

# Consumer behavior and marketing strategies of the MZ generation



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## ■ Introduction

### I. What is MZ generation

The generation referred to as the MZ generation is a generation that refers to the millennial generation (born between 1981 and 1986) and the Z generation (born between 1997 and 2010). The MZ generation (born between 1981 and 2012) accounted for 44% of the total population as of 2019. In this respect, the MZ generation can be said to be an important consumer in marketing in the sense that it is the main axis of the economy leading the market flow.

Classification of households (Pew Research Center, Statistics Korea as of 2019)

division		baby boom Generation	Generation X	Generation M	Generation Z
year of birth	cylinder	1950~1964	1965~1980	1981~1996	since 1997
	main statistics	1955~1964			1997~2012
Age as of 2020		57 to 65 years old	40 to 50 years old	24 to 39 years old	under 23
Ratio as of 2019		14%	18%	22%	22%

Therefore, understanding the lifestyle of MZ generation consumers, the main axis of the economy, will be a major task in product marketing. Let's look at consumption trends according to lifestyle and learn about effective marketing strategies.

## ■ II. MZ generation lifestyle analysis

### 1. AIO analysis

Prior to analyzing the lifestyle of the MZ generation, it will be measured through AIO as a measurement tool. AIO is a variable used to measure lifestyle, and each element is classified into three categories: A (Activity): activity, I (Interest) interest, and O (Opinion) opinion. The definitions of each are as follows.

(1) A Activity: Activities in terms of how to spend time, including obvious actions such as watching media, shopping in a store, or telling a neighbor about a new service. In this case, the behavior is usually observable, but the reasons for the behavior cannot be directly measured.

(2) I Interest: Interest in terms of what is given importance in the environment, the degree to which an individual attaches special interest to a certain object, event or subject.

(3) O Opinion: Opinion about self and the world around it, which is a response that an individual gives in response to a stimulus situation in which a question is posed.

**<Acts, interests and opinions used in AIO research>**

Source: Joseph T. Plummer, "The Concept and Application of Life Style Segmentation: The Combination of Two Useful Concepts Provides a Unique and Important Point of View ", *Journal of Marketing* , 38(1), January 1974, p. 34.

Act	interest	opinion	demographic characteristics
Day	family	myself	age
hobby	home	social problem	education
social event	job	politics	income
vacation	Community	business	job
hospitality	game	economy	family size
club member	fashion	education	house
shopping	media	future	city scale
sports	achievement	culture	lifecycle phase

## 2. MZ generation AIO analysis

If the AIO analysis of the MZ generation is based on the above criteria, it is as follows.

**Behavior** : Place importance on work-life balance (work-life balance) and leisure (act/work), and the meaning of a job is directly related to how one can contribute to society (act/work). Shopping is mainly done online 1. (Act/Shopping) Pursue shared consumption in the form of a cloud rather than owning a product. (Act/Shopping) This is presumed to be because the millennial generation feels burdened with ownership because they went through the IMF foreign exchange crisis in their childhood and the 2007 global financial crisis in their growth period.

**Interest** : The MZ generation, familiar with the digital environment, has a strong influence on SNS activities and wants to receive information from online SNS through mobile devices (interest/media), and values individuality because they place great importance on self-expression. . Therefore, they place a higher value on rarity rather than popularity and are attracted to rarity (interest/fashion).

**Opinion** : The consumption pattern of the MZ generation has a consumption pattern of 'mining out' based on values and beliefs. Therefore, there is a tendency to buy products from companies that are judged to have values such as environment, fairness, human rights, animal rights, and ethics, even if they pay a higher price, and products from unethical companies exercise influence through boycotts. do. (Opinion/social problem), I prefer exotic experiences because I place more meaning on experiences than possessions. (opinion/culture)

### ■III. marketing strategy

#### 1. The 4P Strategy

Based on the cosmetics category, the 4P's strategy for the MZ generation is established as follows.

product	price
- Small-capacity multi-item packaged products -Eco-friendly product development and packaging	- Market penetration pricing strategy (consumers seeking cost-effectiveness) -Early High Pricing Strategy (Flex Seeking Consumers)
circulation	advertisement
-Online shopping mall -Distribution that introduced AI-based demand forecasting and customer-customized recommendation systems	- Short form video advertisement -viral marketing advertisement

##### 1) Product

There are two main product strategies for cosmetics targeting the MZ generation. First, it is appropriate to launch a small-capacity, mini-size packaged product containing a variety of items. The MZ generation tends to value the convenience of using a product or service only when they want to use it. Therefore, it is important to satisfy the desire to use only the necessary amount rather than large-capacity products and to enable 'balanced consumption' that enables reasonable consumption at low prices.'

There is a saying among consumers of color cosmetics, "There is no such color under the sky." Consumers own a variety of color cosmetics and want to express their individuality, even if the products look similar at first glance. Therefore, if these consumers are provided with a packaged product consisting of various items of small-capacity color cosmetics, it is a small-capacity package product, so there is no concern about the product remaining and expiration date, and it is useful and convenient for consumers in terms of being able to use a variety of color cosmetics. may be provided at the same time.

In addition, since the MZ generation pursues unique experiences, a package that consists of various color cosmetics in small quantities, such as black lipstick, that can be bold to use in everyday life, but stimulates curiosity to try at least once.

Second, the MZ generation has individualistic tendencies that value individual happiness over group happiness, but that does not mean that group happiness is ignored only for individual happiness. Therefore, it is necessary to develop products according to the characteristics of the MZ generation, who also value the influence of individuals. As such, in order to develop products targeting the MZ generation, which has a great interest in society, it is necessary to produce products that consider the environment, human rights, and animal rights. Therefore, when developing cosmetics, it would be effective to minimize animal testing and make products with eco-friendly packages.

