Cognizant

Gen Z:
The World by the Thumbs

Cognizant Consulting

Produced in partnership with
THE CENTER FOR Generational Kinetics®

May 2019

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Welcome and Study Goals

The future of digital content and content platforms is the future of interaction, communication, entertainment, and commerce. Understanding how and why content of the near future (three to five years) will be adopted by consumers is critical to staying ahead of an increasingly complex and dynamic industry. To better understand the attitudes and interests of different generations toward these topics, we partnered with **The Center for Generational Kinetics** to conduct groundbreaking research that explores this topic through the lens of what they term generational context, while putting particular focus on the newest group of young consumers – Gen Z (22 and younger). See full methodology on page 25.

This ebook shares insights into the current connected life climate and reveals Gen Z digital content consumption habits, perceptions, and trends in the near future. We also focus on digital privacy to better understand trust thresholds that exist around the future of smart products, digital content providers, and user-generated content. We conclude with a glimpse into future changes in digital content consumption, uncovering the interests and needs of consumers – including their willingness to adopt and pay for new types of digital services and content in the near future. We are pleased to present these findings to you!

– Tiran Dagan, Chief Digital Officer
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Special acknowledgment to Cognizant's Tara Whitehead Stotland and Sara Mihan as lead subject matter experts in this research.

SECTION 1

The Connected Life

The oldest of Gen Z is now 22 years old and most have grown up with cell phones in their hands from a very young age. With blazing fast Wi-Fi, they have immediate access to global events, the complete knowledge of the human race and second-by-second selfies of their friends. Gen Z has the world by the thumbs.

And, connected things from Alexa to air conditioners, hot tubs to headlights, and lights to locks can be controlled by a thumbprint or voice from anywhere, further broadening the interconnectedness of nearly everything. This unprecedented access and digital immersion changes the game for how life is lived going forward.

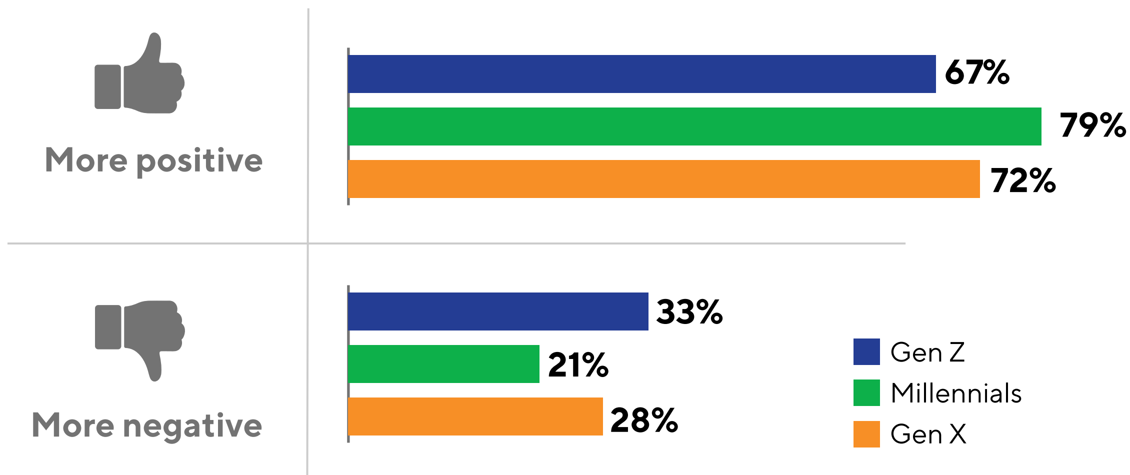
What does Gen Z think about the future of connected life? We asked them.

Sixty-seven percent of Gen Z says they think the Internet will have a more positive influence on society in the near future. This hopeful outlook is shared by other generations who were also overwhelmingly positive about the Internet's impact. However, looking deeper, among younger Gen Z (ages 15-18), 37% said the Internet would have a more negative influence on society. This group was the most pessimistic of the generations, perhaps because they are more in tune with the negative ways the Internet can be used (fake news, trolling, cyberbullying) given their deep level of digital living.

In fact, the latest research shows that over 55% of Gen Z spends a whopping five hours or more on their phones every day. One-third of females of that group spend ten or more hours of day on their phones (*Gen Z, 2018).

*Who is Gen Z in 2018? The Center for Generational Kinetics 2018

Influence of the Internet in the future (n= 2,069)



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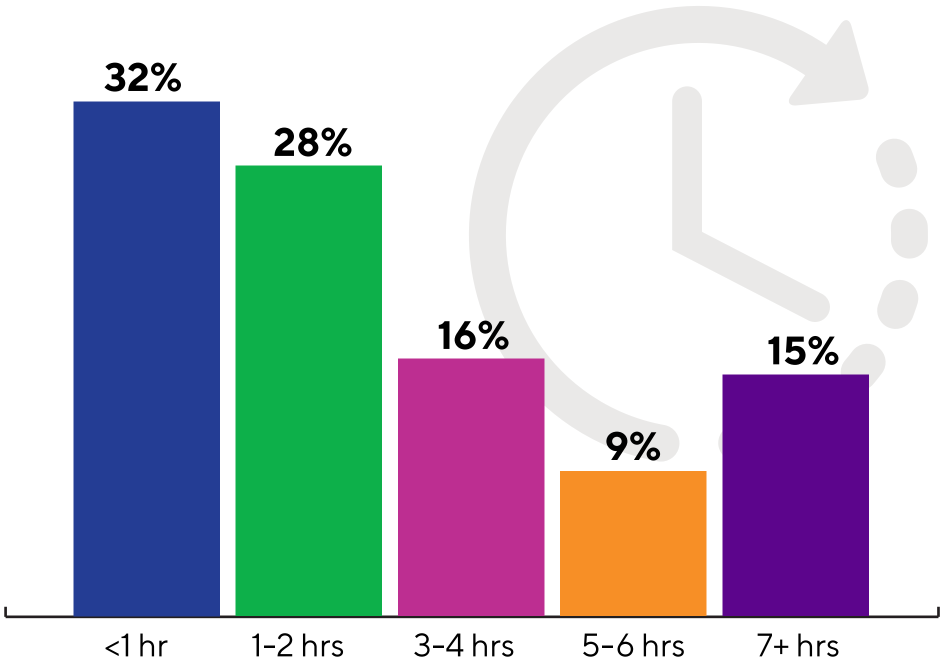
40% of Gen Z spends three or more hours a week maintaining their smart devices

