

January
2018



The Power of Gen Z Influence

**How the Pivotal Generation
is Affecting Market Spend**

All of the material in this document is copyrighted and may not be reproduced in whole or in part without express written permission. For permission, contact Joe Sciara at jsciara@barkleyus.com.

Table of Contents

04 Foreword

19 Closing Thoughts

05 Direct Spending

21 Resources

10 Spending on Gen Z

22 About Barkley

15 Gen Z Indirect Spending Influence

Direct Spending

Foreword

With all the focus on the assurgency of Millennials, less attention has been spent looking at the spending power of Gen Z. And the time that has been spent considering these figures? Well, there's some gray area. It is cited frequently on the internet that Gen Z spends \$44 billion a year on themselves and influence another \$600 billion in spending by others. Unfortunately in most cases, these statistics are presented without: 1) explanation or context or 2) support from the references they cite.

As Gen Z evangelists, we decided it was time to dig deeper. After all, how can brands properly prioritize this pivotal generation if they are unable to fully understand the power these young consumers have when it comes to increasing the bottom line?

This paper outlines our efforts to develop reliable estimates of Gen Z's spending power that marketers can use to

put the influence of this generation in perspective. This paper also explores the spending estimates for three distinct types of spending power:

01 Direct Spending: What Gen Z members spend on themselves

02 Spending on Gen Z: What families spend on their Gen Z members

03 Indirect Spending Influence: How much of overall family spending Gen Z influences

To calculate these estimates, we used the following guiding principles:

- Make the estimates based on publically available data from reputable government resources (such as U.S. Census Bureau data).
- Keep the calculations relatively simple.
- State any assumptions made in the calculations.

Let's get started.

The Number:

\$29 Billion to
\$143
 Billion

How we got there:

Income Based on Allowance

The direct spending number scattered most often across the internet is that Gen Z spends \$44 billion on average each year. This is from a Mintel¹ study that used population estimates and average self-reported allowance to calculate the spending potential of kids and teens. Unfortunately, the use of this statistic misrepresents the findings by Mintel. First, Mintel was looking at kids and teens ages 6 to 17, which covers most, but not all, of our Gen Z age range of 7 to 21. Second, the \$44 billion statistic is total estimated earnings for kids and teens in the U.S. using 2012 data and an average allowance at that time of \$16.90. As such, it represents the total potential spend of these kids and teens but, as this group is unlikely to spend 100 percent of its earnings, actual spend is considerably less.

In fact, the same Mintel study also asked kids and teens themselves how much they spend each week and found they spent only 66 percent of their earnings on average. This would make the estimate of actual direct spending for 6- to 17-year-olds at \$29 billion. This number is reported in the Mintel report, but it is not often cited. While useful, it still doesn't include the impact of spending from Gen Zers ages 18 to 21.

