



Generation Z Consumer Spending in the Age of COVID-19

Harvard College Consulting Group

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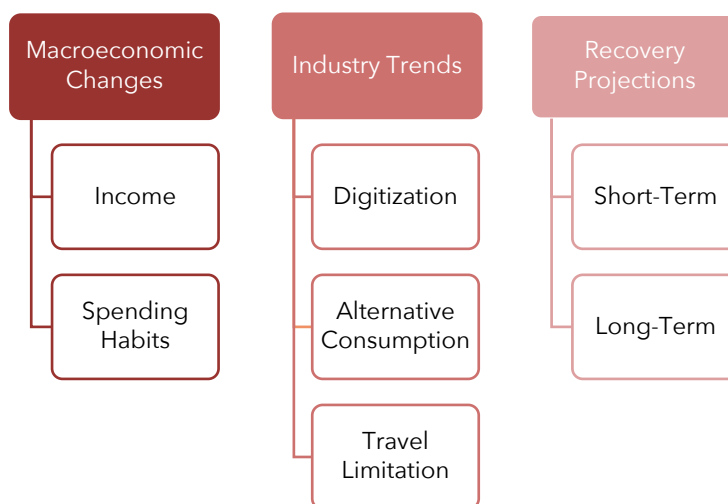


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2. Introduction

Assessing the devastating impact of COVID-19 on the American economy becomes increasingly important as the pandemic matures. To that end, Section 4 begins with a broad overview describing macroeconomic-level changes to Gen Z spending (4.1) and its determinants (4.2). Section 5 then narrows down to identify three specific trends encapsulating lockdown-driven shifts in Gen Z consumer preferences. Finally, Section 6 looks to past precedent to base predictions about short- and long-term ramifications of the crisis.



2.1 Methodology

In order to achieve a nuanced and accurate understanding of the Gen Z spending experience, the HCCG team surveyed **190 respondents** all over the country about general and sector-level shifts in their spending and saving preferences, as well as projections for recovery. Insights from the targeted survey pertain specifically to Gen Z consumers **aged 18-29** - the range represented by respondents.

The team also reached out to experts on Gen Z and consumer behavior to better understand key drivers behind the trends observed via survey. Interviews also centered around projections regarding recovery in the short- and long-term future.

Primary research insights from the survey and interviews were then validated and contextualized against a broader base of publicly available consumption data and generally understood observations about Gen Z habits (see 2.2).

2.2 Context

Detailing pre-pandemic Gen Z consumption and income trends provides the context necessary to ground the analysis presented in sections 4-6.



Technology and Social Media

A defining trait of Gen Z is their familiarity with digital media.



Food: Dining Out and Groceries

Much of Gen Z spending pre-pandemic was driven by food spending



Higher Education and Service Sector

Given their age range, many members of Gen Z are students and/or part-time workers



Large-Scale Purchases

Like Millennials, Gen Z are less likely to pursue big-ticket items like real-estate purchases.

3. Executive Summary

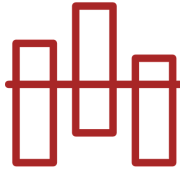
How will COVID-19 impact Generation Z consumer spending?

Key takeaways for shifts in Generation Z consumer preferences



More Stable Spending

While Gen Z experienced decreased spending patterns as a result of the pandemic, the general population sustained larger reductions in consumer spending.



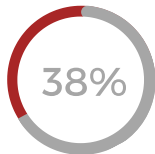
Consumption Variability

Post-pandemic, digitization and alternative consumption methods are likely to increase spending. Decreased travel will lead to reduced spending after society reopens.

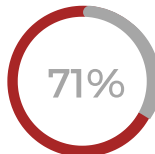


Economic Damage

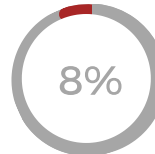
Consistent with the impact of the Great Recession on Millennials, economic damage as a result of the pandemic will likely depress Gen Z spending long term.



38% spend "much less" relative to pre-pandemic



71% spend less relative to pre-pandemic



8% spends "much more" relative to pre-pandemic

16% would not return to a restaurant until long after a vaccine



55% plan to return to restaurants "as soon as isolation ends"

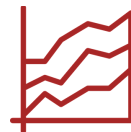


40% would not return to large events until long after a vaccine



Income Changes

39% reported pay cuts and lost working hours



Intra-Industry Trends

55% expressed interest in supporting local businesses

Spending vs. Saving

71% declared that their spending lowered



Short Term-Projections

34% plan to continue online shopping at current levels



Inter-Industry Trends

67% YoY increase in food delivery spending



Long Term Projections

80% plan to save more and spend less

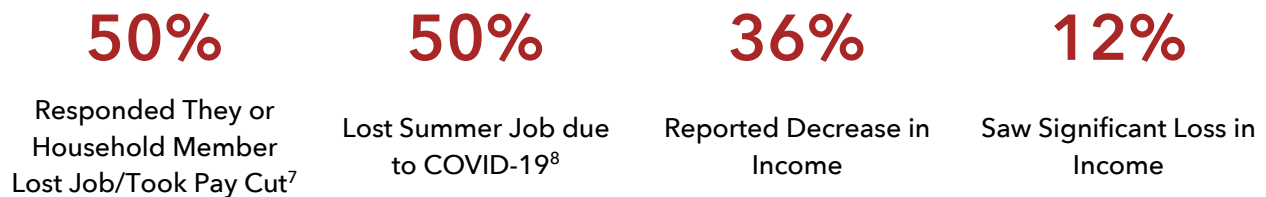


4. High-Level Pandemic Shifts

4.1 Income Changes

It is crucial to examine changing economic conditions for Gen Z with regard to their income. Skyrocketing unemployment rates and worsening economic conditions have **disproportionately affected Gen Z**, with many reporting lost jobs, decreased working hours, and loss of income.^{1 2} One reason seems to be that younger Americans have been more likely to hold jobs in retail or hospitality, industries that have been **particularly hurt by COVID-19**, as well as entry-level positions deemed to be nonessential. With workers under the age of 25 experiencing a **93% higher rate of job loss** than those over 35, and over half of college students losing their internship due to COVID-19, work expectations are changing.^{3 4} This instability has remained consistent during the pandemic; survey data collected by HCCG found that **37.6% of individuals have dipped into their savings**, and a fifth of respondents reported that they or their families used most if not all of their savings in March and April.^{5 6}

Gen Z Changes in Income, COVID-19



Even though Gen Z seemed to possess frugal spending habits pre-lockdown, they **lacked the time to accumulate a sufficient reserve of resources**.⁹ As of 2018, only 24% of Gen Z were financially independent from their parents, and a third were worried about covering their daily expenses. Those who still retain sources of income or received benefits have overwhelmingly **prioritized reducing debt and building savings when possible**. With Gen Z less likely to receive stimulus benefits due to their dependency status, their concern about finances has grown during the pandemic.¹⁰

¹ [The Financial Brand](#)

² HCCG's June 2020 Consumer Spending Survey

³ [Gusto](#)

⁴ [The Ladders](#)

⁵ HCCG's June 2020 Consumer Spending Survey

⁶ [Urban](#)

⁷ [Pew Research Center](#)

⁸ [Brainly](#)

⁹ [Jason Dorsey](#)