## **2) Price**

As a result of surveying 2,233 people of the MZ generation on their preferred consumption propensities based on three criteria: cost-effectiveness (price-to-performance) consumption, cost-effectiveness (price-to-mental satisfaction) consumption, and flex (expensive products such as luxury goods) consumption, 2 MZ generations One of them preferred to consume a product with a high price/performance ratio. The type of consumption pursued by the MZ generation was 51.2% of cost-effectiveness consumption, 37.3% of cost-effectiveness consumption, and 11.6% of flex consumption.

As such, the MZ generation tends to value cost-effective consumption (51.2%), which is a rational consumption that pursues practicality, but at the same time, for products that they think are valuable, they are 'flex consumption' to show off their wealth and success. also do Therefore, it is important to use a pricing strategy that suits the characteristics of consumers. In the case of balanced consumption type, the initial high price strategy is not suitable and it is appropriate to use market penetration pricing strategy. It can be seen that it is appropriate to use the initial high price strategy through the product.

### **3) place**

As for the product distribution method, the online-oriented distribution method is advantageous. This is because the MZ generation prefers online shopping because they are familiar with the Internet and information technology.) Since COVID-19, non-face-to-face and online services have developed dramatically, and the lifestyle of people in their 20s has also changed. Based on 300 men and women in their 20s nationwide As a result of the survey, shopping spaces accounted for 27.3% of places that would not be visited after social distancing. In detail, large marts for purchasing daily necessities accounted for 36.6% and individual brand stores such as clothing and cosmetics accounted for 34.1%, indicating that the need for offline shopping spaces is decreasing, and that the form of shopping is being completely replaced by online services. Therefore, for the MZ generation, the distribution method through online is effective.

In the recent hyper-personalized era, the importance of providing services at the moment consumers want has increased. It has become more important than anything else to identify and satisfy the needs of the MZ generation, the individuality-seeking consumer. An example of a company that identified this and satisfied consumer needs is Brandy. Brandy, a leading online women's fashion recommendation service, built a demand forecasting system through AI algorithm analysis and delivered high-demand products on the same day or early in the morning. A 'one-day delivery' service was introduced. As an additional function, it recommends clothes that are popular with peers through the 'recommended by my peers' function, providing one-on-one customized services based on consumer's actual activity data, satisfying the MZ generation's desire to pursue individuality and receiving great responses. there is

Likewise, in the distribution strategy of cosmetics, customer satisfaction can be increased if customized services are provided through AI algorithm analysis and customized recommendations to recommend customized cosmetics.



#### **4) Promotion**

Product advertising strategies of the MZ generation can be divided into two major categories. The first is a short-form advertisement using an influencer, and the second is a viral marketing advertisement.

##### **(1) Short form advertisement**

Beauty creator (influencer) model short-form video advertisements through SNS are effective. Recently, the MZ generation tends to prefer short-form content less than 15 minutes over long-form content because the video consumption pattern has shifted to mobile. The advantage of short-form content is that it can be enjoyed briefly anytime, anywhere, even while on the move.

YouTube is an SNS medium mainly used by the MZ generation. Recently, YouTube is not just a video sharing platform, but also a search channel, expanding into specialized fields. YouTube's influence in the marketing market is strong enough to hold an overwhelming share of 88% in mobile video app usage time. Therefore, promoting a product through short-form Vlog content of less than 15 minutes using YouTube will be effective in forming a positive attitude toward the product in the MZ generation.

The audience that leads the culture on these SNSs is mainly influencers, and advertising through short-form content using beauty influencers can be effective. Because they have expertise in beauty products, they can exercise their expertise.

Since paid advertisements included in vlogs have the characteristics of infomercial and PPL (Choi Woo-jin, 2018), promotion using vlog contents can be effective. In particular, the MZ generation has a greater resistance to back advertisements than front advertisements and PPL advertisements, which is said to damage consumers' independence in accepting advertisements. because I think

For viewers who are reluctant to advertise like this, the most natural way to expose brand products on Vlog is to increase the interest, usefulness, and reliability of the video by using a video format such as a web drama. At this time, the advertisement is more effective if the narrator in the video is an ordinary person who is not much different from me.

## **(2) Viral marketing**

The MZ generation is not only a consumer of content, but also has the characteristics of producing content on its own. By providing products to consumers through experience group events or review events so that consumers can participate, and by opening a forum for communication that induces consumer participation, the company's consumer-friendly brand image can be established and positive word of mouth can be expected. The importance of such viral marketing is that since information is obtained from a close person, the reliability of the information allows consumers to trust the product, and it is possible to deliver vivid information by conveying what the consumer experienced. Since this vivid information is helpful for memory retrieval, it can have a positive effect on product selection.

## **■IV Conclusion**

For the MZ generation, who has a propensity to pursue cloud consumption, large-capacity products are not suitable as a product strategy, and as a pricing strategy, consumers seeking cost-effectiveness and consumers consuming flex can exist at the same time, and distribution strategy found that it is important to provide customized services to consumers. Lastly, as for the advertising method, it was found that short-form advertising through online video media is appropriate according to the characteristics of the MZ generation as a generation that has shared digital culture from the beginning.

In this era where consumer needs are diversifying, it is important for product sales strategy to read the changing social trends and understand the culture of each generation. At this time, consumer analysis through psychographic AIO analysis is useful for analyzing consumers. I could see that it was a tool .

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