figure 1.1
**Mintel Kids And Teens
 Spending Calculations**

49.9
 Million

*Total Population
 6-17 (Based on 2012
 Population Estimates)*

↓
\$878.80

*Average Annual
 Earnings from
 Allowance (\$16.90 x 52)*

↓
\$44
 Billion

Total Annual Earnings

↓
\$29
 Billion

*Total Annual Spending
 (66% of Earnings)*

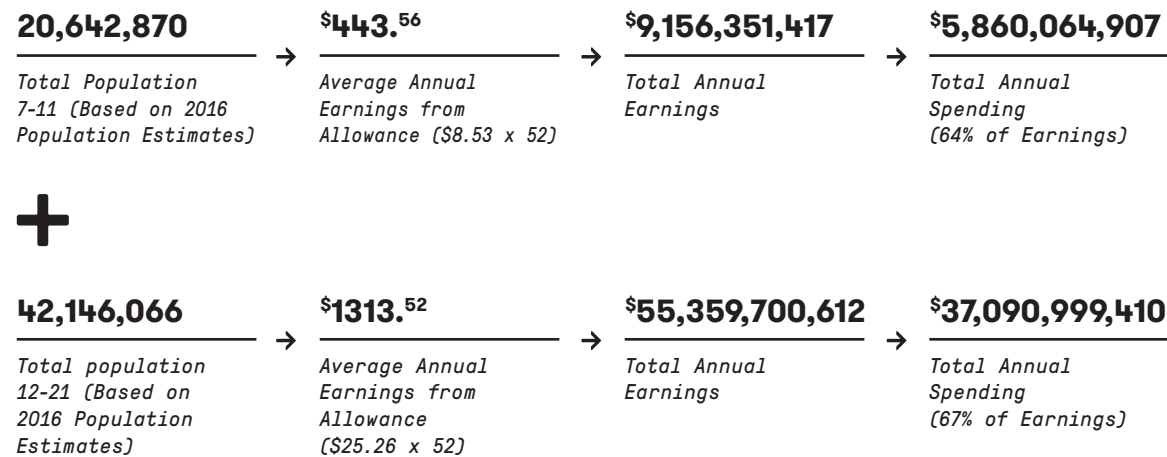
Including 18- to 21-year-olds

We can expand Mintel's estimates by multiplying average allowance by population estimates if we assume those between the ages of 18 and 21 have similar allowances to the teens in the Mintel study. Mintel reported the average for kids ages 6 to 11 as \$8.53 and those ages 12 to 17 as \$25.26. By using

updated 2016 population estimates from the U.S. Census Bureau² and adding Gen Z members ages 18 to 21 to this figure with the higher allowance average of \$25.26, we can increase the Mintel estimate of earnings to about \$64.5 billion. With the assumption that the same average spending rate of 64 percent (ages 7 to 11)

and 67 percent (ages 12 to 21) holds, the estimate of actual spending becomes almost \$43 billion. These numbers are again helpful, but they still ignore the fact that Gen Z members who are ages 18 to 21 are more likely to be earning additional income outside of in-home chores through part-time jobs.

figure 1.2
Expanding Spending Estimates Based on Weekly Allowance for the Gen Z (7-21) Age Range



Adding Earned Income from those ages 16 to 21

The calculations above extend Mintel's findings to our Gen Z age range and sufficiently update the population numbers to 2016 levels. Still not captured, however, is earned income by Gen Z

via means other than household allowances. To estimate the impact of earned income through employment outside of the home, we looked at median weekly earnings estimates from the Bureau of Labor

Statistics (BLS) for Gen Z members ages 16 to 19 and 20 to 24. BLS listed these figures as \$405 and \$514, respectively.³

By dividing the number of those ages 16 to 24 reporting earned income in the BLS report by the total population of Gen Z based on Census Bureau estimates, we obtain an employment rate of 26 percent. When we multiply the number of Gen Z members ages 16 to 21 by 26 percent and their respective weekly earnings by 52, we get an overall earnings estimate of close to \$153 billion and overall spending of almost \$100 billion. Combined with allowance estimates, this yields \$143 billion in Gen Z spending. While adding earned income significantly increases our estimates of Gen Z spending power, it is important to note that this does not include other sources of income outside of the home like babysitting, yardwork, or other employment not reported to the federal government. Adding these

additional sources of income would push our earnings and spending estimates even higher.

figure 1.3
Adding Earned Income for those 16-21 to Total Gen Z Earnings Estimates

