

WHAT YOU NEED TO KNOW ABOUT GEN Z

AND WHY IT MATTERS



Kelley Blue Book
KBB.COM
The Trusted Resource

THE MOST DIVERSE GENERATION TO DATE. CAUTIOUS SPENDERS. PRACTICAL CONSUMERS. SUBSTANTIAL SPENDING POWER.

Today's 16-year-olds — part of **Generation Z** — live in a world that's very different from 10 years ago. Unlike Millennials, Gen Z has never known the peace and prosperity of the 1990s, only the Great Recession and the war on terror. As a result, Gen Z is conscientious,

hard-working, big savers and cautious about how they spend money. The first generation raised in the era of smartphones, these true digital natives are also the most ethnically diverse yet.

GENERATION Z TRAITS

WHO THEY ARE

Born between
1998 and **2016**

25%
of the population



GENERATIONAL MARKERS



THE GREAT
RECESSION



WAR ON
TERROR



SNAPCHAT



ROKU



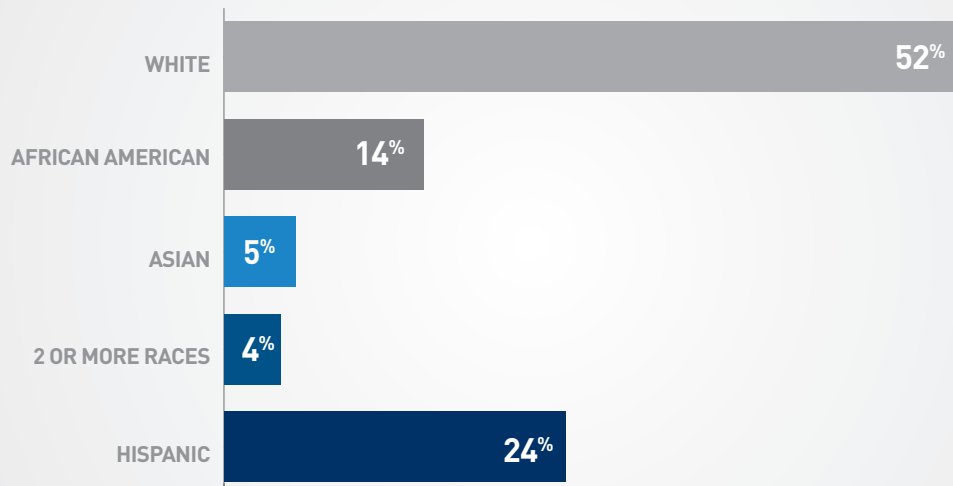
UBER



CLOUD

Source: U.S. Census, 2014

MOST DIVERSE GENERATION TO DATE



Source: U.S. Census, 2014

WHILE OWNERSHIP IS VIEWED AS LESS OF A NECESSITY, 92% STILL PLAN TO OWN A CAR

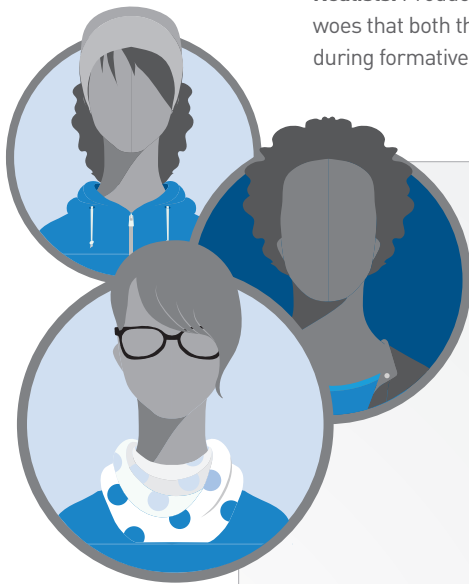
Like Millennials, Gen Z is less likely to view vehicle ownership as a necessity. While they currently use many ways to get around, a car is their first choice. For Gen Z, a car represents freedom and convenience. It also represents a safer, more reliable alternative to car/ride-sharing. Car ownership is so important to Gen Z, they say

they'd be willing to give up social media, new clothes, events and eating out for a year just to have one. Surprisingly, a third of them even say they'd give up their cell phone!