¹⁰ Interview with Prof. Richard Curtin, University of Michigan

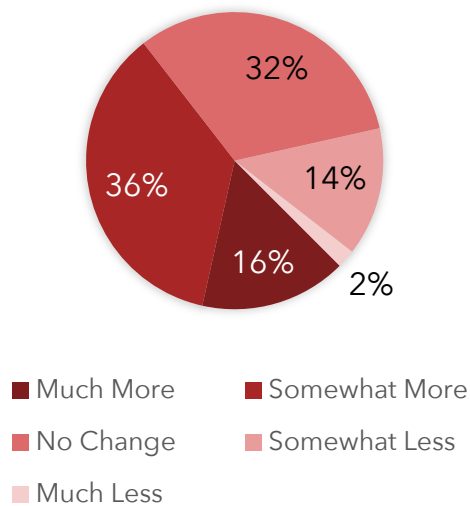
In many ways, however, **Gen Z has been in a more favorable position than others.** Saving has been critical to Gen Z, including retirement saving and passive investing. Similarly, Gen Z have reported being much more price aware than they were pre-pandemic.^{11 12 13} Overall, the way Gen Z passively used their money changed slightly; respondents reported putting more money into stocks, mutual funds, and cryptocurrencies, away from checking and savings accounts, in light of the market crash.¹⁴



Figure #1: The Pandemic has generally made Gen Z more aware of their spending and prices for goods

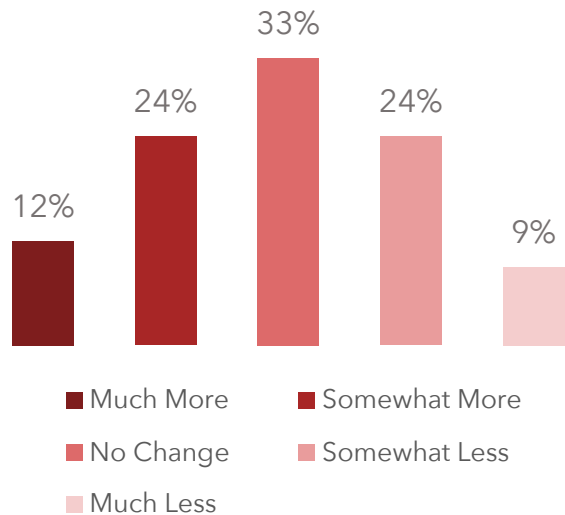
Figure #2: Gen Z income changes have not been uniform but follow a normal distribution, meaning almost an equal number of Gen Z have earned more and less money during COVID-19

Price Sensitivity During COVID-19



Source: HCCG's June 2020 Consumer Spending Survey

Income Changes During COVID-19



Source: HCCG's June 2020 Consumer Spending Survey

¹¹ [Morning Consult](#)

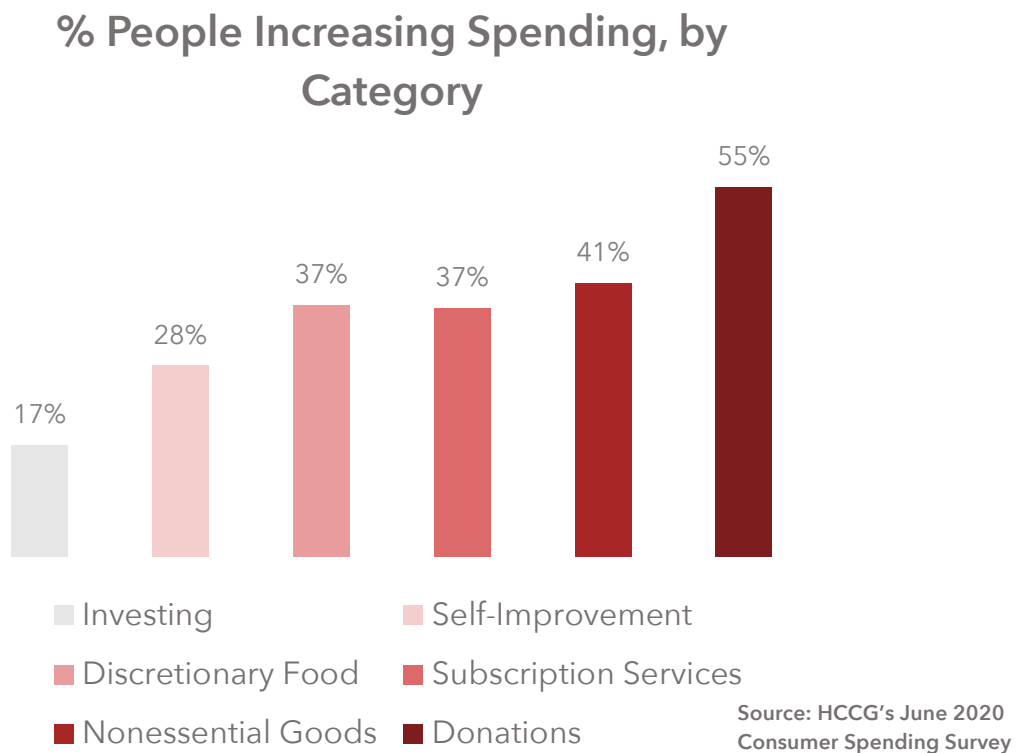
¹² HCCG's June 2020 Consumer Spending Survey

¹³ [CNBC](#)

¹⁴ HCCG's June 2020 Consumer Spending Survey

It remains true that large portions of Gen Z remain financially connected to their parents. This close financial relationship has often resulted in **more disposable income** for expenditure on essentials, such as rent and food. Many Gen Z have moved back in with their families, so this trend has only been amplified by the COVID-19 epidemic. On the other hand, only about 10% of Gen Z did not participate in formal employment, education, or training before the pandemic. One telling distinction is education; the portion of **Gen Z pursuing their studies has been less impacted** than “other generations that are all out of school and full-time employees, as many of these people are more impacted by job security.”¹⁵

Figure #3: Many Gen Z have focused their spending to altruistic donations, self-improvement, and “stay at home” products



With more time on their hands from moving back home and significant portions of society unopened, along with money formerly spent on non-essential consumption or transportation available for other uses, Gen Z has had the freedom to **work and pursue individual projects** to fill their time. Already, a third of respondents reported making more money during the pandemic than before from internships, part-time work, and government assistance. Beyond work, **28% of survey respondents chose to invest in self-improvement resources** through fitness, education, and counseling, among others.¹⁶

While Gen Z has not escaped the pandemic unscathed, it has had more extensive fallback options and had less at stake than older generations, such as Millennials, who have also not had the time to build reserves but rely significantly more on steady streams of income.

¹⁵ Interview, Rebecca Sadwick

¹⁶ HCCG's June 2020 Consumer Spending Survey

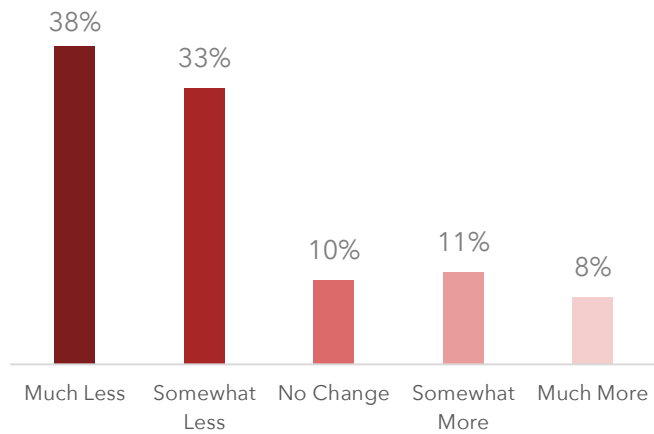
4.2 Spending vs Saving Habits

As expected given the spartan economic conditions described in Section A, **overall spending has declined noticeably**. As new COVID-19 cases skyrocketed, consumer spending began to plummet shortly after the first reported US death at the end of February, eventually reaching a nadir at a year-over-year loss of 40.6% by the end of March. Despite an erratic upward trend since then, cross-sector spending still has yet to recover beyond the 14% year-over-year loss currently estimated.¹⁷

Gen Z is actively contributing to this decrease, with **71% of respondents reporting having lowered spending** - 38% significantly - since the beginning of the pandemic. Much of this drop can be attributed to their diminished spending power. Gen Z has been disproportionately affected by service sector losses (see Section A), with unemployment at 30.7% for Americans aged 16-19 and 23.2% for ages 20-24.¹⁸ Gen Z are even **more unlikely to have access to pre-pandemic levels of disposable income** than their parents.