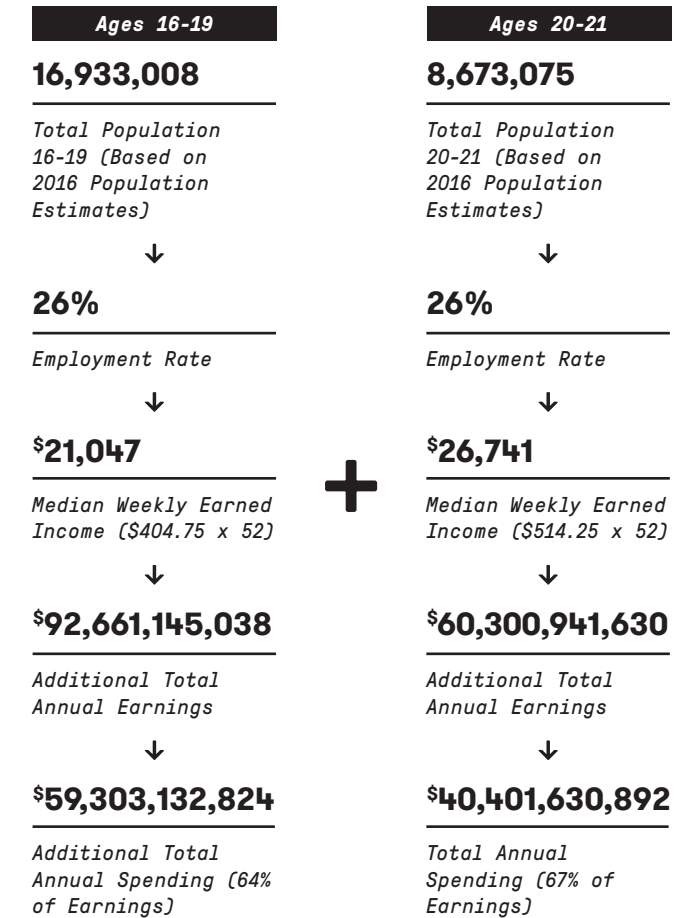
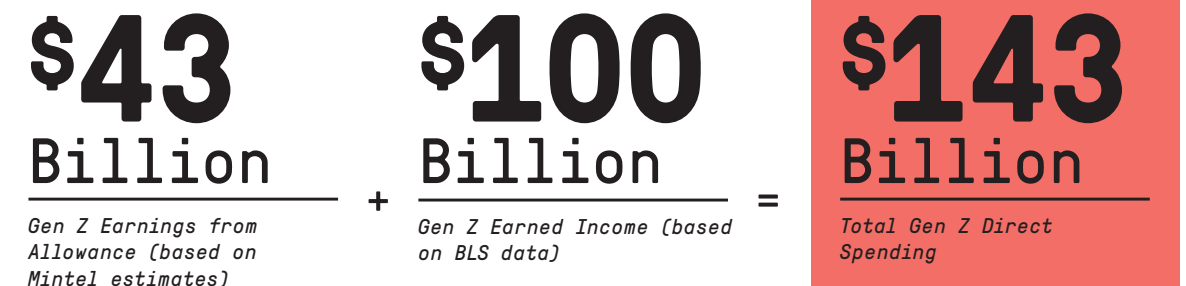


figure 1.4
Gen Z Direct Spending



Spending on Gen Z

The Number:

\$29 Billion to

\$127.5

Billion

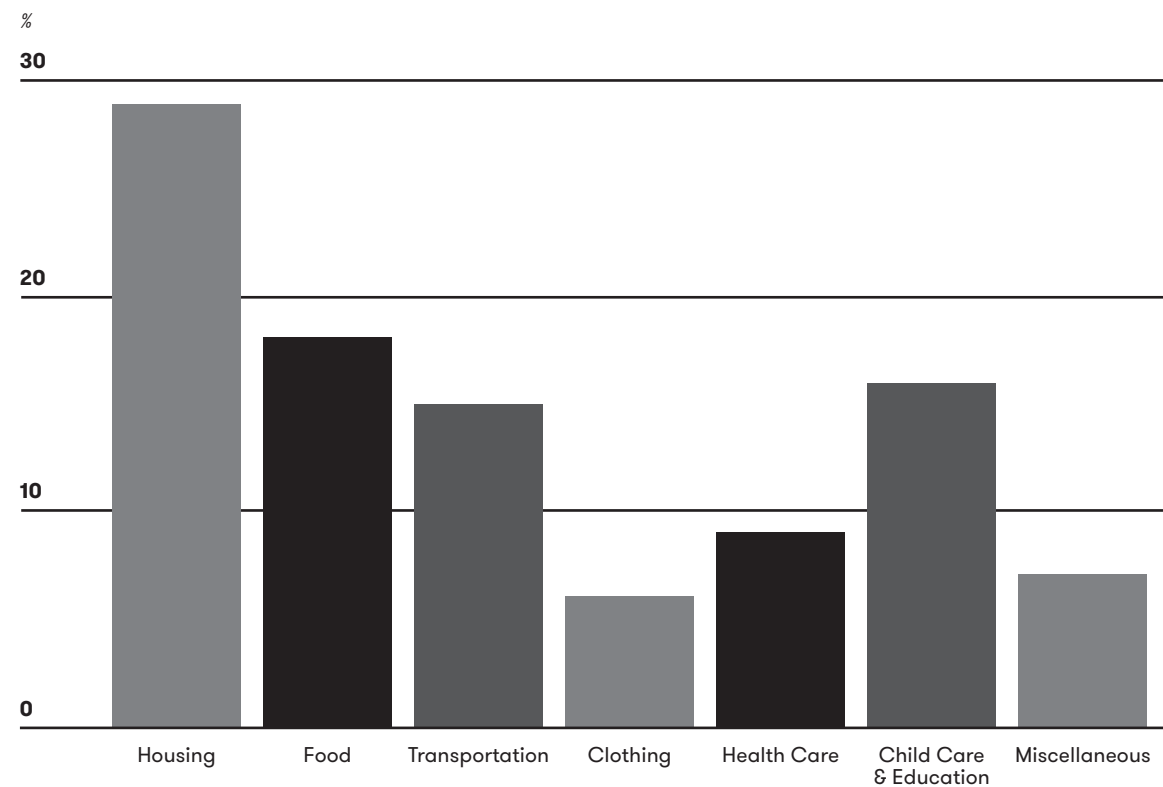
(assuming 50 percent influence)