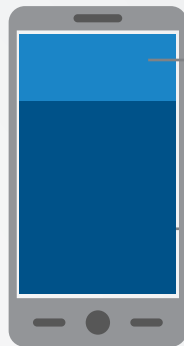


ATTITUDES & BEHAVIORS

Realists. Product of hard times, global conflict and economic woes that both they and their Gen X parents experienced during formative years.



TRUE DIGITAL NATIVES



25%

actively connected **within 5 minutes** of waking up

73%

connected **within an hour** or less of waking up¹

70%

use **YouTube**, making it the top social media site, followed by Facebook, Instagram and Snapchat

68%

agree that **face to face** interaction is important

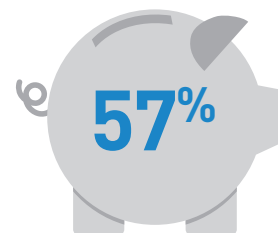
68%

are as comfortable shopping online as offline²

VAST PURCHASING POWER, CAUTIOUS SPENDERS

\$200B

Spending power annually when factoring influence on parental or household purchases³



Prefer saving over spending⁴

¹Source: Wikia, "Generation Z: A Look at the Technology and Media Habits of Today's Teens", March 18, 2013

²Source: JWT Intelligence, Generation Z: Executive Summary, May 18, 2015

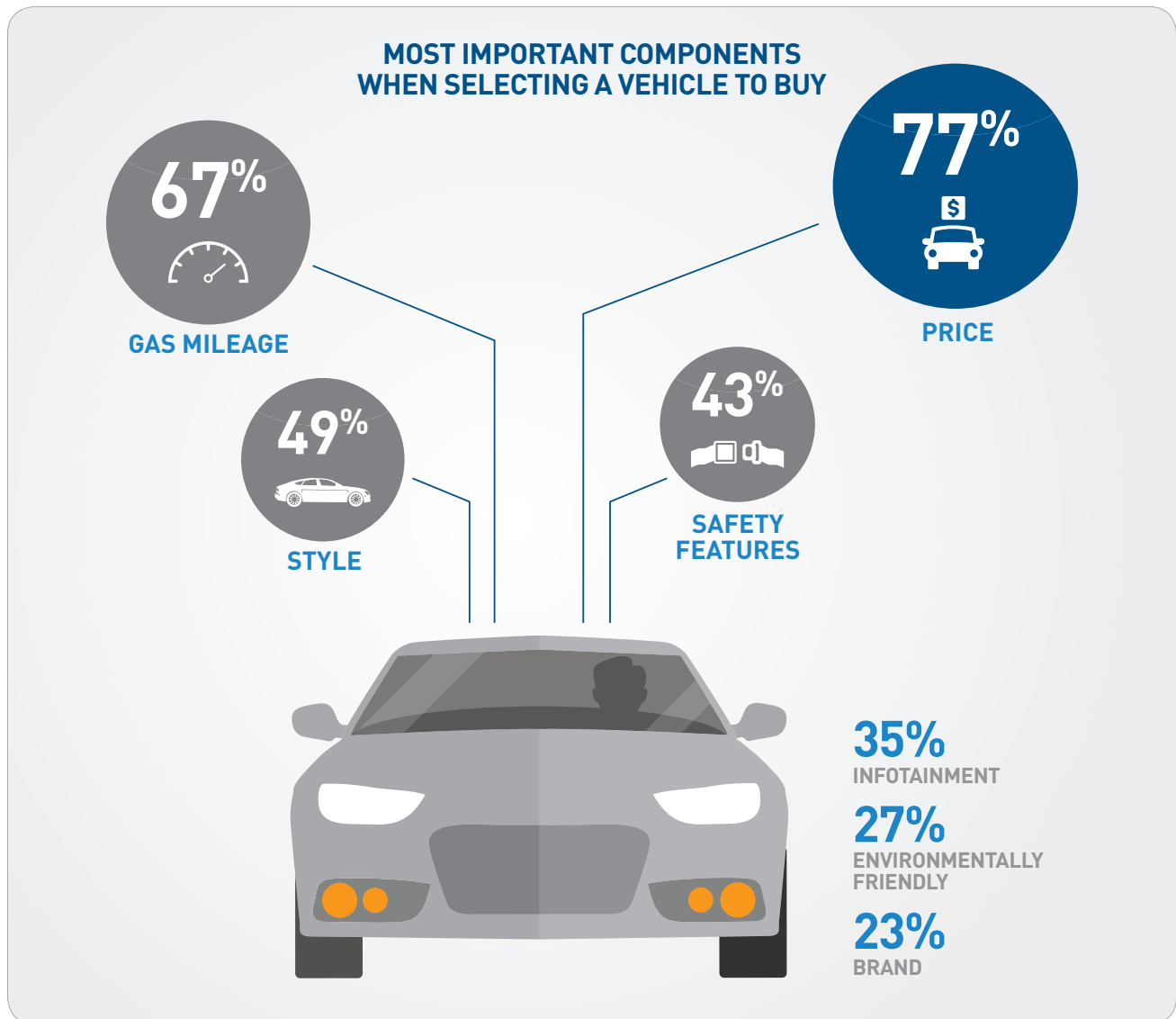
³Source: Mintel, 2013

⁴Source: Forbes, Emily Anatole, "Generation Z: Rebels With A Cause", May 28, 2013

GEN Z IS LESS FOCUSED ON STYLE & BRAND THAN MILLENNIALS AND MORE FOCUSED ON PRICE & SAFETY

While price has always been a key consideration for young drivers, it's especially important for Millennials and Gen Z, comparatively speaking. But in a marked departure from Millennials, **safety features** trump brand, style and even infotainment technology for Gen Z. Safety is likely more of a concern as they have grown up exposed to media messages and real-life experiences about the dangers caused by distracted drivers.

Probably most surprising, though, is that while Gen Zs are more likely to want a car that's environmentally friendly, **43%** consider "green cars" for their cost-savings on gas versus **30%** who consider them to help prevent global warming.



WHAT YOU NEED TO KNOW:

- Much of the technology Gen Z is looking for in a vehicle is related to solving a very practical need. They are looking for features to help make driving safer and alternative fuel technology. As a result, automotive marketers should focus on the practicality, safety and associated technology that Gen Zs want.