Keeping smart devices and phones up to date and connected takes a chunk of time weekly. In fact, it adds up to 159 hours over the course of a year. Extrapolated over the Gen Z population, that's up to 1.37 billion hours spent by Gen Z annually just to maintain smart devices. Imagine the number for the entire U.S. population! We also found that younger generations (Gen Z and millennials) spend more time than older generations (Gen X) keeping devices current and up to date (latest software, connections are working between devices, etc.).

It makes sense that younger generations would spend more time keeping their phones and connected devices up to date since 38% feel highly stressed when they can't access the internet. And 73% of Gen Z females and 62% of Gen Z males are "very tense or uneasy" if their phone stops working correctly (*Gen Z, 2018).

*Who is Gen Z in 2018? The Center for Generational Kinetics 2018

Hours per week Gen Z spends maintaining smart devices (n=905)



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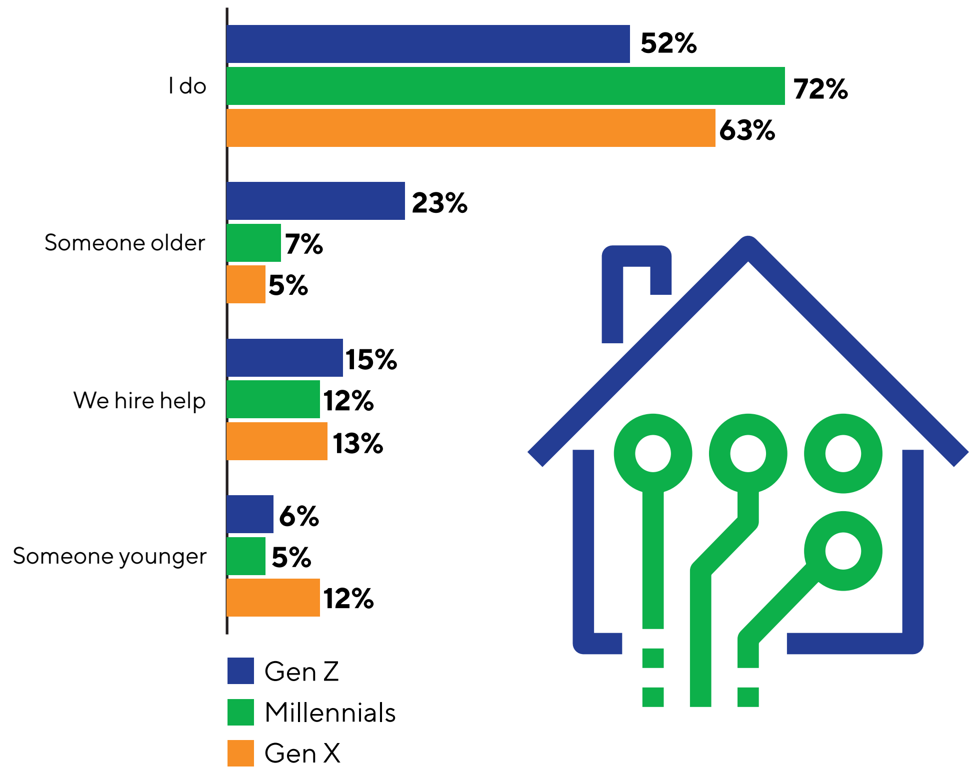
Despite Gen Z's digital dependence, they are the most reliant on others to fix smart home devices

Although 52% of Gen Z fix their smart home devices when they aren't working correctly, 44% rely on someone else, and generally someone older. Older generations are more self-reliant than Gen Z with 72% of millennials fixing their own devices.

Since Gen Z is still fairly young, it may be a function of age and inexperience that prompts Gen Z to ask for help when dealing with digital malfunctions. Also, since the majority still live with their parents, many Gen Z may see fixing connected devices as a parental duty. Who hasn't felt the pain of buffering or picture glitches during the must-see show or big game? Definitely something to avoid at all costs.

Who primarily fixes smart devices when they aren't working correctly around the house? (top 4 of 5; n=1,771)