How we got there:

To calculate spending on Gen Z by family members, we looked at data from the U.S. Department of Agriculture (USDA) average household expenditure report.⁴ The USDA looks at average household expenses in the context of food expenses, but in doing so, also looks at other areas of essential household spending. This 2017 report shows

an average of how much families spend on children based on 2015 data. Figure 2.1 from the report shows that, on average, seven percent of household spending on children from birth to age 17 is for “miscellaneous expenditures,” which the USDA defines as “spending not part of other categories (e.g., entertainment, personal care items, etc.)”

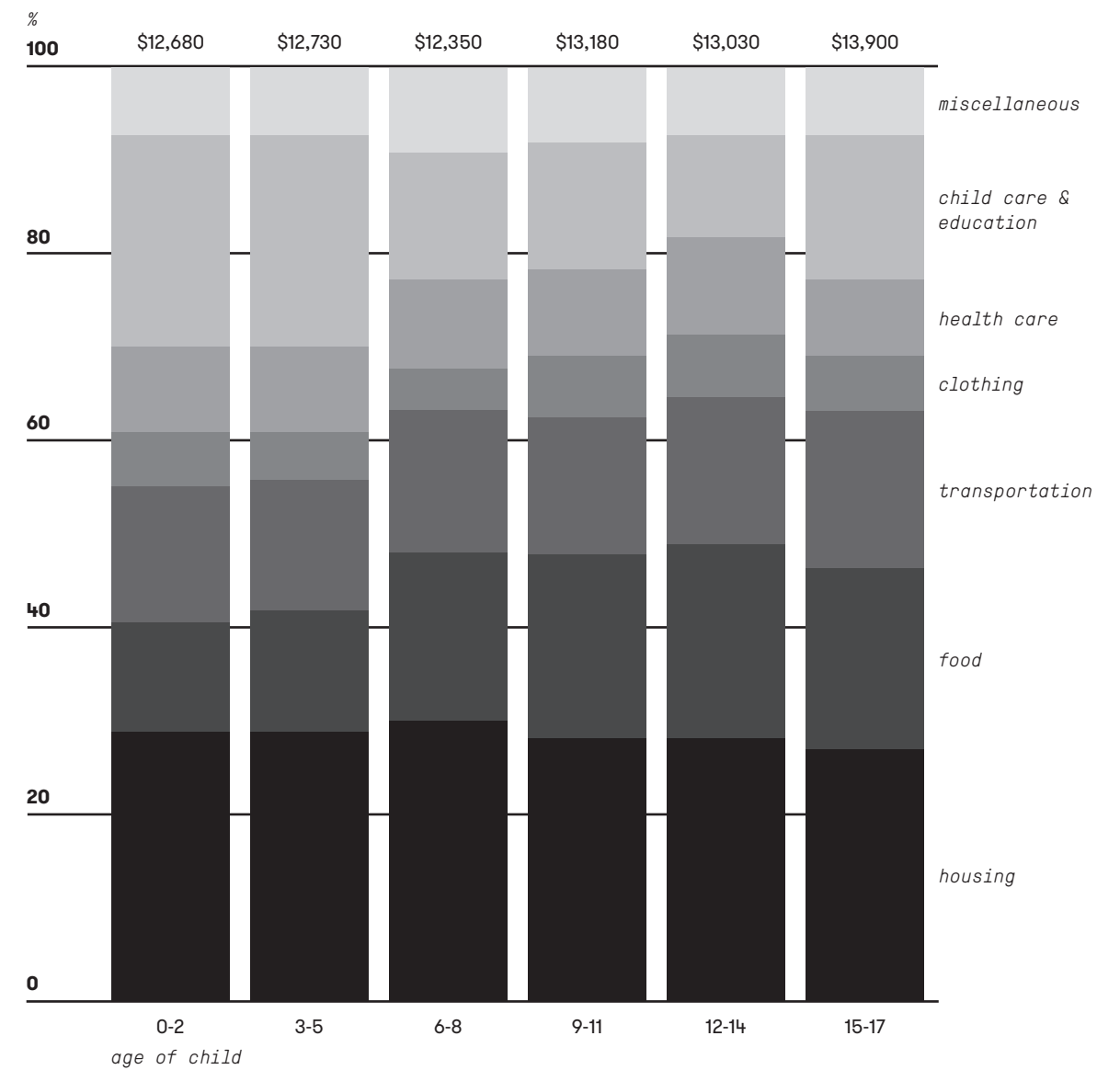
figure 2.1 Expenditure shares on a child from birth through age 17 as a percentage of total child-rearing expenditures*, 2015 Source: USDA



