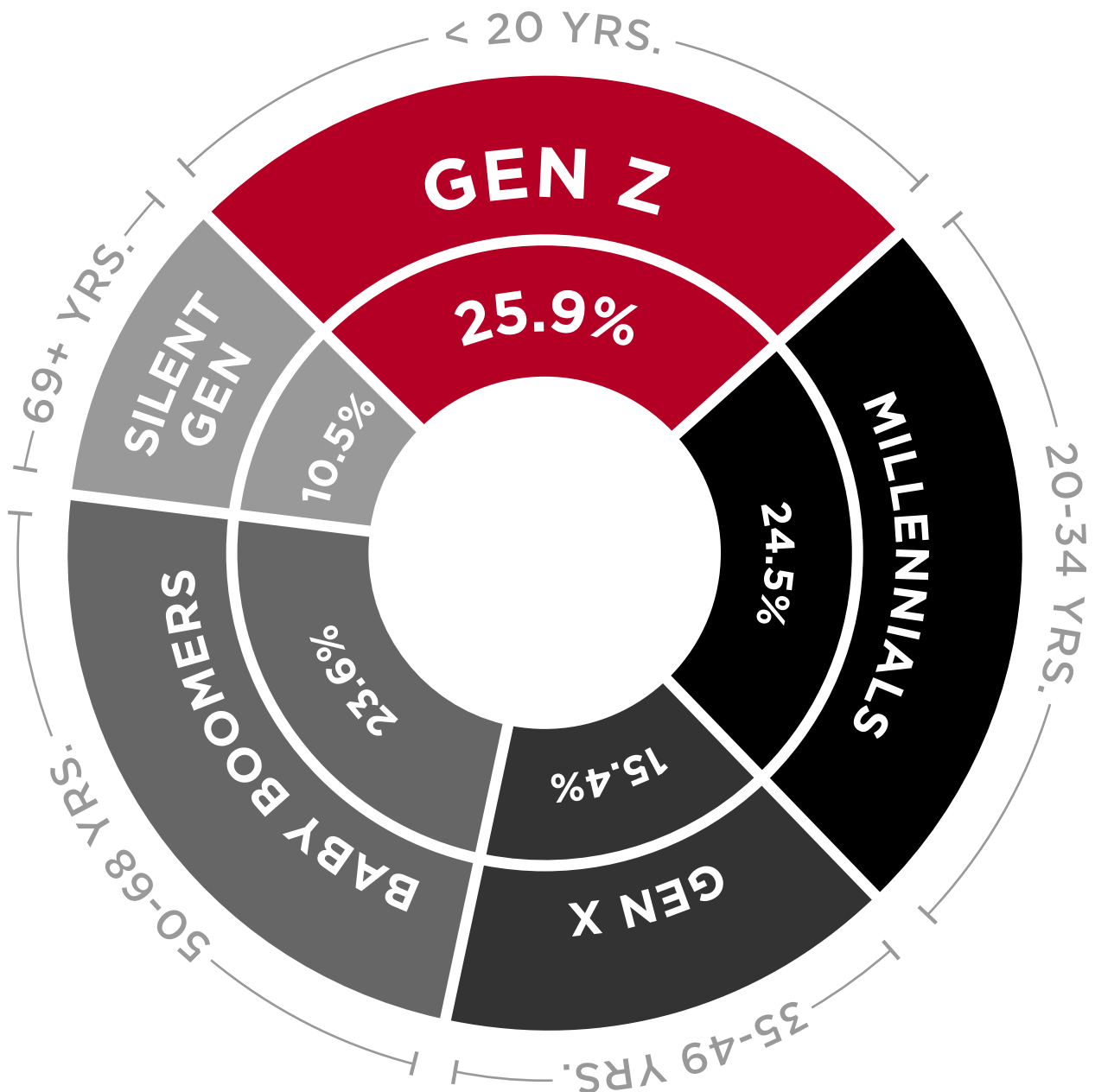


THINK YOU'RE CATCHING UP WITH MILLENNIALS?