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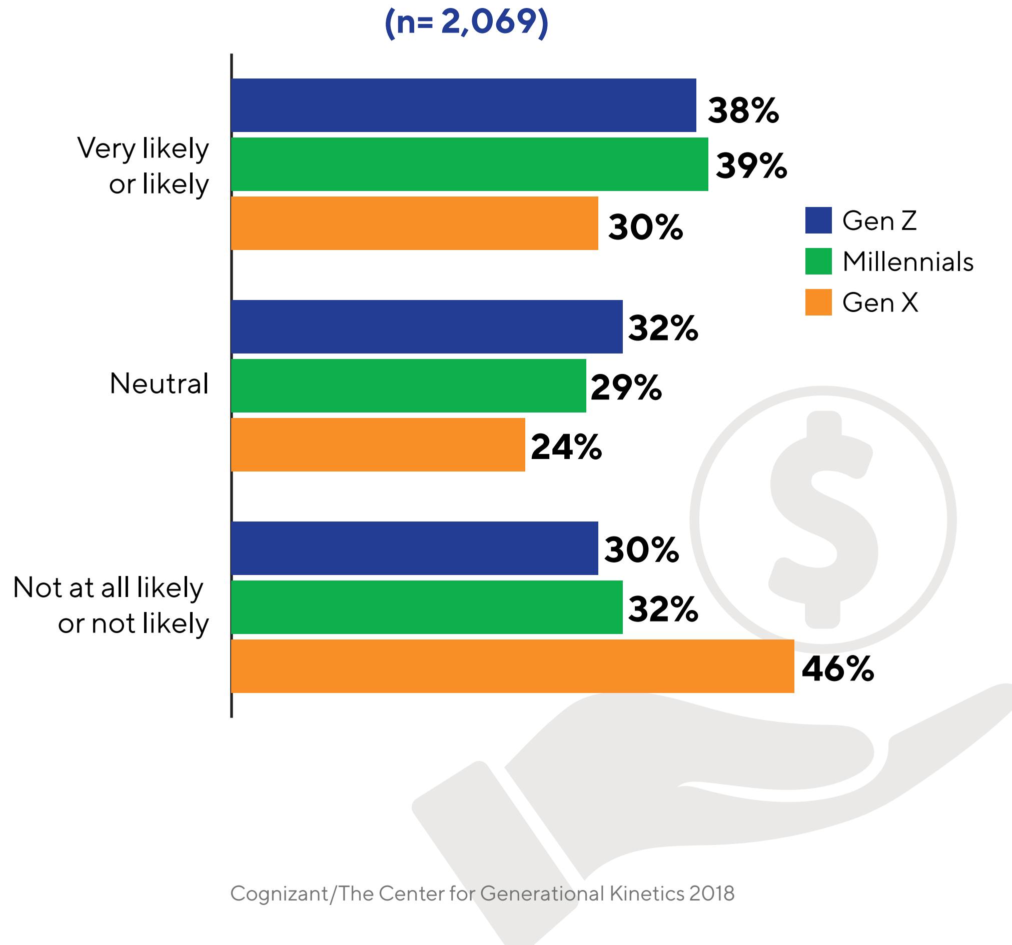
Gen Z and millennials are the most likely to pay for connected home services

As more and more devices become connected, the need for servicing seems clear and compelling. Technologies will become more interconnected and complex, increasing the time consumers spend on maintenance.

We asked customers,

In the near future (three-five years) how likely would you be to pay for a company to setup, monitor, and repair (similar to how a security system works now) your connected home for you to ensure it's always working, or to repair it when it's down?

Thirty-eight percent of Gen Z and 39% of millennials would be likely or very likely to pay for this type of service. More interestingly, across all generations, 39% of those who currently have a cable subscription would be likely or very likely to pay for connected home maintenance service.



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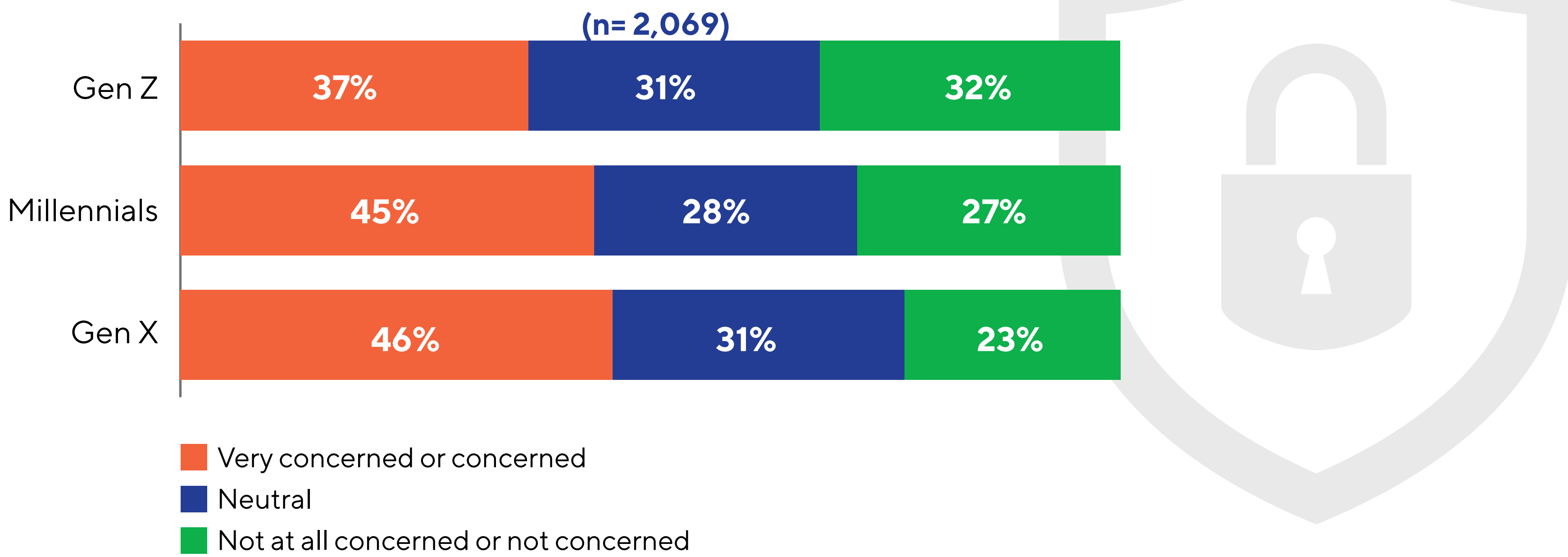
SECTION 2

Personal Data

In a world of constant digital connection, where almost all online behavior is tracked by algorithms, personally identifying information (PII) is considered sacred. Regulation such as General Data Protection Regulation (GDPR) and California Data Privacy Law will only increase to give more control to consumers of their online data and how it's used. However, the generations see personal and online data privacy quite differently. How will these data privacy sensitivities shape the future of connected devices, connected home, and connected content?