*U.S. average for the younger child in middle-income, married-couple families with two children. Child care and education expenses only for families with expense.

Figure 2.2 from the report shows average spending by child for same age range.

figure 2.2 Total expenses and expenditure shares on a child (as a percentage of total child-rearing expenditures), by age of a child*, 2015 Source: USDA



Taking a simple average of the total expenses for children ages 6 to 17 (the closest approximation to our target Gen Z age range) gives us \$13,115 per child as

the average spend in the U.S. If we assume that the division of expenditures and average spend amount is similar for those ages 18 to 21, we can estimate that, on

average, household spend is approximately \$58 billion on miscellaneous expenses for each Gen Z child.

Gen Z Indirect Spending Influence

However, in addition to miscellaneous expenses, it is also likely that Gen Z has at least some influence on the food and clothing purchased for them. If we add the food and clothing expense categories from the USDA report, that increases spending per each Gen Zer to \$255 billion. While

how much each Gen Z influences purchases will undoubtedly vary by family and spending category, one study reports that 93 percent of Gen Z parents say their children have at least some influence on household spending decisions.⁵ It's important to keep in mind that 93

percent having "some" influence is not the same as influencing 93 percent of spending on them, however! Still, given what we know about Gen Z and their influence, it is not unreasonable to assume that they could influence up to 50 percent of spending on their behalf.

