

Gen Z: who else?

Meet Gen Z, which are individuals born between 1996 and 2016, and accounting for a third of the global total population¹. They never knew a world without internet and are more likely to be connected much of the time. We also believe they are more socially and environmentally aware and not afraid to voice their opinion. They are entering the workforce and are inclined to choose companies that are more aware of sustainability. We think that other generations will have to adapt to them, not the other way around, and they better do it fast and sustainably, as we feel the Gen Z disruption is in motion.



Jens Peers, CFA*

CEO and CIO, Mirova US**



At a glance

- ▶ Gen Z is the first generation who never knew a world without internet: Gen Zers are always online¹
- ▶ Their income should represent 33 tn\$ by early 2030².
- ▶ We view this generation as environmentally and socially aware and feel that they want brands they engage with to show sustainable practices
- ▶ We believe that some industries, such as e-commerce, telecoms, online entertainment industry, digital payments and ESG*** investments should grow with this generation

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*** ESG : Environment, Social, Governance

1 – BofA Global Research, OK Zoomer: Gen Z Primer. December 2020

2 - Euromonitor, BofA Global Research, OK Zoomer: Gen Z Primer. December 2020

3 – Generation Influence: Reaching Gen Z in the New Digital Paradigm, Center for Generational Kinetics (CGK), commissioned by WP Engine

Is there a key distinctive feature when it comes to Gen Z?

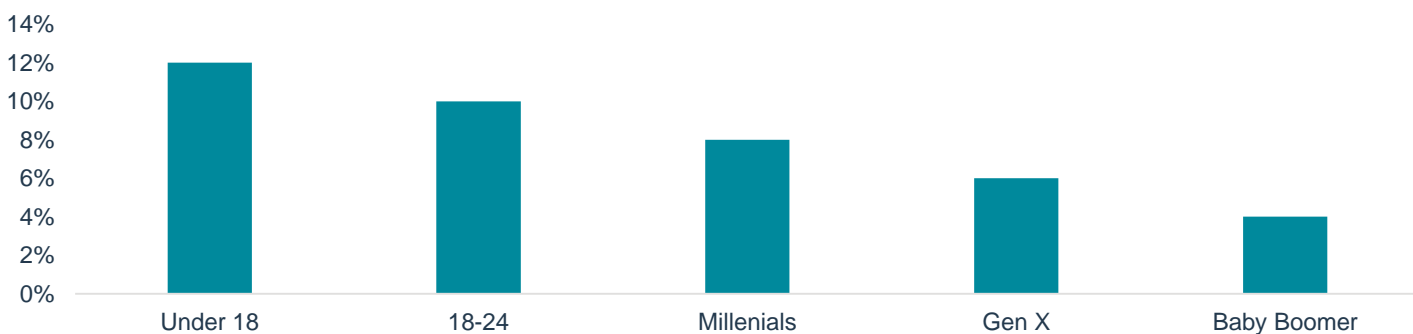
We believe that what really sets Gen Z aside is technology, as they have a whole different level of familiarity with it. Unlike Millennials, who came of age when internet was booming, Gen Z never experienced a world without (high) connectivity. It's an Application and social media savvy generation. They spend more time online than any other generation³, and would certainly have a hard time dealing with no connectivity: according to a survey led by the Central Generational Kinetics in the United-States, 58% of Gen Z would not feel comfortable if they didn't have internet for more than four hours³. Another key element is the role that digital plays in Gen Z's lives: the line between their online and offline life is blurry to say the least: based on the same survey, 64% of Gen Z said within the next five years, they expect the Internet will determine what they do on a daily basis³.



Gen Z will spend nearly 6 years of their life on social media which is more than time spent than eating, studying & socializing combined¹. They do everything online, from shopping to

voicing their opinions¹: they are the most diverse generation, experienced more than a decade of social rights movements, and grew up conscious of climate change.

Activism as part of Gen Z's identity | What is more important to you?
 (% selecting "Activism (e.g. climate change, social justice, making a difference)")



Source: BofA Thematic Proprietary Survey n=14,592, Aug 2020 "What is most important to you?"
 Options: Activism, family, career, love, religion, other.

“ For them, we think it’s not so much about what you do, it’s about who you are. We believe Gen Z wants facts, not fiction: therefore, we think transparency and engagement will be key for companies if they want these new kids to come on their block.”

Our view is that it’s actually a game changer for companies as we feel that they can have the best product on the market, but if they show poor social and environmental practices, we do not believe they will have Gen Z as customers, and that’s going to be a problem, given that

they will have a big chunk of income in the coming decade¹. Their income should grow by 140% in the next five years, representing \$33 tn by 2030, reaching 27% of the global income and surpassing Millennials’ income the following year¹.

Have you identified industries well positioned to grow with Gen Z?

As Gen Z is digital by nature, we believe e-commerce should definitely accelerate, even more so given the COVID pandemic. Also, as e-commerce companies need storage facilities, our view is that the warehouse industry should grow, as well as the demand for responsible

packaging. We also believe food delivery services should grow as well, especially if their offer is plant based, as meat is off of Gen Z’s menu². Telecom companies will also be really important as we view this generation as always on its phones.

1 - Source : WHO, 2020, BofA Global Research, OK Zoomer: Gen Z Primer. December 2020.

2 - Source: BofA Thematic Proprietary Survey n=14,592, conducted Aug 2020 "What are your meat eating habits?"



They will not use an app or a website that is too slow to load. Since they use their phones to watch videos, anything high connectivity related should benefit. It's our opinion that a part of the online entertainment industry, related to e-sports, gaming, music and video streaming has a big Gen Z audience.

And let's not forget social media: as they are connected on a daily basis, which accelerates the tech platforms' market dynamic. Added to that, digital payment solutions being the way to go for this generation, this industry should grow as well.

Payment methods: credit is out, new tech is in ¹ Top payment preference by generation	Generations	Gen Z	Millenials	Gen X	Baby Boomer
	Top choice				
	Second choice				
	Third choice				

When it comes to finance, ESG is definitely high on their agenda: more than 4 out of 5 Gen Zers factor ESG into investing².

Some companies are taking measures to evolve: we see fashion houses using more diverse models and sustainable clothes manufacturers. Even though most of them won't drive, they still will need to transport themselves, and will want to do it in a sustainable way: a lot of car manufacturers have announced that they would produce only

electric cars by 2030. We feel this implies the car manufacturers have components ready and that this will trigger a massive shift. We believe there is much room for progress since we think Gen Z is all about technology, and that it comes with sustainability risks. Given this view, we think companies need to come up with the right solutions in order to stay relevant for that audience. Regardless of the industry, when they look at a company, there are three things they find important : what you do, but most importantly how you do it, and at what cost.

“ For Gen Z, either you do it right, or you just do not. To this end, we think that, for Gen Z, if a product comes with an environmental or social cost, they not only refrain from buying it, but also voice their opinion on social media. Companies need to start transitioning towards sustainability. ”

1 – BofA thematic proprietary survey conducted in August 2020 "What type of payment method do you prefer to use ?

2 - Source : BofA Global Research, OK Zoomer: Gen Z Primer. December 2020. BofA Thematic Proprietary Survey , conducted Aug 2020 "Which of these are you most concerned about?"



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