Gen Z is the least concerned that their online information will be used against them

We asked consumers ages 15-53, 'how concerned are you that companies will use your online information against you?' We found that as respondent's ages increased, so did the degree of concern that their online information could be used against them. For example, 46% of Gen X is very concerned or concerned that this might happen, but only 37% of Gen Z feels this way. In fact, almost one-third of Gen Z (32%) is not at all concerned or not concerned that companies will use their personal online data in a way that could harm them.



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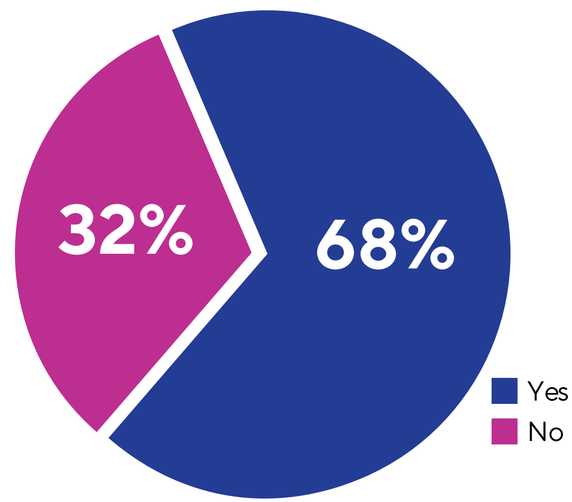
However, over two-thirds of the population is concerned that companies know too much about them from their online activities

While many consumers are concerned about how their data is used by companies, a majority are neutral or not too concerned that companies will use their information against them. However, an overwhelming majority - 68% of consumers - do feel that companies know too much about them as they collect data about consumers' online activities. Gen Z feels similarly, with 67% of them agreeing with this sentiment. The older the consumer, the more likely they are to agree, as 75% of Gen X is worried that companies are collecting too much information.

The good news for content and service providers is that one-third of Gen Z and millennials are fine with companies' data collection activities. These are consumers primed to take full advantage of connected home devices and content services.

One-third of Gen Z and millennials are not concerned that companies know too much about them

Concerned that companies know too much about them (by total; n= 2,069)



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For Gen Z, digital advertising must be personally tailored and sensitive to context

Not unlike other generations, Gen Z feels that advertising is an interruption (66%) to their online behavior. But growing up on digital, they understand that it's the cost of gaining access to free valuable resources like social platforms. Gen Z is more likely to respond to a company that shows they understand their generation by strategically offering ads based on their online interests and activities. Companies that get this right are much more likely to benefit from Gen Z's wallet.

For example, 34% of Gen Z sees online ads as helpful if they are relevant to their personal browsing or entertainment preferences, but 66% see them as an interruption. Thirty-eight percent of Gen Z think that these tailored ads are more effective than random ones. However, context within the digital environment is very important to this generation. For example, if an ad is inadvertently shown alongside content they see as offensive, then 46% will associate the ad with that off-putting content.

38%

OF GEN Z

thinks that online ads related to their browsing history or entertainment preferences are **more effective** than randomly shown advertisements

(n=1,022)

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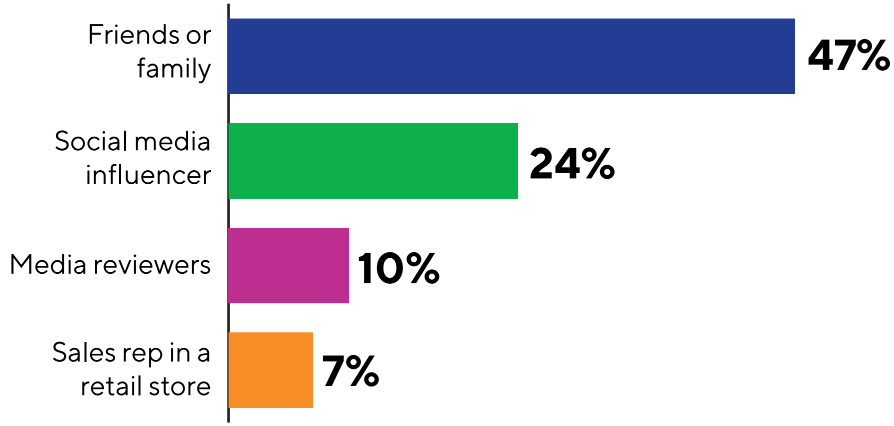
Although the advice of friends and family matters most, Gen Z's purchases are increasingly influenced by social media personalities and user-generated content

In keeping with classic consumer behavior, 47% of Gen Z is most influenced by their friends and family when it comes to making a purchase decision. Much of Gen Z is still living at home with parents and they are influencing how their parents spend money, just as parents influence how Gen Z spends. However, social media is a growing force in purchase pathways for this generation. 24% of Gen Z, or almost one in four say social media personalities are the most important influencer in their purchase choices.

They trust content and recommendations more when it comes from actual customers or these social media influencers. In fact, 35% of Gen Z thinks user-generated content (UGC) in the near future (3-5 years) will have more credibility than content that comes from a company or independent source. Advertisers, content and service providers will need to create or tap into platforms for social sharing and UGC, and put an emphasis on influencer marketing to reach this growing audience.