figure 2.3
Spending by Families on Gen Z Based on USDA Data

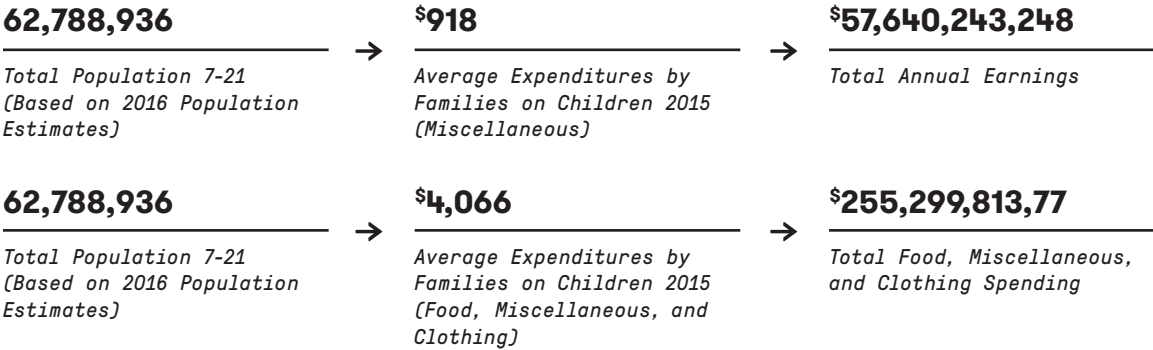
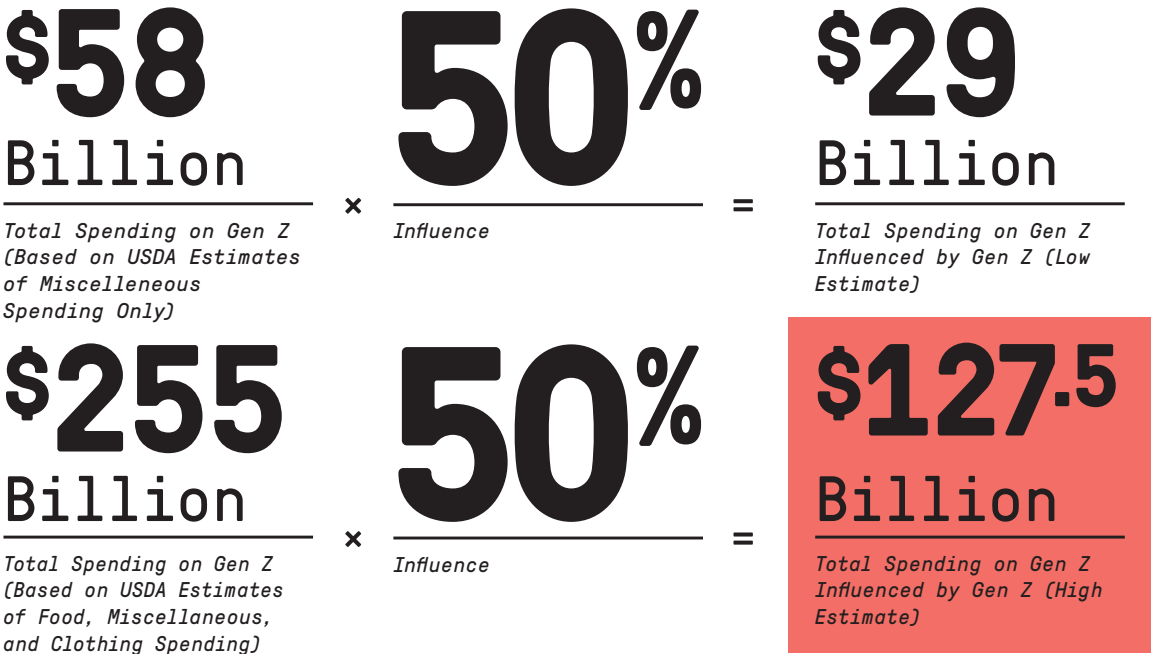


figure 2.4
Spending on Gen Z



The Number:

\$166 Billion to
\$333
Billion

(assuming 25 to 50 percent influence)

How we got there:

In addition to indirect spending on Gen Z, there is the indirect household spending that Gen Z is able to influence. The parents of Gen Z have told us in multiple surveys by multiple organizations that their kids influence purchase decisions, but just how much money is at play? Once again, we used the Census Bureau's 2016 population estimates to determine the size of Gen Z in the U.S. To determine total household spending, we looked at Consumer Expenditures for 2016 from the Bureau of Labor Statistics.⁶

To estimate the potential household spending that Gen Z can influence, it's necessary to make some assumptions. First, we must assume that Gen Z has influence predominately for expenditures in the food, apparel and services, and entertainment categories. Second, based on the estimated number of households with children ages 6 to 17 from the U.S. Census Bureau's 2016 American Community Survey⁷ and our total population

estimates of Gen Z from the Census Bureau, we assume each household has an average of just more than one (1.125) Gen Z child. This suggests that more than \$665 billion in household spending in the categories of food, apparel and services, and entertainment can be influenced by Gen Z.