Figure #4: While the shift has been less significant for Gen Z consumers, spending is significantly down over the recent past

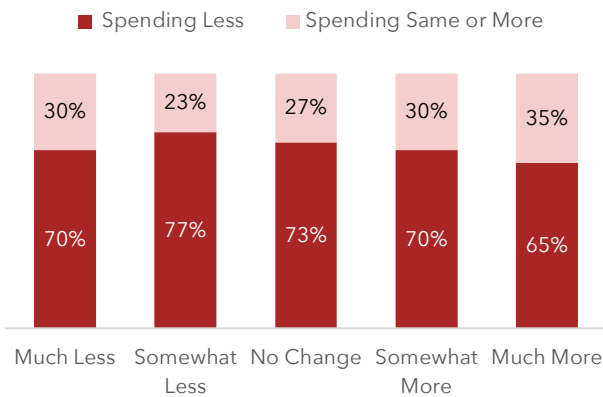
Income Changes During COVID-19



Source: HCCG's June 2020 Consumer Spending Survey

Figure #5: Changes in income and spending levels have been relatively independent, somewhat counter-intuitively

Spending Changes by Income Relative to Pre-Pandemic



Source: HCCG's June 2020 Consumer Spending Survey

While the overall trend is a noticeable decline in consumption, understanding Gen Z spending - as with income - requires nuance. A March 2020 report from the Becker Friedman Institute observes a **less significant spending decrease for consumers 30 and younger** as well as for households with no children, both descriptors for most of Gen Z.¹⁹ This trend is consistent with HCCG survey data, given that a substantial 29% of respondents report having maintained or even increased spending since the beginning of the pandemic.

¹⁷ [1010data](#)

¹⁸ [Bureau of Labor Statistics](#)

¹⁹ [BFI UChicago](#)

The spending behavior of that 29% may be attributed to Gen-Z-specific factors discussed in the previous section: many Gen Z are students and/or **financial dependents of their families**, allowing them to maintain their spending despite income insecurity. This explanation is evidenced by survey results revealing that respondents with “somewhat lower” income are almost equally likely to have cut spending as respondents with “somewhat higher” income (see graph). This suggests that the **link between income and spending is more tenuous for Gen Z**; there are likely other drivers impacting spending beyond income.²⁰

Another factor behind Gen Z’s relatively higher spending might be – as Baker *et al.* hypothesize – **lower compliance with shelter orders from younger consumers**. CNBC reports that 43% of Gen Z and Millennials admit to having breached shelter-in-place orders, while UK police data reveals that a third of fines for such breaches were issued to those aged 18-24.^{21 22} These individuals continue to go outside and spend on discretionary food and apparel items as usual, while other generations may have reduced their spending due to quarantine.

Why are Gen Z Spending a Bit More?



Financial Dependency



Lockdown Non-Compliance



Comfort with Technology

A third possible reason is Gen Z’s **well-documented comfort with technology**, which would allow greater utilization of lockdown-compliant consumption methods, particularly delivery-oriented purchase avenues like online shopping or app-ordered food and groceries (see Section V). Both of these categories have seen significant increases specifically from Gen Z and millennial consumers recently as drivers behind Gen Z’s consumption recovery.^{23 24} In contrast, less than 30% of those aged 45-60 report having used food delivery apps in the past 90 days, compared to 63% of those aged 18-29.²⁵

Overall, Gen Z has responded to the COVID-19 pandemic by reducing spending and increasing saving, largely due to less disposable income from unemployment. However, there are many unique factors influencing Gen Z income that make **Gen Z spending patterns distinct from other generations**, ranging from stronger dependence on parent income to faster adoption of technology. As such, Gen Z spending has decreased less than other generations overall, with changes in spending being relatively independent with the degree of changes in income.

²⁰ HCCG’s June 2020 Consumer Spending Survey

²¹ [CNBC](#)

²² [Telegraph](#)

²³ [Boston Consulting Group](#)

²⁴ [Statista](#)

²⁵ [Zion and Zion](#)



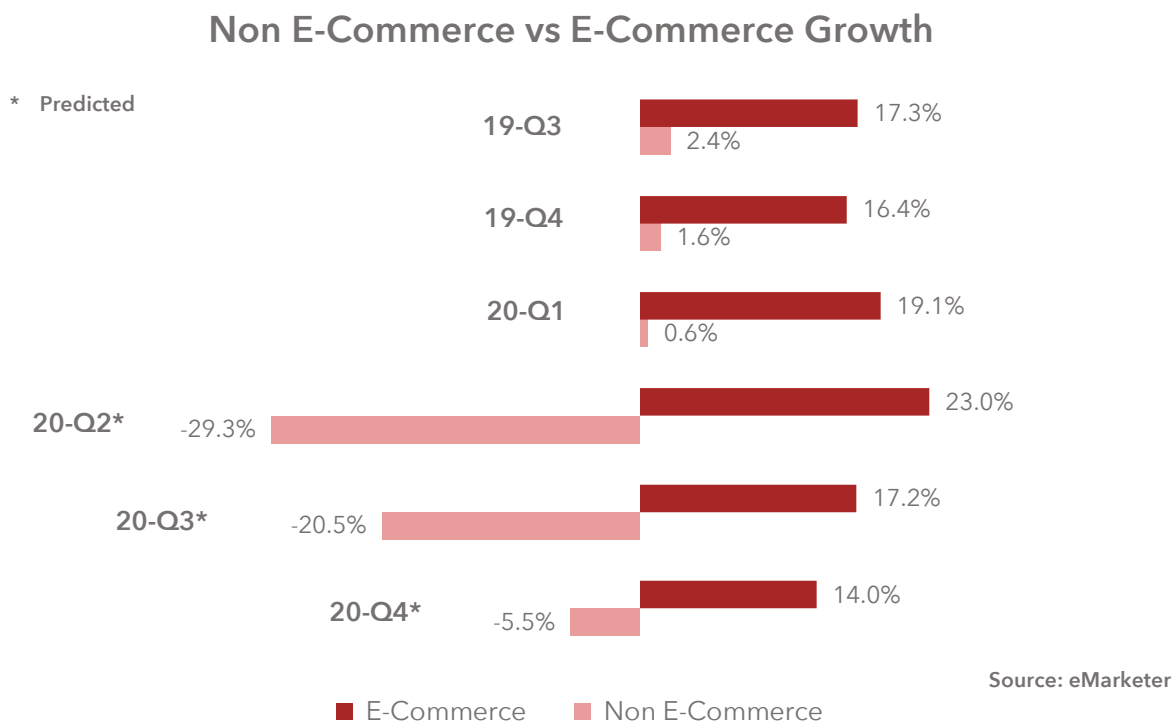
5. Inter and Intra-Industry Pandemic Shifts

Spending, saving, and income changes all play their parts, but perhaps the most interesting takeaways from Gen Z behavior has been sectoral shifts. There have been both significant shifts in spending between industries as priorities regarding **where to spend**, as well as shifts within industries as preferences regarding **how to spend**. Three specific trends have been pervasive across the board that affect both inter and intra-industry dynamics: consumers are moving online, taking advantage of alternative consumption methods, and limiting travel. Each of these is likely to remain salient post-pandemic.