People that most affect Gen Z purchase decisions (top 4 of 8; n=1,022)



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35% OF GEN Z THINKS
in the near future, user-generated content will have more credibility than content that comes from a company or independent source.

SECTION 3

Future Content Consumption

In this dynamic world of endless online information and entertainment, Gen Z and younger consumers are adapting quickly to advancing trends and technology. But, what does that mean for the future? Do consumers forecast a shift in which devices they'll primarily use for news, information and entertainment in the future? Will different device types be used to consume different types of content? How does the next generation want to interact with devices? This consumer perspective on the future of content consumption explores what lies ahead.

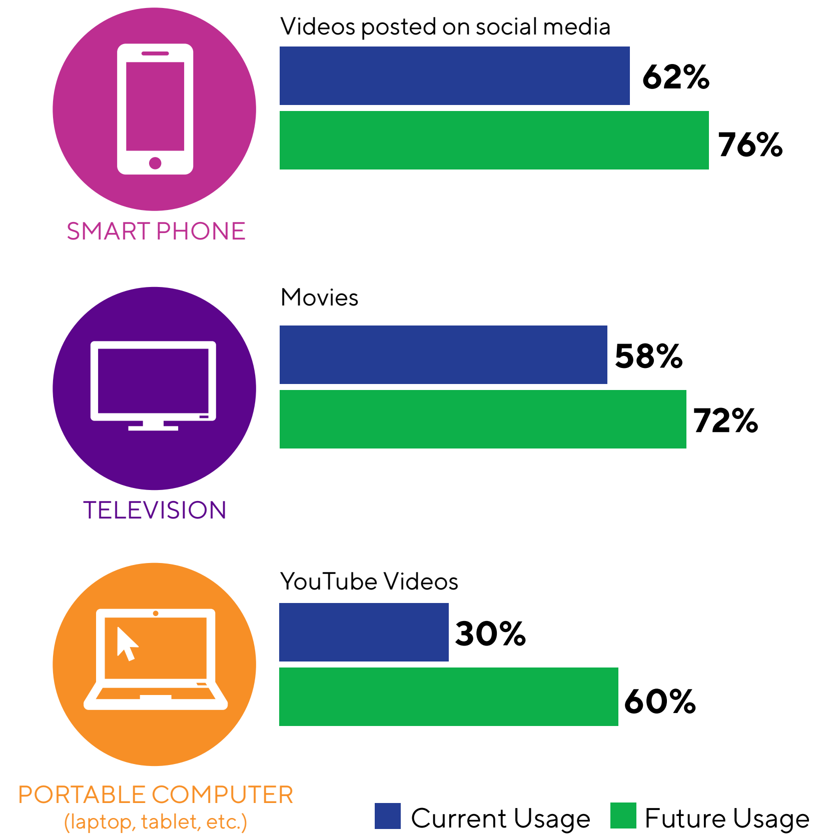
Americans expect to consume even more content on all devices in the near future

We asked consumers to predict which devices they will use to watch several types of online content in the next three to five years. We found that all generations expect to consume much more content in the future than they currently do. Demand for content will continue to escalate in the next three to five years, across all devices.

Consumers will continue the mobility trend with smartphone use trumping all other device usage. Social media and YouTube videos take the top two spots for preferred content type. In the near future (three to five years), smartphone usage is expected to increase an average of 12% with consumers preferring to watch user-generated content on mobile phones. Consumers say their television usage will also increase by an average of 11% in the next three to five years. Consumers predict the biggest gains in portable computer (laptop, tablet, etc.) use, gaining 20% in the next three to five years, largely due to more YouTube watching and the increased interest in streaming gaming and watching gaming video. The preferred device for each type of content stayed the same in all categories. Gen Z's preferred device for consuming each type of content stayed the same when predicting for the near future (three to five years).

When predicting for the near future, consumers are going to continue demanding more and more content.

Device primarily used to consume each type of content (top content type for each device; by total n=2,069)



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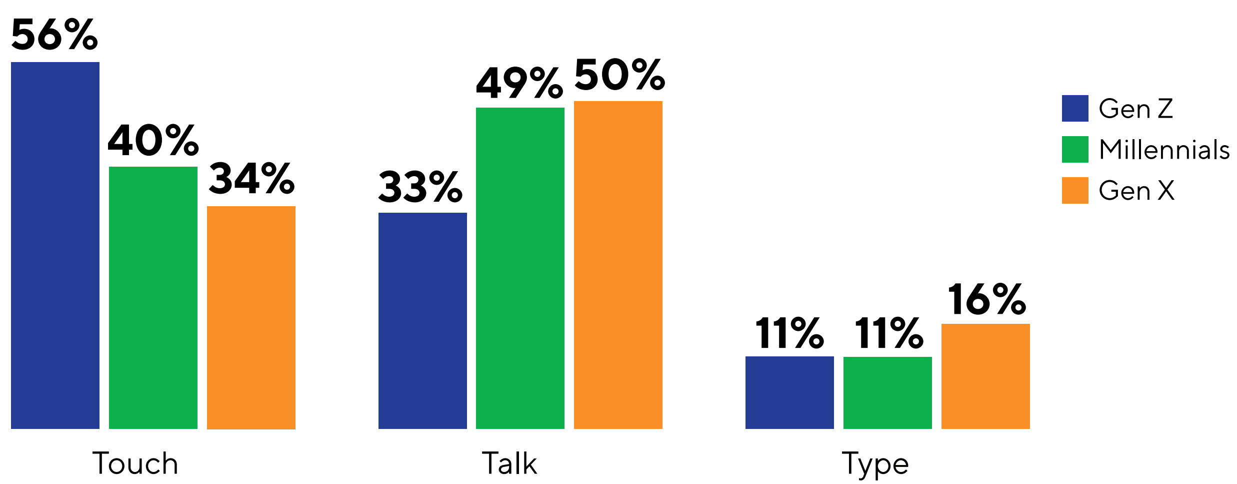
Typing may die, but what will take its place?