Gen Z is unlikely to influence total spending in each of these categories, however, and it should also be noted that some of this spending will be on the household's Gen Z member, meaning the sum in this case cannot be double counted. Still, if we assume that the Gen Z child influences just 25 percent of household spending indirectly, it means they can influence just over \$166 billion dollars per year. If they have 50 percent influence, that number jumps to almost \$333 billion.

While shy of the \$600 billion in indirect spending figure that is often cited without support, this number still represents a significant dollar amount

that makes a compelling case for marketers to invest the time and energy to understand Gen Z as consumers.

figure 3.1
Average Household Expenses Based on BLS Data

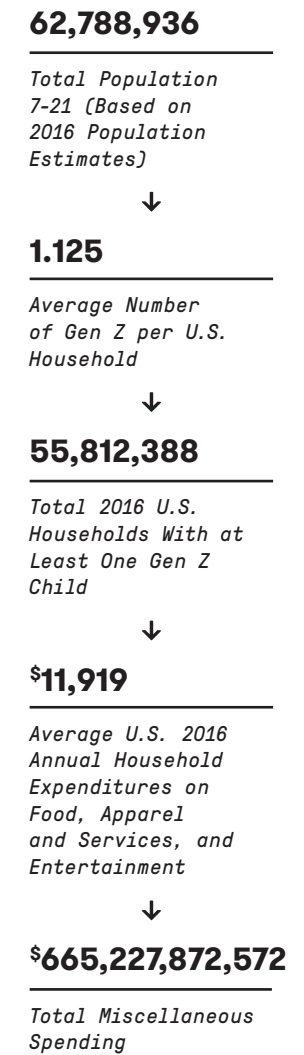
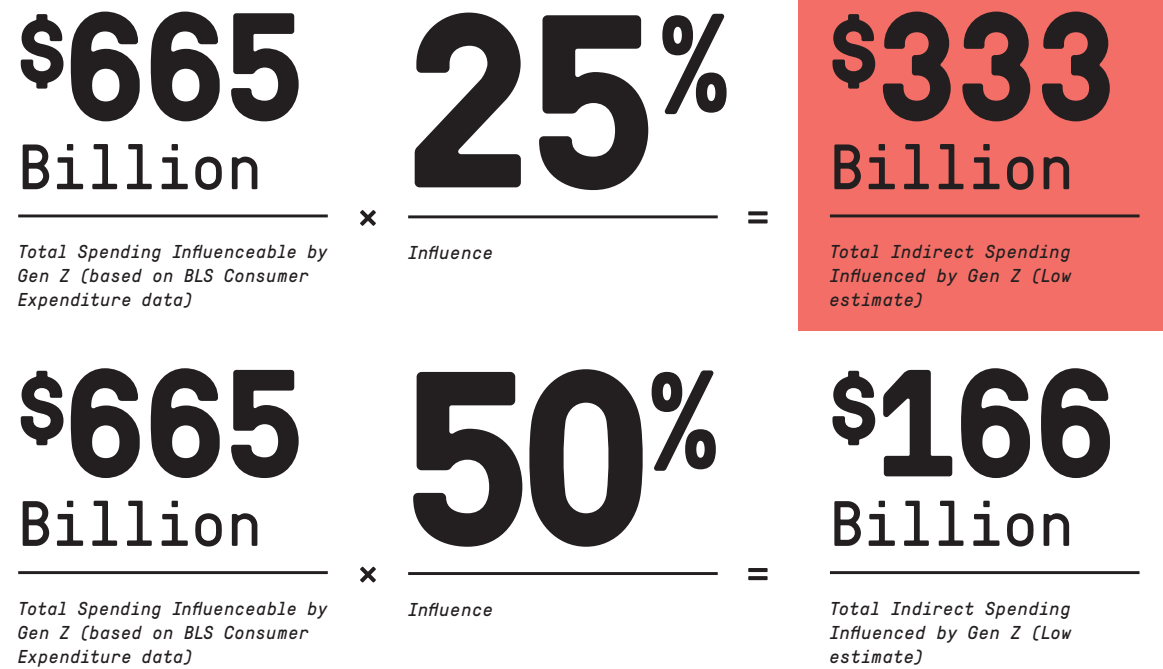