5.1 Moving Online

As the COVID-19 lockdown continued, the theme of digitization throughout the economy influenced Gen Z spending. This trend has been observed across generations, but according to McKinsey, Gen Z and millennials have been **leading this shift due to their existing comfort with digital tools**.²⁶ Similarly, a MassMutual survey found that 63% of Gen Z participants increased online spending or kept it constant, while the national average was 53%.²⁷ In almost all industries, in-person spending dropped drastically while online spending saw significant increases. This trend is expected to continue but lessen over the coming months.

Figure #6: Non E-Commerce sales saw a deep decline in growth during Q2 (April - June) while E-Commerce looks poised to continue to grow at a high rate



²⁶ [McKinsey](#)

²⁷ [Mass Mutual](#)

Rather than switching to new products altogether, Gen Z typically continued to **spend on the same products through digital platforms**.²⁸ In retail, e-commerce has grown for both online-only retailers such as Amazon and hybrid retailers like Target or Walmart, with consumers largely choosing major stores/chains. Department and clothing stores have also seen growing online demand, though typically not enough to offset their instore losses. Apparel and merchandise spending in brick-and-mortar retailers saw decreases of more than 50%, while e-commerce has jumped from 16% to 27% of retail sales in the US in just eight weeks.²⁹ In an interview with HCCG, Rebecca Sadwick, Managing Partner and Consultant at Strategica Partners, indicated that this shift was inevitable; she argued that “in-person stores were struggling before the pandemic, so the shifts we are seeing [in retail] are simply accelerated, not catalyzed by COVID-19.”

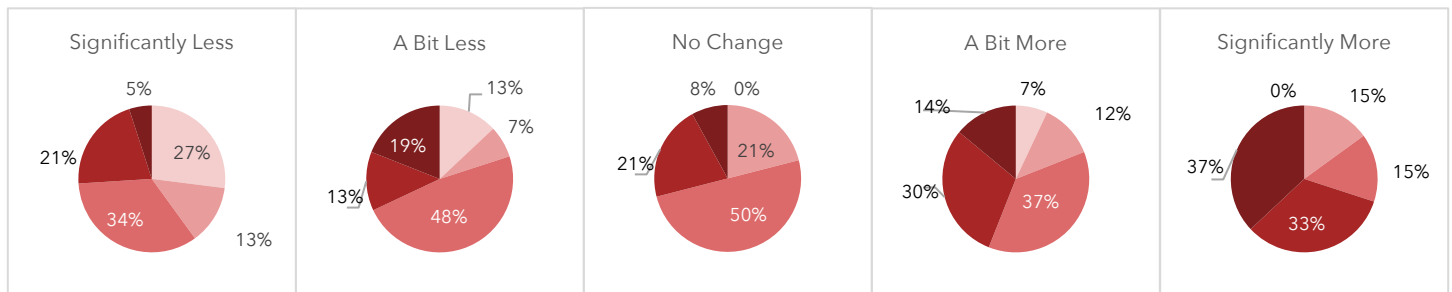
“The shifts we are seeing in retail are simply accelerated, not catalyzed by COVID-19.”

Rebecca Sadwick

Figure #7: Survey results showed that among those who reported more food spending overall, they were much more likely to also report increases in food delivery as opposed to in-person dining and pick-up options.

Gen Z Food Delivery Spending vs. Gen Z Food Spending Overall

Change in Food Spending Overall



■ Much Less Likely ■ Somewhat Less Likely ■ Equally Likely ■ Somewhat More Likely ■ Much More Likely

Source: HCCG’s June 2020 Consumer Spending Survey

²⁸ [ZDNet](#)

²⁹ [Boston Consulting Group](#)

In contrast, the food industry saw new trends emerge due to local lockdowns and social distancing. While spending in casual restaurants decreased by 64.9% year over year in May 2020, **food delivery spending - led by Gen Z - increased by 67.1% YoY** in the same time period.³⁰ Food delivery has been a growing industry prior to COVID-19, but still many first-time consumers were motivated to try the service due to COVID-19 lockdowns. Overall, regardless of whether COVID-19 catalyzed new shifts or accelerated existing changes, **Gen Z consumers embraced spending on digital platforms across multiple industries** in lieu of in-person experiences.

Figure #8: Gen Z consumers have redirected their spending towards stay-at-home entertainment significantly more than other age groups.

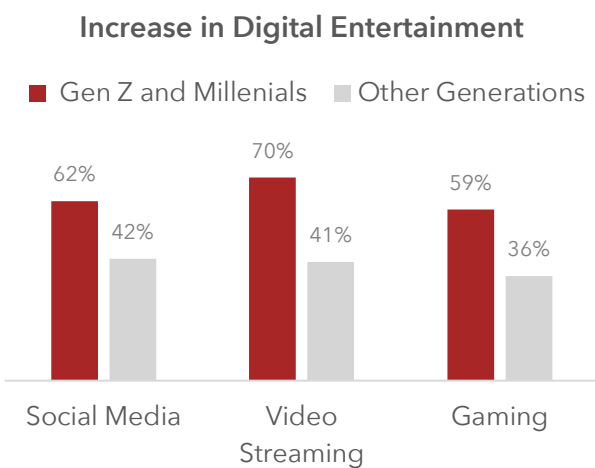
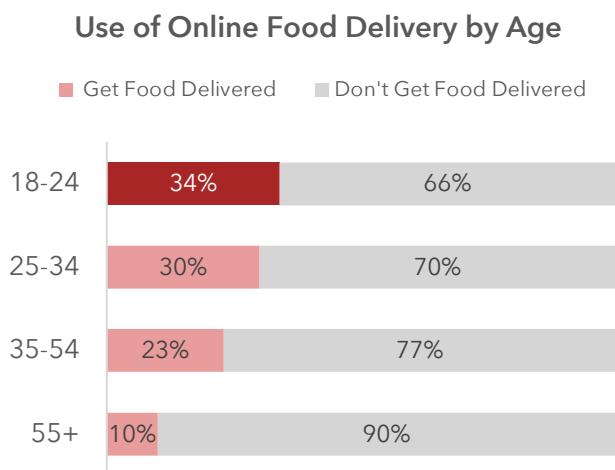


Figure #9: Gen Z consumers use online food delivery services more than any other generation group.



Source: Civic Science

Finally, moving online has also been particularly impactful for **entertainment, communication, and fitness and wellness**. For entertainment, a wider trend of Gen Z consumers leaving behind in-person entertainment like movie theaters has been amplified by the stay at home orders, with many Gen Z and Millennials increasing their time spent gaming and video streaming. In addition, 57% of Gen Z reported considering entertainment-based subscription services they previously did not have, the highest out of any surveyed age group.³¹ Fitness and wellness have seen a major transition, with at-home fitness spending on online classes and wellness apps increasing by up to 40% and fitness outside the home declining by up to 50%.³² Lastly, Communication has been similarly revolutionized, with consumers across generations relying on video conferencing for work, study and socializing.

³⁰ [Civic Science](#).