In the future, consumers predict that they will interact with their devices much differently, but their preferred modality is highly dependent on age. The resounding message is that no generation wants to keep typing. If typing is no longer preferred, will conversational technology win? Only for millennials and Gen X.

The majority of Gen Z (56%) prefers touch interaction on their devices. Gen Z is accustomed to swiping and tapping, taking a quick video and posting. They interact in memes and abbreviations – LOL! Millennials like voice interfaces much better and are somewhat split on preferences as 49% prefer to talk to their devices and 40% prefer touch. A majority of Gen X say they will prefer to interact with their devices by talking to them in the future.

Preference for interacting with smart devices in the near future (n=2,069)



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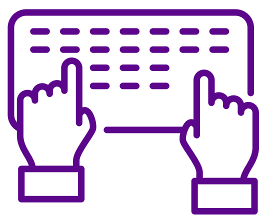


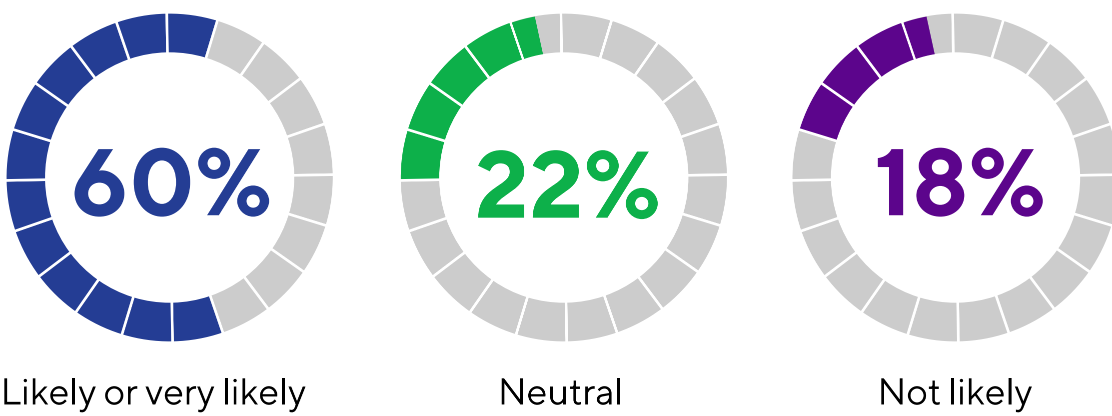
Gen Z wants to go Virtual

Along with touch and talk interactions, we tested consumers' future expectations for virtual-reality technologies.

When it comes to VR-based entertainment (playing games, watching others play games, watching shows, and watching movies), the overwhelming majority (60%) of Gen Z consumers say they are likely or very likely to utilize these VR experiences in the near future.

Although all generations had a high interest in utilizing VR, Gen Z is the most likely to embrace this type of entertainment technology.

Gen Z's likelihood of playing and watching VR games, shows and movies with widespread internet access (n=1,022)



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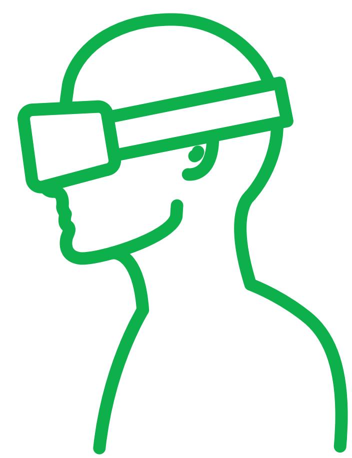
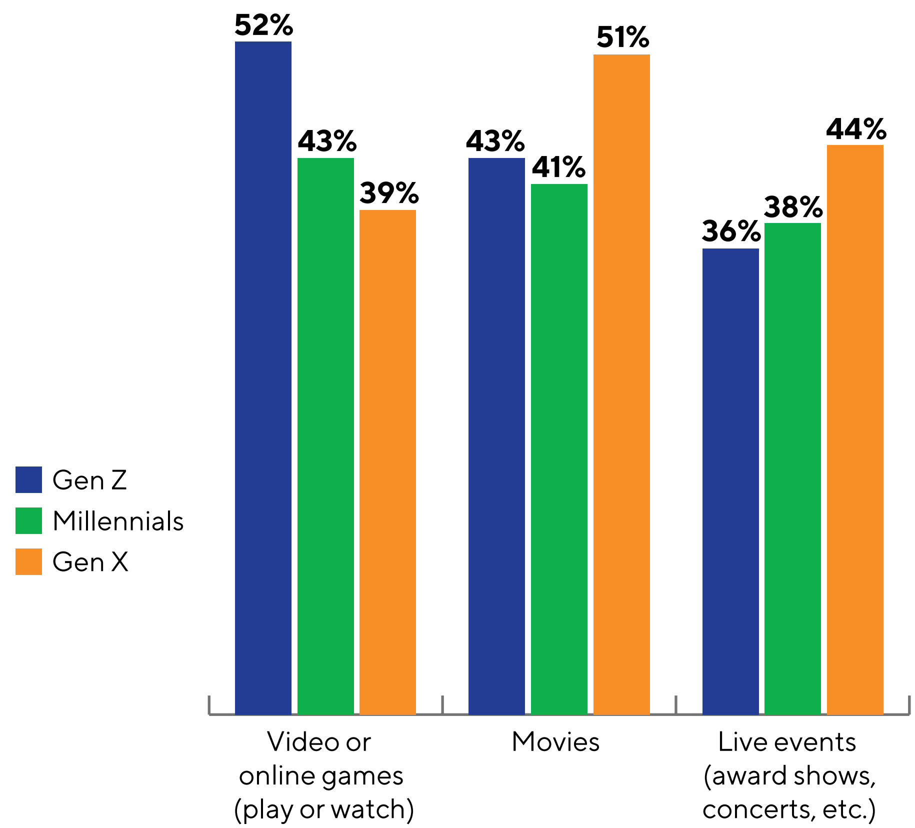


What do VR enthusiasts expect?

