

ALVAREZ & MARSAL

THE BUSINESS OF MEDIA | POST-EVENT THOUGHTS

Generation Z – those born after 1996 – is the first generation to be born as digital and social media natives. This changes how they interact with and consume media and entertainment, with a knock-on effect for the marketers and services trying to build business models to reach them.

In January 2018, as part of Alvarez & Marsal's (A&M) quarterly breakfast series on the Business of Media, we asked a panel of experts from across a range of companies encompassing esports, music, video and a girls-targeted NGO to discuss how best to engage with and monetise the 'Harry Potter' generation.

The panellists, who all spoke 'behind closed doors' and in a personal capacity, were:

- Jon Gisby, Head of Europe, Vevo
- James Dean, UK MD of esports giant, ESL
- Claire Tavernier, COO of Girl Effect and former CEO of ChannelFlip
- Tom Toumazis, MBE, Non-Executive Director of LADbible & former senior roles at Disney, Endemol and Mecom

For those who could not make it on the day, media commentator and journalist Kate Bulkley and A&M's Paul Naha-Biswas share some of the edited highlights below.

THE BUSINESS OF YOUTH

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Millennials are now middle-aged

There has been much said about the behaviours of Millennials and how they act differently towards the content they want to watch and on what device. But the oldest Millennials are on the cusp of middle age and the younger, Generation Z group has some very different characteristics.

Research aggregated by Vevo, the music video service, finds that Gen Z typically have access to three devices and spend up to seven hours a day online.

Of this, about half their time is spent on online video and social media and a third of the rest of their time with some kind of OTT service, most likely Netflix. They not only trust the YouTube celebrities they admire but they expect them to relate to them as 'friends' as opposed to distant icons.

Social is fundamental to their everyday lives and 40 percent of this generation follows brands, from sports stars and celebrities to gaming titles and even consumer brands – so long as they get the right value from the relationship.



Fandom is at the heart of the *Harry Potter* generation

There is a lot of talk about the short attention span of younger generations, but despite the fact that they are multi-taskers from an early age, Gen Z pays a lot of attention and displays deep loyalty to brands that they trust and love. “This is the *Harry Potter* generation and they are very loyal to the brands that speak to them,” says Girl Effect’s Claire Tavernier. “They sat through 10 hours of *The Hobbit* and they did so because of the community aspect. For them, the (content) brand is only a trigger to fandom, to a community, and for them this is the crucial thing”.

Vevo’s Jon Gisby added that the key to talking to this generation is not how to reach out to them but rather it is about changing your start point – start from the viewpoint of being a “fan” of something and then look for other fans. Reaching them through fandom is a sort of ‘build it and they will come’ approach to creating community first, rather than simply hawking a product or a service. “It’s about thinking about a fan, not a viewer, and the revenue streams that come out of that are completely different,” said Gisby.

Think Generation Universal

“Gen Z doesn’t care which screen they are using, but they expect instant-on, 24/7-accessibility,” says James Dean of ESL.

Dean added that “in the games world, brands can come out of nowhere like *PlayerUnknown’s Battlegrounds*, which grew from zero to hero in six months”. In this environment, loyalty to a brand is fluid and if the community doesn’t like how the game IP is being developed, they will drop it and move on.

For esports the game is the trigger for the competitions that grow organically from the community of online gamers. “We don’t decide which game becomes an esports, we can only help - the popularity of the game depends on the community,” says Dean.

And interestingly, it’s not the ticket prices at the live stadium events that make the business model, instead it is about creating an exciting live event that can then be shared online and monetised by advertising, sponsorship, licensing and data. That said, there are opportunities to build on the fandom model in esports with a few exclusive VIP boxes that can sell for as much as £10,000, says Dean.

Social savviness can lock businesses out

Social media is very important to Gen Z but they have learned lessons from their older brothers and sisters to be wary of ‘over-posting’ and the dangers of cyber-bullying. “They are very smart about social media,” says Claire Tavernier. “They are the first generation who have learned not to overshare on social media and to create alternative personalities on social like ‘finsters’ – those fake Instagram accounts that allow them to take on different personas”.

In effect, their understanding and use of the dark web and closed groups on WhatsApp, Instagram and Snapchat, where posts can auto-delete, means that marketers have less ability to track them. This is also a generation where girls especially have learned to be smart about how they show up on social, which means for marketers it’s difficult to track where they are and what they are doing. “This generation owns social media, it doesn’t own them,” she says.



Will Gen Z pay?

The good news is that Gen Z is willing to pay for brands and services if they are passionate about them, either with money or by granting access to their data. "They recognise the value of content, they are sleeping less and consuming more and they are doing things at the same time, which is interesting for brands," said Tom Toumazis. However, there is also the growing issue of digital safeguarding and misreporting of data even by big players like Facebook and YouTube.

"There needs to be a joint industry committee approach overseeing this but the Digital Titans don't want this because data is their special power," said Toumazis. He added that safeguards online are not just for the young, but for any vulnerable audience.

Gen Z can be surprising for brands. For example, Intel was cheered by a crowd at an esports tournament because the gamers had identified that Intel helped make the event happen. "It's important for the brand to talk back to the fans through social interactions like memes and animated gifs that they can share. This is when the magic can happen with a brand," says James Dean. To be successful with this generation, marketers will have to create a brand persona that resonates with the community, added Claire Tavernier. "You have to be part of that community or at least be listening to the conversation in order to be authentic and trusted," says Jon Gisby.

Building a Gen Z business model

The key is how to pitch your service or product. Can it survive in a big, aggregated ecosystem like YouTube where it's about reach, or is your product or service niche enough and interesting enough to attract significant numbers of passionate people to it? "The latter is not about reach per se, but about providing something unbelievable that these fans want," says Jon Gisby. For Vevo, which exists both on YouTube and several smaller ad-supported platforms but also has an owned and operated Vevo site, finding the sweet spot between ad-supported and premium is a "work in progress," says Gisby. "I don't doubt that as the market matures we'll find the sweet spot between a massively growing AVOD business and creating a premium product proposition with features and tools around the content that that can sit alongside that".

For digital marketers to Gen Z, the key is creating and respecting a contract with them. This generation understands the value of the exchange between their data and their access to the content. As Gisby says, "the crucial skill for a successful business model is the ability to manage a subscription business in a way that provides the right amount of value to the person paying. It's a balance and if you get it wrong they are smart enough to walk away and find something else that interests them".

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