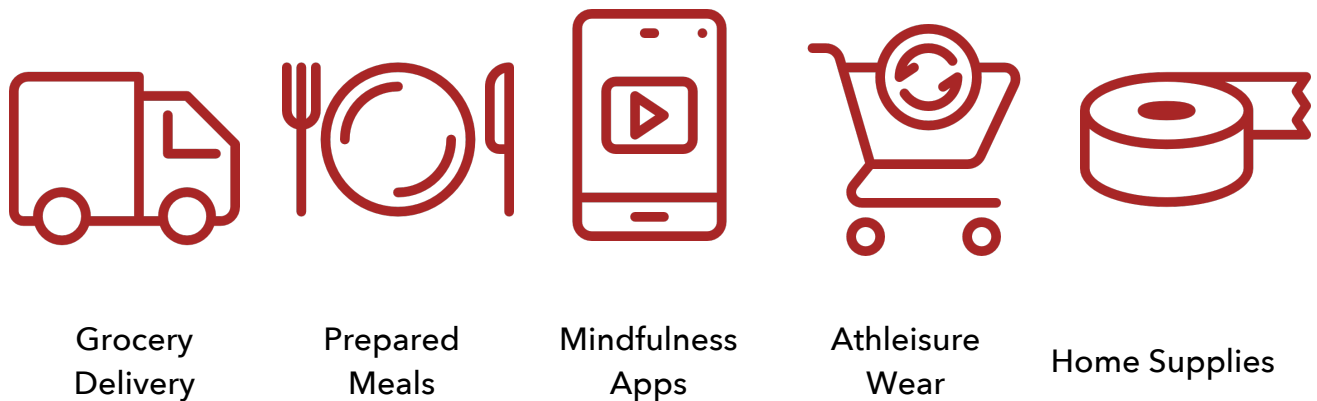
³¹ [HK Strategies](#)

³² [E-Marketer](#)

5.2 Alternative Consumption Methods

There are some notable sectors that have been impacted significantly more by COVID-19 than others. **Grocery delivery and prepared meals** are two industries that benefited directly from Gen Z spending changes due to COVID-19. As going into stores becomes riskier and restaurants are prohibited from offering dine-in meals, Gen Z capitalize on their digital know-how to navigate the somewhat complicated process of ordering online. In HCCG's Gen Z spending survey, 41.7% of Gen Z respondents indicated that they were more likely to spend on food delivery both during the pandemic and in the future. Beyond delivery, reduced contact options like curbside pick-up for groceries or retail have mostly been created in response to COVID-19 and are being used across generations. BCG also predicts that young consumers, in particular, will be spending less on in store-dining and instead increase off-premise eating, favoring fast-food over casual restaurants.³³

Emerging Industries



This is emblematic of a larger trend, with consumers **sticking mostly to larger businesses and known brands**, especially when ordering online as reliability and previous interactions can become extremely valuable. For instance, we found that 50% of Gen Z survey respondents were more likely to shop at a large e-retailer like Amazon rather than lesser known brands during the pandemic. These spending habits are mirrored by the many reports of small businesses struggling around the country because they lack the infrastructure for online retail and the means to adjust to new circumstances.³⁴ In fact, in 42 out of 50 states, small businesses will have a larger share of vulnerable jobs, and in the remaining eight, it is split relatively equally.³⁵

³³ [Boston Consulting Group](#)

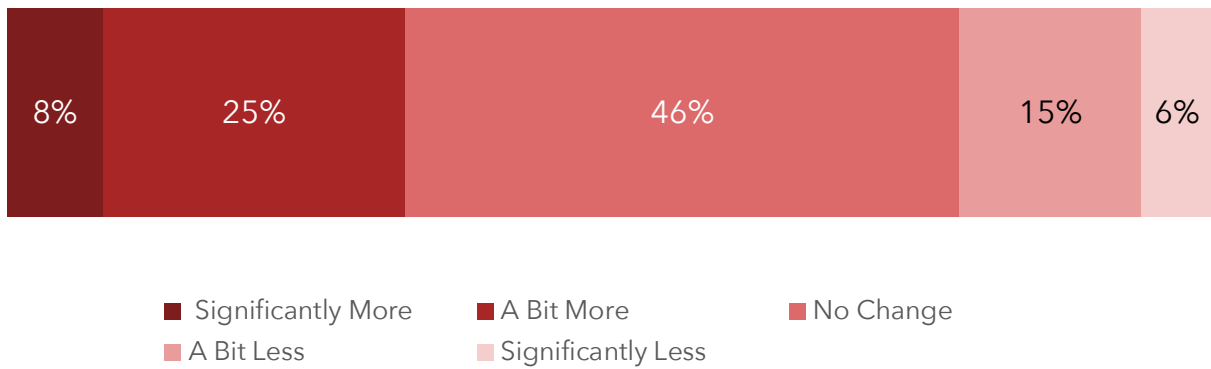
³⁴ [Washington Post](#)

³⁵ [McKinsey](#)

Still, we find that in some cases **small businesses have certain trends working in their favor**. For instance, over half of Gen Z (55%) have indicated that they intend to support local (and usually smaller) businesses more. If they receive a stimulus check, 16% also plan on using it directly to support local businesses.^{36 37} Moreover, as online demand increases and certain large distributors may struggle to make all their shipments, new brands can step up and fill voids created by this rapidly growing customer base. During quarantine, up to 26% of Gen Z have explored new brands which they may switch to permanently.³⁸ These two competing influences explain why **most respondents reported spending the amount or only slightly more at big name brands** across industries. Food is the only sector where over 30% consumers are spending more on larger brands, but this may also be attributed to a general increase in spending in this sector.³⁹

Figure #10: When ordering food, only 21% of Gen Z reported spending less on big-name brands while 33% reported spending more. This preference for big-name familiarity is most prevalent in the food industry, and may be due to various factors including price, increased spending in general, convenience, and health standards.

Gen Z Spending on Big-Name Food Brands



Source: HCCG's June 2020 Consumer Spending Survey

³⁶ HCCG's June 2020 Consumer Spending Survey

³⁷ [Mass Mutual](#)

³⁸ [CNBC](#)

³⁹ HCCG's June 2020 Consumer Spending Survey

Furthermore, **niche products** from numerous industries also saw **initial increases in demand**. Rebecca Sadwick highlighted Gen Z's increased spending on athleisure wear and cookware as two examples. "Bakeware and cookware has become more popular to facilitate Instagram-worthy baking and cooking," Sadwick explains. She also mentions that "Gen Z sees more real value in trendy athleisure wear" for its comfort and practicality for home workouts. After the initial demand for these products was met, these initial spikes in spending slowly returned to normal levels with less YoY spending growth. Similarly, many online meditation and mindfulness apps, such as Calm, Headspace, and Meditopia, have seen increased Gen Z subscriptions as a result of COVID-19, likely due to short-term stress and a desire to maintain mental health in isolation.⁴⁰ Sadwick emphasized how these apps may see more sustained growth than other single-purchase products: "Services that are subscription based and have a long enough time to build habits from Gen Z users will have long-term benefits coming out of the COVID-19 crisis. For example, while demand for bakeware is unlikely to remain high in the long run, meditation apps that people are using may see continued usage from subscribers."

“

"Services that are subscription based and have a long enough time to build habits from Gen Z users will have long-term benefits coming out of the COVID-19 crisis."

Rebecca Sadwick

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Increases in spending growth in a given sector must be considered in context. Some reflect a preexisting trend towards alternative consumption methods, such as online grocery delivery, which has merely been amplified by the circumstances surrounding quarantines. These increases are **likely to remain robust, even post-pandemic**. Other trends, like the uptick in baking, have been created by the very intricate specifics of the pandemic, parents being isolated with their children who require entertainment, for instance; and these mostly won't outlast quarantine. Finally, we've seen trends, such as many new users joining meditation apps, that originate mostly from quarantine, but have become habitual and are easily applicable to non-quarantine life. We expect these trends to shift somewhat with circumstances but to remain relatively stable overall.