Now that we know that most consumers (especially Gen Z) are interested in using VR in the near future, how do they expect to use it?

For all consumers planning to use virtual reality in the near future, Gen Z most expects to use it to play video games and watch others play video games, while Gen X most expects to use it to watch movies and live events.

Content expected to be consumed in the near future using virtual reality (top two responses selected; n=742; open to using virtual reality to consume content in the near future)



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Generations are split on the idea of taking control of their shows

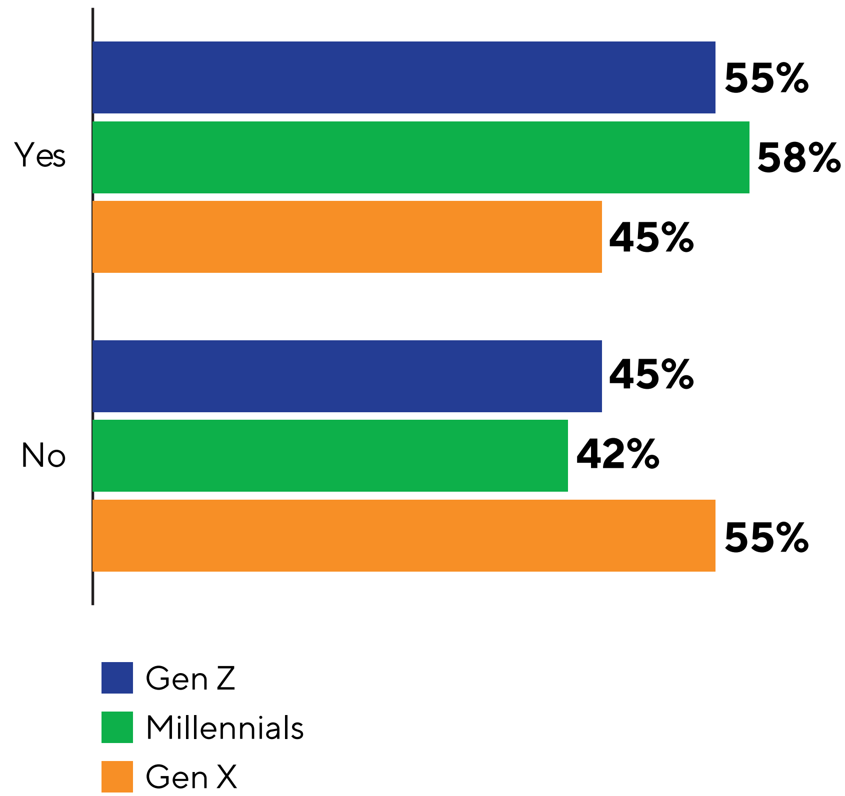
How much control over content does Gen Z want? To better understand future entertainment expectations, we asked consumers if they want to be able to determine the content of a movie or show they're watching, such as the plot, characters, or how it ends.

We discovered that younger generations are more likely to want control of the plot of their television and movie content while Gen X is much less likely to want to control content in the next three to five years. How users will interact with and shape professionally generated content in the next three to five years is a key area to explore as companies seek to create new content forms that appeal to this generation.

55% OF GEN Z

want to be able to determine the content of a movie or show they're watching

Do you want to be able to determine the content of a movie or show in the future? (n=2,069)



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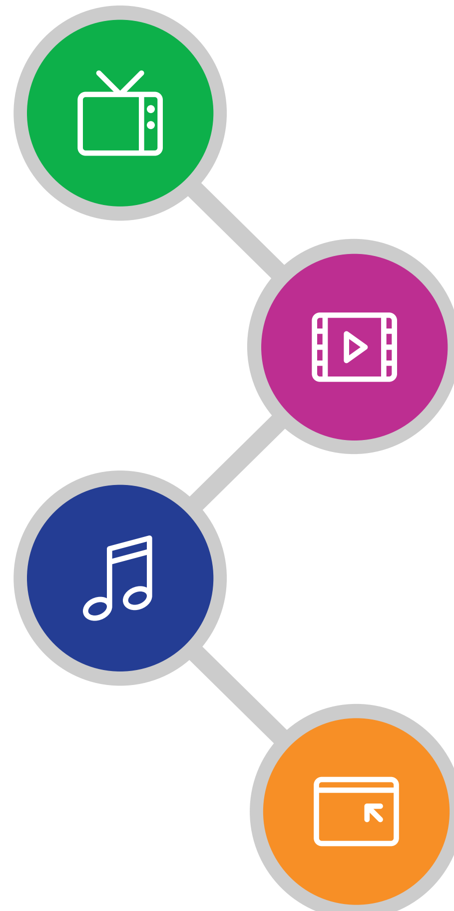
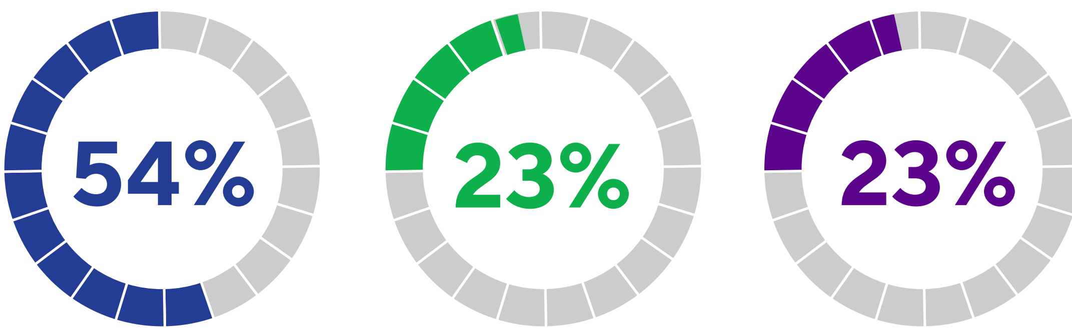
Consumers want to customize digital entertainment packages