- In-vehicle technology will be even more of a differentiator, with safety leading infotainment in the growth of connectivity.
- Software breakthroughs will be more important than hardware innovations.
- Consumer expectations for timing of new software will be shorter.
- Consumer demands will require OEMs to transform product development and innovation capabilities through partnerships (outside automotive if necessary).

SAFETY CONCERNS ARE DRIVING GEN Z INTEREST IN AUTONOMOUS VEHICLES

Gen Z drivers are worried about distracted drivers. And while they believe it's because of technology, they also believe that technology is the solution. Over half (56%) say they would be as or more comfortable in a fully self-driving vehicle. 61% think roads would be safer if most vehicles were fully self-driving, citing fewer

distracted drivers and fewer accidents. However, the top barriers to adoption of fully self-driving vehicles are lack of trust in the current technology and concerns over affordability. Right now, 3 out of 4 would at least consider a vehicle with driver assist technology, opening the door for fully-autonomous vehicles in the future.

GEN Z WILLING TO CONSIDER BASIC AUTONOMOUS FEATURES, LACK TRUST IN THE TECHNOLOGY TO WORK IN MORE ADVANCED VERSIONS

APPEAL OF AUTONOMOUS FEATURES

72%

BASIC

Has features that allow the vehicle to **assist** in specific tasks

67%

ADVANCED

Has the ability to perform **at least two "autonomous" functions in unison**



60%

LIMITED SELF-DRIVING

Takes over all driving **under certain conditions**

54%

FULLY SELF-DRIVING

Takes over all driving functions for an **entire trip**

WHAT YOU NEED TO KNOW:

MANUFACTURERS:

- Currently, no manufacturer stands out as "genuine," or "youthful" for Gen Z, which could help brands appeal to them.
- Position autonomous vehicles as way to address Gen Z's safety concerns. Incremental changes will likely be more effective at building trust than sweeping overall changes to vehicles' self-driving capabilities.
- Consider investing in and supporting non-traditional suppliers who can help you innovate technologically.