⁴⁰ [TechCrunch](#)

5.3 Travel Limitations

Finally, again mirroring a wider trend, Gen Z will be cutting down on travel and the use of transportation. Minimizing trips to the store has also led to an uptick in bulk buying across all generations, with Gen Z leading the way. In April, around 4 in 5 Gen Z anticipated spending more on buying in bulk.⁴¹ This trend was precipitated by US credit card data from late February 2020 indicated temporary spikes in big box and wholesale store shopping, with spending increasing by 14.2% and 13.0% year over year respectively.⁴² These surges in shopping are most likely correlated with **fearful consumers attempting to stockpile everyday supplies** in preparation for statewide lockdowns. While Gen Z specific data on this shopping spike was not available, focus groups conducted with Gen Z indicated that they also participated in this initial surge of spending.⁴³

Until a Vaccine, **39%** Won't Travel Domestically **52%** Won't Travel Internationally

Vacation will also look different for the foreseeable future, remaining **local and economical**.⁴⁴ Airlines, hotels, cruises, and other travel related industries collectively fell by about 90% in March and April 2020, and Gen Z contributed substantially to this loss with cancelled spring trips.⁴⁵ Both economic hardship and increased risk of travel will contribute to **low spending on large trips**, though consumers do emphasize that they look forward to increasing their spending on holidays once the pandemic has receded. However, a short-term improvement may not be enough to alleviate young people's concerns, as many Gen Z reported they will not begin travelling until a vaccine is developed.⁴⁶ Stay at home orders, living with at-risk family members and skepticism of stranger's safety precautions will also decrease Gen Z spending on ride- and home-sharing apps, a sector in which they had been a driving force.⁴⁷ Rebecca Sadwick predicts a shift back towards large hotels instead of home sharing services such as Airbnb: "There may be a very interesting shift in the hotel/rentals industry when things return to normal initially. Gen Z and younger millennials tend to gravitate toward those large home rental vacation experiences. The hotels that remain after the crisis may have much less competition initially, due to factors such as vacation homes that have been sold or hotels that didn't make it. This lack of competition could result in a shift back towards hotels instead of communal vacation homes."

While travel limitations will likely persist for months and maybe years, **the compulsion to avoid travel at all costs may subside as fear about COVID-19 recedes**. Avoiding long-distance, high-risk vacations and travelling will continue, but avoiding unnecessary trips to the store will likely become less important.

⁴¹ [Mass Mutual](#)

⁴² [Visual Capitalist](#)

⁴³ [Boston Consulting Group](#)

⁴⁴ [E-Marketer](#)

⁴⁵ [Boston Consulting Group](#)

⁴⁶ [CNBC](#)

⁴⁷ [Mass Mutual](#)

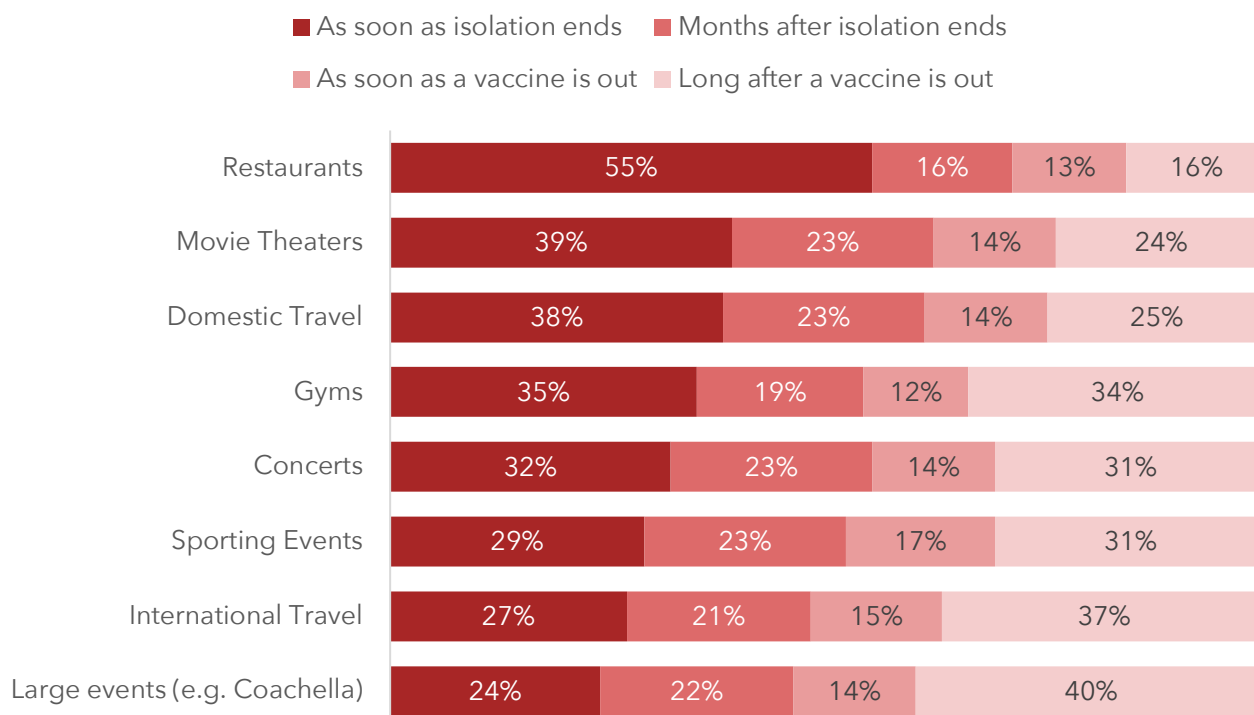
6. Looking to the Future

6.1 Short-Term Projections

Decreased spending is likely to persist in certain sectors for longer periods of time compared to other sectors. Given the uncertain timeline for a vaccine, HCCG anticipates that some sectors, such as entertainment and recreation, will slowly recover. Consequently, **sporting, recreational and music events** were among the lowest activities ranked by Gen Z survey respondents when asked how they will prioritize their spending in the near future, and **travel, restaurants and food were among the top priorities.**⁴⁸ It is evident that Gen Z consumers have a clear pecking order when deciding how to spend their money as society reopens, and industry rebounds will be heavily staggered.

Figure #11: As society reopens, different sectors of the economy will come back at different rates. Among Gen Z, it is clearly evident that many are eager to return to restaurants, while other sectors like large music events, international travel, and sporting events will have a long recovery period while COVID-19 remains prevalent.

How Quickly Will Gen Z Return to Pre-Pandemic Spending Levels?



Source: CNBC, TruePublic

⁴⁸ HCCG's June 2020 Consumer Spending Survey

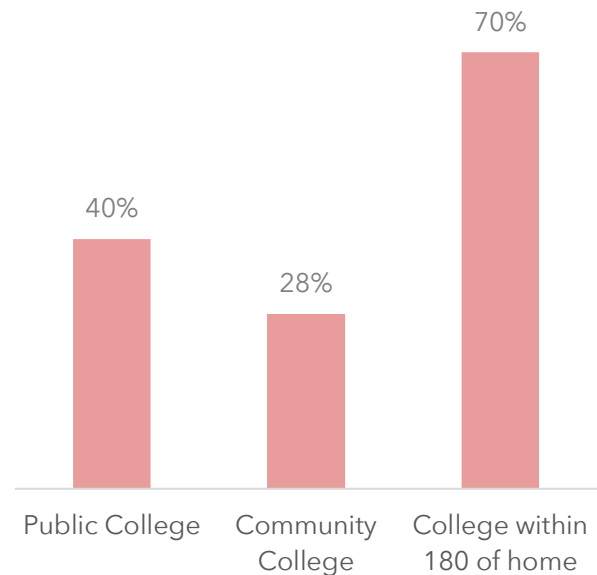
Food and consumer goods may revert to previous levels almost immediately. Even during the pandemic, nearly two thirds of Gen Z had ordered food from a drive through, nearly half had picked up takeout, and a third ate at a restaurant.⁴⁹ Gen Z is also the most likely demographic to have **delayed purchases in every category except flights and vacations**.⁵⁰ This trend could be attributed to airline insurance policies that offer programs such as flight exchanges. As a result of the higher proportion of voluntarily delayed purchases, a faster recovery post-pandemic is expected.