Consumers were asked if they would be interested in creating their own digital entertainment package that has one bill, such as Netflix, ESPN, HBO, MSNBC, Amazon Prime Video, and iTunes all billed together.

We found that over half (54%) of all consumers and 51% of Gen Z would be interested in utilizing this type of customized digital entertainment service in the next three to five years.



Interest in creating your own customized digital entertainment package (by total; n=2,069)



Interested or very interested | Neutral | Not interested

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Key Takeaways and Actions for Consideration

While there are a lot of valuable insights to be gleaned and pondered, here are just a few we believe give service and content providers some practical actions to consider taking right away.

FIRST INSIGHT

Gen Z just wants tech to "work"

As the research indicates, one area of particular importance to Gen Z is technology that "just works". And if it doesn't work, it can be fixed quickly. Of course, all generations want technology that works. What makes Gen Z unique is that they tend to look to others to fix things, and they are open to paying for such help. In fact, over one-third said they would pay between $50 and $100 per month for a service that would set up, monitor and repair their smart devices. Done right, such services can increase customer retention and revenues, and provide valuable insights about potential new products and services.

We suggest:

- Using both "thin" data (such as large-scale analytics) and "thick" data (in-depth, in-person observation of customers) to reveal not only their obvious but hidden expectations for everyday and outage scenarios. This may provide additional insights into what Gen Z considers "working" and how issues should be communicated and resolved.
- Conducting more in-depth research about Gen Z's perceived technology difficulties and prototype "white glove" customer service. Envision, for example, a combination of for-hire tech support (like Best Buy's Geek Squad) and a personal IT department that keeps Gen Z connected.
- Consider changing the role (and incentives) of those with direct customer contact (e.g. field technicians, agents and sales reps) to that of a connectivity consultant with the ability to not only fix problems but also to provide robust solutions that increase "stickiness" and sales.

SECOND INSIGHT

Users want to control their content

Rather than being passive consumers of content, younger customers want deeper interaction with and more control over content, especially in collaboration (or competition) with other users.

We Suggest:

- Experimenting with content, consumption, and engagement models to monetize these experiences. This could involve, for example, co-creating interactive shows and games with studios and video game developers and sharing revenue from the purchase of premium features or virtual objects in games.
- Exploring use cases for driving customer retention and new revenue streams using augmented or virtual reality. Along with the current focus on entertainment and online gaming, consider alliances with industry or professional groups to become the preferred provider of, say, VR-enabled services for equipment repair or in-home medical care.
- Aggressively exploring new options for enabling users to create and control their own content, and for monetizing the creation and sharing of that content with others. This might include prototyping new tools and platforms to make such content control easier.

THIRD INSIGHT

Being personal influences decisions

The bottom line is that users trust their personal network when making purchasing decisions. And, if they have to view an ad, it should be personalized in order to be relevant to them.

We suggest:

- Aggressively exploring new techniques for ad placement other than contextual (based only on the user's identity and the type of content they are viewing.)
- Learning how to use deeper levels of personalization such as causality, which uncovers the relationships between data, to help identify and understand variables / super-variables that affect ad impact and purchasing behavior.
- Experimenting with social platforms, as well as pursuing relationships with well-known platforms, that make it easier and more useful for customers to create and share their own content and access content generated by friends, family and influencers.

Visit Cognizant to learn more about this study and how Cognizant is helping companies create new customer experiences and offerings that drive profitable growth. Contact the authors Tiran Dagan and Andrew Worzella.

Methodology

Custom 30-question survey designed collaboratively by Cognizant and The Center for Generational Kinetics

Study was administered to 2,069 U.S. respondents ages 15-53, including 1,022 respondents ages 15-22, and 1,047 respondents ages 23-53. The sample was weighted to current U.S. Census data for age, gender and region

Survey was conducted online from September 17, 2018 to September 24, 2018

Figures are statistically significant at the 95% confidence level. Margin of error is +/-3.1 percentage points

About Cognizant

Cognizant (Nasdaq-100: CTSH) is one of the world's leading professional services companies, transforming clients' business, operating and technology models for the digital era. Our unique industry-based, consultative approach helps clients envision, build and run more innovative and efficient businesses. Headquartered in the U.S., Cognizant is ranked 195 on the Fortune 500 and is consistently listed among the most admired companies in the world. Learn how Cognizant helps clients lead with digital at www.cognizant.com or follow us @Cognizant

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Cognizant Consulting combines deep domain expertise with advanced technology thinking to help global 2000 companies worldwide accelerate their digital journeys. By orchestrating capabilities across strategy, design, IT and industry/functional knowledge, we help clients solve their toughest business-technology challenges at speed and scale, and lead in today's dynamic digital age – while planning for whatever tomorrow brings. We do this by applying a keen understanding of the uniquely human aspirations, behaviors and needs of our clients' customers and employees to first envision and specify, and then deliver and extend modern digital solutions that enable leading players to differentiate and ultimately separate from the competition. Learn more by visiting us at https://www.cognizant.com/consulting.

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