- Lobby the government for support of further testing and for the creation of standardized regulations and laws.

DEALERS:

- Promote safety attributes and semi-autonomous features in your vehicles that prevent distracted driving and result in fewer accidents
- Ensure your sales and service teams are well-trained in the technology and can demonstrate it easily to Gen Z consumers.

FOR GEN Z, CAR SHOPPING IS ABOUT THE EXPERIENCE, ESPECIALLY FACE-TO-FACE INTERACTIONS

Despite growing up in a fully digital age, Gen Z values face-to-face interactions even more than other generations. This is the first generation who feels smartphones are equally as important as a PC/laptop in car shopping. They're equally comfortable shopping offline as online, with 67% reporting that they would rather car-shop in-store.

When asked about their ideal shopping process, Gen Z values a **positive experience** first and foremost, while **convenience** and **price** rank highest among all other generations. The test drive is also very important to Gen Z, and the majority of them want to test drive a vehicle more than once before making a purchase.



WHAT YOU NEED TO KNOW:

DEALERS

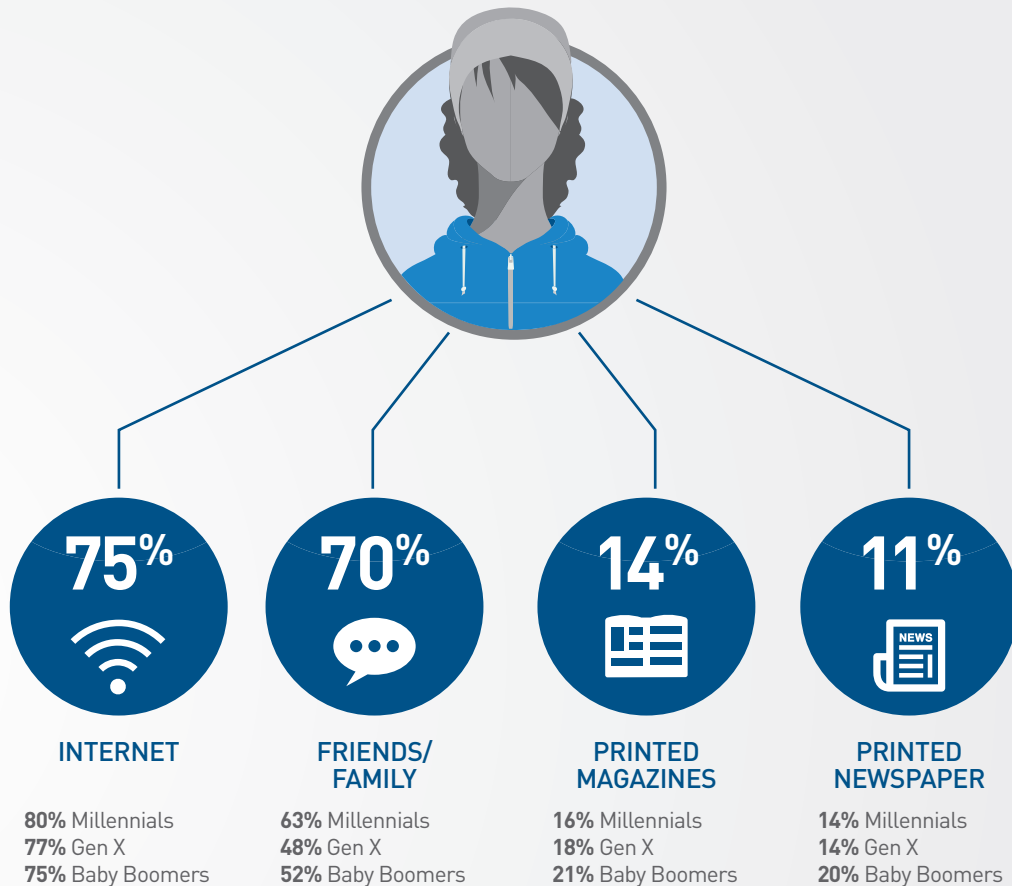
- Smartphones are nearly as important as a PC/laptop in the car-shopping experience so it's important to deliver a good experience on all devices. Focus on creating integrated experiences that are device-customized yet allow shoppers to move seamlessly across devices and between the online and offline worlds.
- Excitement during the process tends to fade. Delivering an efficient and convenient experience helps keep satisfaction high.
- Test drives are very important to Gen Z. Think about what you can do to push the envelope and deliver more innovative ways to make a memorable experience. For example, think about the role of the dealership as an "experience center."
- Gen Z is the most diverse generation ever. When they show up for a test drive or to learn more, it's a good idea for them to engage with a diverse team at your dealership.