Finally, areas of spending which grew significantly during the pandemic will continue to buoy spending during the recovery period. 34% of Gen Z and Millennials plan to continue online shopping at current elevated levels post-lockdown.⁵¹ Similarly, consumption of **packaged foods, video streaming, online marketplaces, and virtual classes** is expected to **increase** relative to pre-pandemic levels. These expenditures are key to both societal and economic recovery.⁵²

The way Gen Z will pay for these goods may change in the very near future. Given that Gen Z is the next wave to hit the workforce, COVID's effect on the economy plays a significant role in its job prospects. In terms of higher education, many students are rethinking their priorities. Students have shown a higher willingness to enroll in **public or community colleges** in order to save money and are also placing a higher value on going to college close to home.⁵³ Those facing an unstable job market are looking into **prolonging their education** by pursuing graduate school or picking up additional degrees as they consider the benefits of additional schooling to outweigh job prospects.⁵⁴ College officials predict a sizable increase in the number of students taking graduate school exams and applications submitted within the next few application cycles as older Gen Z individuals look for opportunities in an uncertain landscape.⁵⁵ Similarly, as universities release decisions for on-campus learning in fall 2020, many students are considering taking **leaves of absence**, prolonging their entry into the workforce.⁵⁶

Figure #12: High Schoolers are beginning to show a much stronger preference for cheaper and closer education, reflecting a shift in spending power amongst families and young people

Following COVID-19, What Types of Colleges do Students Wish to Enroll in?



⁴⁹ [CNBC](#)

⁵⁰ [Global Web Index](#)

⁵¹ [CNBC](#)

⁵² [Boston Consulting Group](#)

⁵³ [CNBC](#)

⁵⁴ [ABC 10](#)

⁵⁵ [MN Daily](#)

⁵⁶ [Washington Post](#)

In order to prepare for a shifting economic landscape, Gen Z has taken it upon themselves to **learn skills and market themselves in the digital economy**.⁵⁷ With many companies forced to work from home in the pandemic, the shift towards online work and non-physical workspaces has been sped up to where it may become the new normal. The shift to a digital workforce and remote employment, while limiting in the status quo, offers room for Gen Z to capitalize on its technological proficiency with changed forms of work.

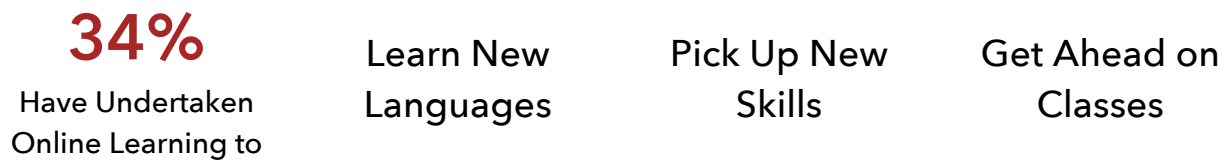
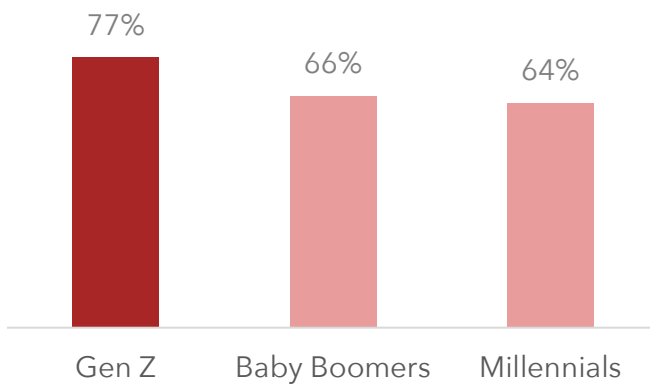


Figure #13: Gen Z are more likely to participate in the freelance job market in order to earn discretionary cash

Which age groups choose to pursue freelance jobs?



Moreover, the generation has already shown a **proclivity towards gig work**. Nearly half of working Gen Z members are freelancers in non-traditional means of work to accommodate **flexible lifestyles** and to pursue work they are passionate about.⁵⁸ Furthermore, 77% of Gen Z earn additional money through part-time jobs or freelance work to **supplement their income**.⁵⁹ The new normal may no longer be the commonplace 9 to 5 office job; in fact, as labor markets recover, having side gigs to support a full-time position will likely become more standard. Rather than trusting one singular source of income, **diversifying channels of income** may offer **stability** and **flexibility**.

Upwork, a company that connects freelancers with businesses, has already

seen a 50% increase in signups, while Instacart, a grocery delivery service, has hired more than half a million new workers to meet demand.⁶⁰ As companies maintain a leaner workforce in the economy's recovery, those left behind may pursue the gig economy as a solution.

⁵⁷ [Medium](#)

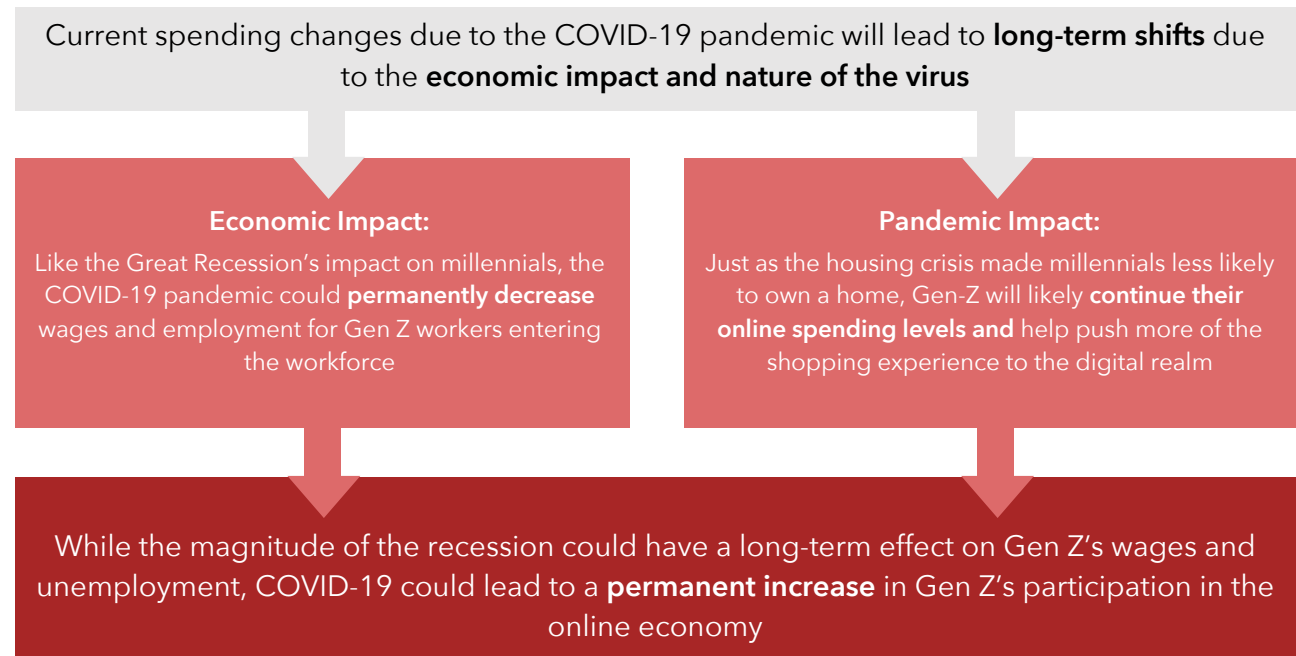
⁵⁸ [Tech Republic](#)

⁵⁹ [Visual Capitalist](#)

⁶⁰ [Time](#)

6.2 Long-Term Projections

Beyond the current changes in consumer spending, the COVID-19 pandemic will cause long-term economic damage in the US, which will likely have **a considerable impact** on Gen Z's personal consumption habits over a longer time horizon. Even as quarantine and local lockdowns have ended, or even after a vaccine is developed, the United States will feel the consequences of this painful COVID-19 recession for years to come.