YOU'RE ALREADY LATE TO THE **GENERATION Z** PARTY



ABSTRACT

For the last decade, industries have been clamoring to catch up with the buying patterns, communication preferences and trends of Millennials.

Companies have developed apps, hashtags, games, social media and loyalty programs all focused on attracting, educating and engaging this generation.

For the casino industry, this effort has gone beyond these initiatives and impacted operators, manufacturers and regulators in very distinct ways.

Operators have designed platforms that extend the experience of the property from the floor to computers, devices and smart phones. They've also changed certain aspects of the traditional floor from pure gaming, to nightclubs, restaurants and amenities that have transformed the core business of some operators from gaming to resort environments.

Manufacturers are racing to push the envelope of skill-based gaming, sports betting, bonusing and analytics. Regulators are translating governance and control measures around it all to ensure transparency and impartiality.

Every aspect of the casino industry has come a long way in terms of recognizing and aligning business to Millennials, however, now is not the time for complacency. Generation Z, defined by the Pew Research Center as being Americans born from 1997 through 2016¹ now account for roughly 26% of the population² and this number is growing quickly.

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It doesn't take an economist to point out that this represents a demographic tsunami with a different frame of reference and disparate perspective than Millennials. Operators, manufacturers and regulators would be well served in recognizing this new "next generation" and to start thinking creatively about how to attract and interact with this growing market.

1 The Generations Defined, Pew Research Center, April 20, 2016

2 The Nielsen Total Audience Report: Q1 2017

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The purpose of this paper is not to be a definitive statement on this population, but instead to achieve **3 main objectives**:

1.
PROVIDE INSIGHT AND
PERSPECTIVE AS WELL AS
FACTS AND FIGURES ON
GENERATION Z

2.
COMPARE AND CONTRAST
GENERATION Z WITH
MILLENNIALS

3.
HIGHLIGHT SOME WAYS IN
WHICH MANUFACTURERS,
OPERATORS AND
REGULATORS CAN START
THINKING CONSTRUCTIVELY
ABOUT ENGAGING THEIR
NEWEST CUSTOMER AND
HIRING BASE

GENERATION Z BY THE NAMES AND NUMBERS

1st generation never to have known the world without cell phones, the internet and portable devices

Also known as: "Gen Z", "iGen", "Post-Millennials", "Digital Natives", "Screensters", "Zeds"

Influenced by the context of the Great Recession, Globalization, Terrorism, and Global Warming

More than 50% don't wear a wrist watch, preferring to use their phone instead

74% of Gen Z members spend 5+ hours online daily

Of those at least 15 years of age, 85%+ research products, services and destinations online before making purchasing decisions. This number is higher when applied specifically to products, however the number is rising quickly for services and destinations. On a related note, according to Forbes, *"Millennial job seekers are twice as likely than Baby Boomers and 50% more likely than Gen-Xers to perform research beyond a prospective employer's website,"*³. This number will only rise for Generation Z.

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60% will hang up if a call is not answered in under 45 seconds

The average Post-Millennial has an attention span of only 8 seconds, however they are extremely efficient at sorting through, assessing and curating data points. Put another way by Jeremy Finch of "Fast Company", "it's not an attention problem, it's an 8-second filter."

3 This Is Why Millennial Job Seekers Are So Confident, Forbes, Feb 11, 2018

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MILLENNIALS VS. GENERATION Z

CONTENT DELIVERY

Millennials are accustomed to hybrid learning and content delivery methods. They'll read a manual, listen to a lecture and will feel equally comfortable absorbing visual messaging.