TRADITIONAL & SOCIAL MEDIA ARE STRONG INFLUENCERS, FAMILY AND FRIENDS ARE ALMOST AS IMPORTANT AS THE INTERNET

TV and online advertising are the most effective way to reach and influence Gen Z. This generation is **highly visual** –even more so than Millennials and older generations. When learning about cars, family and friends are also an important source of information. While manufacturer, third-party and dealer websites are the

top-used online sources, social media's role in car shopping will continue to grow – though it's not like the social media we know today. Gen Z uses it for research and to get others' opinions. For Gen Z, YouTube is more important than Facebook, with Instagram and Snapchat gaining in importance.

SOURCES USED TO FIND INFORMATION ON CARS



WHAT YOU NEED TO KNOW:

- Ensure you've got a strategy to have a presence on Gen Z's favorite online hotspots.
- Strong visuals, interactivity and minimal words are effective at reaching Gen Z.
- Gen Z uses manufacturer websites for research. Engage them with interactive tools.
- Consistent advertising messages and design through all tiers make the biggest impact.

IMPLICATIONS

At 80 million strong, Gen Zs aren't anything to be trifled with. They may be young, but the economic conditions of their time have deeply affected their spending habits. Today, they influence \$200 billion in annual spending power annually on parental or household purchases. By 2020, their purchasing power will equal the GDP of some small countries. However, they're by nature more cautious spenders, less likely to be influenced by prestige and more likely to be influenced by safety and practicality peppered with technology. They'll never be, go or do without technology. It's in their DNA.

On the other hand, for this generation, the future of automotive is personally owned autonomous vehicles. Much of the technology Gen Z is looking for in a vehicle is related to solving a very practical need with **autonomous-like** features to help make driving safer and alternative fuel technology to help save them money on gas. Despite the need for all this technology, Gen Zs recognize that it comes with a price, and cost is their top consideration when selecting a vehicle.

Contrary to the perception of ride/car sharing services potentially eliminating the need for a vehicle, **nearly all** of Gen Z want to own a car, largely for the same reasons that other generations do: independence and convenience. This generation feels that ownership is safer, more reliable, more convenient and more flexible than car- or ride-sharing services.

Currently, the top preferred brands for Gen Z and across most generations are Ford, Toyota, Honda and Chevrolet, which they describe as practical, traditional and trusted. But there are no clear leaders for Gen Zs with brand attributes like modern, innovative, trendsetter, youthful, and genuine. Dealers and manufacturers should look for opportunities to connect with Gen Z through the attributes and features GenZs want.

Finally, even though Gen Z has a high level of comfort with purchasing online, they want to keep **in-person interactions** as part of the car-buying experience. The **test drive** is critical to their experience, second only to parents in influencing their vehicle purchase decision. Dealers and manufacturers will need to adopt a **customer experience** model. The dealership's role will shift to become more like an "experience center," and the lines between marketing, customer service and sales will blur. Creating a seamless experience will need a focus on integrating online and offline with investments in mobile technology and social media.