One of the drivers of these long-term changes will be the changes in spending that arise from the purely economic consequences of the pandemic. **Staggeringly high unemployment and the drastically reduced output** cannot be fixed by simply reaching the end of the virus. There is considerable economic literature on the long-term impacts of the last major economic crisis, the Great Recession. For example, the Atlantic argues that "The country has rebounded in many ways [from the Great Recession], but is also more unequal, less vibrant, less productive, poorer, and sicker than it would have been had the crisis been less severe."⁶¹ The COVID-19 pandemic could lead to similar long-term impacts for our nation's economy. Research has suggested that the cohort of Gen Z workers currently entering the economy will experience a **permanent decrease in wages and employment rates**, which is likely to affect the long-term spending habits of this demographic group.⁶² Some have suggested that this current economic recovery and downturn could be "v-shaped", meaning a short but dramatic downturn followed by an equally quick recovery, which may limit the long-term effects. However, the depth of the current recession and the dramatic shift in spending habits caused by the pandemic seem likely to leave a long-term impact.

⁶¹ [The Atlantic](#)

⁶² [EML Berkeley](#)

In particular, the characteristics of this COVID recessions can also lead to specific changes in spending habits. On this point the Great Recession can serve as a helpful comparison. With the Great Recession, having the focus of the crash center on the housing market has left the Millennial generation less confident about owning their own home.⁶³ The COVID-19 recession will likely have similar long-term behavioral effects on spending choices and habits on Gen Z.

One particular impact could be in the **growth of e-commerce**. According to an eMarketer report on US consumer spending, US e-commerce spending is projected to grow by 18% in 2020.⁶⁴ This trend can also be observed in Gen-Z. As a previously mentioned question in the HCCG survey found, 49% of all respondents said that they were much more or somewhat more likely to shop on Amazon or eBay than local small businesses. More importantly, research suggests that these trends **will continue even after the recession ends**. This fact is supported by the HCCG survey, where 74% of survey respondents stated that they would maintain or increase their online spending after the pandemic ends. The current pandemic will likely expedite Gen Z's transition from the brick and mortar retail economy to an increased e-commerce marketplace, which will likely stand as one of the most significant long-term effects of consumer spending.

The current recession has impacted nearly every aspect of consumer's lives, and many of these behaviors will likely continue in a wide variety of markets post-pandemic. Among Gen-Z, a Harris Poll suggested that 80% of consumers will be likely to save more and spend less, 63% will be likely to avoid non-essential travel, and 53% will be likely to continue ordering groceries online.⁶⁵ If other COVID spending trends similarly result in long term effects, it is possible shifts could occur in other markets, including from **restaurants to online food delivery services** and away from of concerts and sporting events and other crowded locales. More of consumer's lives will end up being experienced online, which will fundamentally change the economy in the coming years.

⁶³ A. Bracha and J. Jamison "Shifting Confidence in Home Ownership"

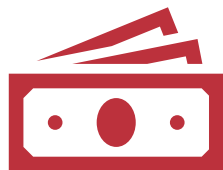
⁶⁴ [EMarketer](#)

⁶⁵ [Harris Poll](#)

7. Conclusion

The COVID recession has affected almost every aspect of the US and global economy, and Gen-Z consumer spending is no exception. Utilizing academic research, external polling, market data, and the results of a survey conducted by HCCG, this report found that many factors affecting consumer spending have been impacted by the COVID recession, and that several of these shifts and changes in spending behavior will serve as some of the most notable long-term impacts of the pandemic.

Gen Z Income Changes	Shifts in Spending and Saving	Inter and Intra-Industry Changes	Short and Long-Term Projections
Gen Z has lost jobs and internships as a result of the pandemic	A large percentage of Gen Z has cut spending	Gen Z has led transition to a more digital economy	Industries could see fast return to pre-pandemic spending levels
Financial support from parents has mitigated the downturn	Spending is less reliant on income for Gen Z consumers	Have found alternative consumption methods for grocery shopping and eating out	International travel and large events will take a long time to recover
Long-term damage to income and saving	Looser compliance with stay-at-home orders and greater digital comfort has helped spending	Greatly reduced travel	Pandemic limiting in-person contact will help shift to an online economy



The pandemic has resulted in substantial income changes for Gen Z, as individuals lose jobs and internships and begin to dip into their savings. The effects on income has been mixed however, as Gen-Z's financial support from parents and greater free time has led to increased income for some groups. Additionally, Gen-Z is less affected by the pandemic with regards to education and long-term savings. Overall, Gen-Z looks to come out of the pandemic with **less long-term damage to their income and savings** compared to several other demographic groups.

Like several other demographic groups, the saving and spending habits of Gen-Z have been greatly impacted by the current recession. A large percentage of this youngest demographic have reported cutting their spending since lockdowns began. However, unlike other demographic groups, Gen-Z's **decrease in spending is not as strongly tied to loss in income**, and a significant percentage report not decreasing spending. The demographic's financial dependence on parents, looser following of stay-at home orders, and greater comfort in the digital marketplace are all factors which contribute to this trend.



Gen-Z consumer spending has also shifted within industries. As the most technologically comfortable generation, the Gen-Z demographic has led the increased digitalization of the economy as more and more businesses move to offer online services. Gen-Z has also drive alternative consumption methods in the economy, as the demographic spurns activities like going to restaurants and grocery shopping during a pandemic and increasingly embraces online alternatives. Finally, like many other demographics, Gen-Z has greatly reduced its travel, a **trend that could continue beyond the duration of the pandemic**.

These listed trends are likely to serve as drivers for both short- and long-term projections in the spending habits of Gen-Z. While some industries should see immediate returns to pre-pandemic spending levels among the Gen-Z demographic, such as restaurants, other industries like concerts and international travel could continue to experience the long-term effects from COVID as younger consumers struggle to overcome hesitations stemming from the pandemic. Additionally, the nature of this COVID recession in limiting in-person contact could induce a long-term shift towards and increased online economy. This shift could be led by the Gen-Z demographic, as a large percentage of the population reports that they will **continue their online spending after lockdowns end**.



While these short- and long-term projections are far from certain, understanding these shifts can paint a clearer picture of what the economy could look like post-recession. In particular, recognizing the changes in spending among Gen-Z will be crucial to understanding the post-COVID world, especially as this demographic becomes more important to the economy. Understanding this demographic's changes in spending, and the dozens of others resulting from the COVID-19 recession, will be essential in navigating a post-pandemic world.





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Will is a Junior studying Statistics and Computer Science from Arlington, VA. In his time with HCCG, he has led a case team for a prominent non-profit and has worked for Fortune 500 entertainment, sports, and streaming companies. Outside of HCCG, he enjoys singing with the Harvard Krokodiloes, playing golf, and watching films.

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