81 percent of Indonesian Gen Zers always researching before they buy.

Value researchers won't pay more just to get a higher-status brand. Because they are cautious, they often stick with what they know. Capturing the segment is about getting promotions and customer-relationship-management efforts right. For retailers, the segment is a moving target that is difficult to build a bond of loyalty with: value researchers will shop in multiple stores to get the best deal for the product they want.

### **Disengaged conformists**

Disengaged conformists (8 percent of Gen Zers surveyed) are passive: they just don't care much about consuming. They want to spend as little time as possible shopping, and while they are happy to use discounts, they won't make an effort to find them. Once they find something they like, however, they tend to stick with it.

In Indonesia, 41 percent of disengaged conformists believe that all brands are pretty much the same, 53 percent always choose a brand they know, and 47 percent mainly shop spontaneously—the highest of all segments to do so. That may give major brands an advantage, as brand familiarity will go far with the segment. As disengaged conformists don't go looking for deals or new products, they need to be approached with offers and product features that speak to their needs in a targeted way. The cohort is largest in Japan (15 percent) and smaller in China, Indonesia, and Thailand.

### **Quality-conscious 'independents'**

These Gen Zers (11 percent of Gen Zers surveyed) seek out quality, which is something that they judge

for themselves—and are willing to pay for. They don't see a brand name as a guarantee of high standards. They prefer environmentally responsible and natural or organic brands—but more because they view those characteristics as identifiers of high quality than because of trendiness or a sense of ethics. In South Korea, only 26 percent of the segment always chooses a brand over a new product—the second-lowest figure among the six segments.

## **Winning over Generation Z**

We have identified five principles that companies should keep in mind as they approach Gen Zers.

### **Relevance and speed are more important than ever**

A significant share of Gen Zers surveyed see a major brand as a source of strength; they may associate the brand with quality (for premium shopaholics) or simply see it as an easy choice (for disengaged conformists). Across the region, Gen Zers are 20 percent more likely to try out new brands and products than millennials are, and they won't be loyal to brands that don't deliver.

Gen Zers want brands to be personalized, be customized, and help them be distinctive. Therefore, brands can't rest on history. To stay relevant in the market, brands need to leverage their legacy while investing in fast and continuous innovation—perhaps through partnerships and collaborations—running at the same speed as smaller and newer brands.

### **The quality and price equation has to be just right**

Generation Z's high digital literacy and easy access to information enable its members to pick and choose to ensure that they are spending their money on what they really want. In a world in which most consumers research significantly before they buy, being competitive in both quality and price is a prerequisite to win the allegiance of Gen Zers.

Consumer companies need to understand which features consumers are willing to pay for. The markers of quality will be different in each segment because the segment members' values vary. For

example, premium shopaholics are willing to pay more to get more; disengaged consumers aren't. To match quality expectations while keeping prices competitive, companies will have to be more stringent than ever in deciding which features to keep and which to deemphasize.

### **Social-media marketing needs to pay more attention to video**

The role of video can't be underestimated: Gen Zers view significantly more video media on platforms such as YouTube or TikTok than other cohorts do. That influences how they choose brands and products. Brands that speak to Generation Z through informative, fun, and inspiring videos therefore stand a better chance of being shared—and thus cutting through the noise. Many brands have grasped that idea already, but there are far more misses than hits. Brands need to build their social-media marketing capabilities, whether real time or curated, to engage with consumers in a different way.

The brands that are winning are more creative, more authentic, and faster to market with their content. Producing the right video requires different skills than posting the right photo or the right tweet. Marketing teams need to have immediate access to production teams that can create a narrative and can shoot movies that move people and compel them to watch all the way through rather than clicking the skip button.

### **Being green isn't enough: Price and quality also matter**

To capture a bigger share of the Generation Z wallet, sustainable products need to speak to quality as well as environmental values—and to communicate these attributes through a visually compelling story.

Many small and successful ethical brands stand out by emphasizing their quality and story through package design and by posting videos and articles about how they came to develop their products. Bigger brands that want to expand their sustainable portfolios should do the same while ensuring that they can back up those assertions. Greenwashing won't do.

### **Brands need to be locally relevant**

Although there are significant similarities among the markets surveyed, the game for brands should be local. Consumers in the region are naturally influenced by their distinct cultural attributes, lifestyles, religions, and eating habits. In Japan, Gen Zers are more likely to want to fit in rather than be unique; in China, they rely on brands, in large part, to define who they are; in Australia, they lean more strongly toward environmental responsibility and sustainability than older cohorts do. Brands need to ensure that their value proposition and messaging are tailored to the local context—and to the local distribution of consumer segments.

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To reach APAC's Gen Zers, brands need to master distinct and sometimes overlapping qualities. They will also need to react to how the impact of the COVID-19 crisis is changing the attitudes and behaviors of Generation Z. Brands need to be both agile and stable, regionally aware and locally focused, environmentally sound and acutely price conscious, social-media savvy and respectful of privacy, and authentic and able to tell a compelling story. So yes, it's complicated, but as Generation Z's affluence and influence rises, it's well worth the effort.

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