figure 3.2
Gen Z Indirect Spending Influence

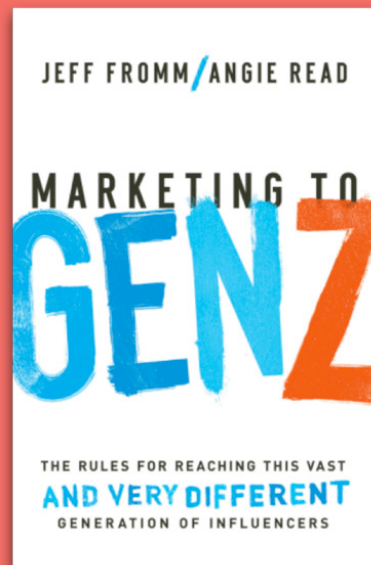


Closing Thoughts

Where do we go from here?

While this paper is already chock-full of numbers, it's important for us to add one more: By 2020, Gen Z will represent **40 percent** of *all* consumers. And it will be here faster than you think.

The future of the market is in this generation's hands. Considering their sheer size and influence, whether direct or indirect, marketers cannot afford to ignore these empowered young consumers. Their peak formative years are already here, and brands should act now as Gen Zers build their brand preferences and continue to hone their market behaviors – which, as we've proven, impact consumer spending across all generations.



If you're looking for more on this influential next generation, stay tuned for our new book coming out Spring 2018:

Marketing to Gen Z: The Rules for Reaching This Vast and Very Different Generation of Influencers

Resources

- 1 **Mintel (2013).**
Activities of Kids and Teens - US - November 2013.
- 2 **US Census Bureau (2016).**
Annual estimates of the resident population by single year of age and sex for the United States: April 1, 2010 to July 1, 2016 (NC-EST2016-AGESEX-RES). <https://www.census.gov/data/datasets/2016/demo/popest/nation-detail.html>
- 3 **Bureau of Labor Statistics.**
Median usual weekly earnings of full-time wage and salary workers by age, race, Hispanic or Latino ethnicity, and sex, not seasonally adjusted. <https://www.bls.gov/webapps/legacy/cpswktab3.htm>
- 4 **US Department of Agriculture (2017).**
Expenditures on Children by Families, 2015. (https://www.cnpp.usda.gov/sites/default/files/crc2015_March2017.pdf)
- 5 **The Cassandra Report Gen Z Issue (2015).**
<https://cassandra.co/2015/gen-z/welcome-to-the-gen-z-issue>
- 6 **Bureau of Labor Statistics (2016).**
Average annual expenditures and characteristics of all consumer units, Consumer Expenditure Survey, 2013-2016. <https://www.bls.gov/cex/2016/standard/multiyr.pdf>
- 7 **US Census Bureau (2015).**
Own Children Under 18 Years by Family Type and Age. 2016 American Community Survey 1-Year Estimates (Table B09002). https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_16_1YR_B09002&prodType=table



About Barkley

For brave, modern brands, Barkley is the independent, employee-owned idea company at the intersection of Strategy + Creativity + Innovation that exists to help them create relevance, strive for modernization and achieve transformation to ultimately realize their greatest possible futures.

Research

Joe Cardador, PhD

VP, Consumer Intelligence Director

Jeff Fromm

Senior Partner

Angie Read

VP of Growth Insight

Editorial

Joe Cardador

Report Author

Skyler Huff

Manager + Editor

Production

Arthur Cherry

Associate Design Director

Sara Leuty

Designer

Danielle Smith

Proofreader

Contact

Joe Sciara

EVP of Growth

jsciara@barkleyus.com



The Power of Gen Z Influence

How the Pivotal Generation is
Affecting Market Spend

1740 Main St.
Kansas City, MO 64108

barkleyus.com
millennialmarketing.com