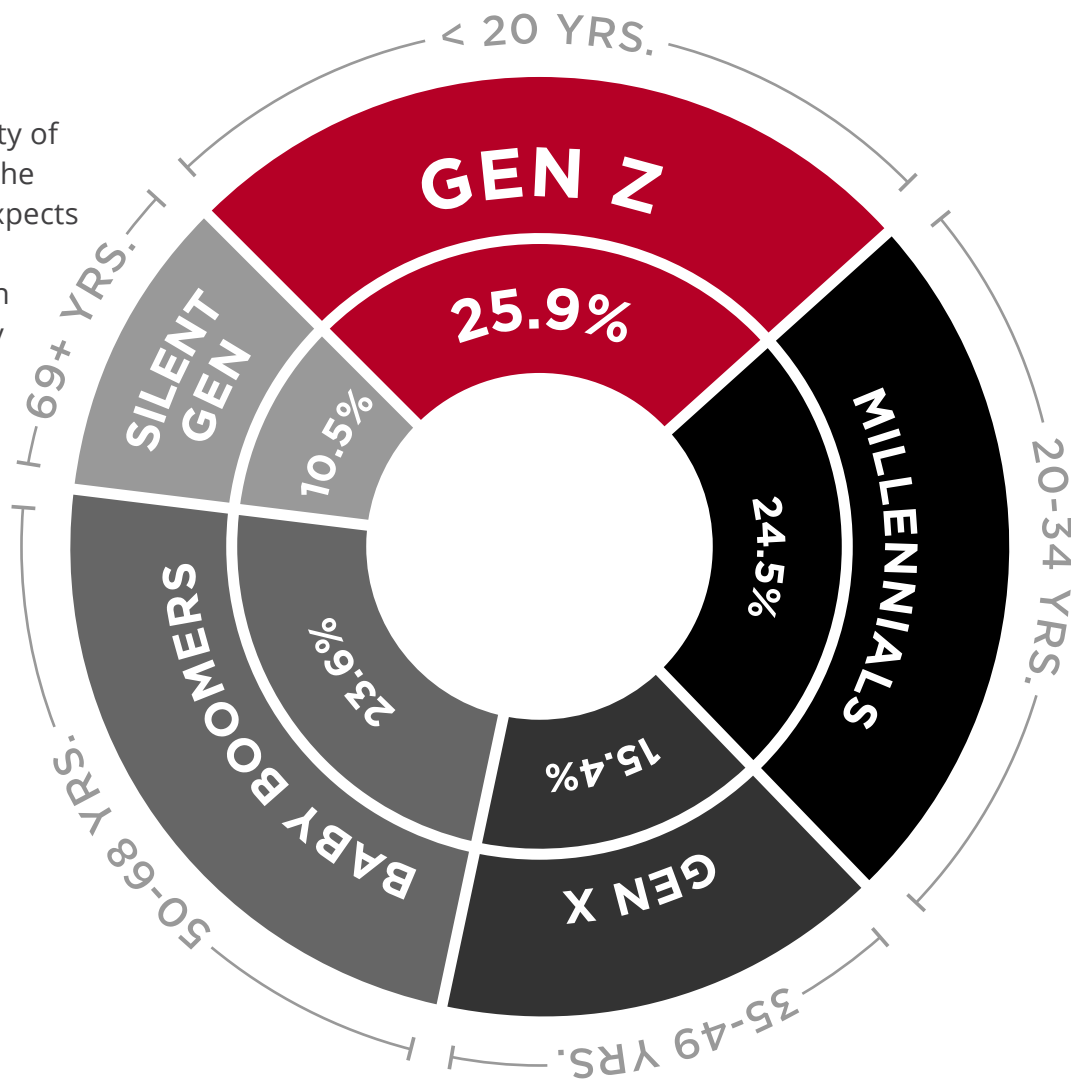
Generation Z is much more attuned to complex visual content delivery, and expects learning, entertainment and games to be available online, on-demand, and at their fingertips.

DIGITAL PIONEERS VS DIGITAL NATIVES

According to Pew Research, only 14% of U.S adults had access to the internet in 1995. Today, by many studies, that number ranges between 75 and 80%. Millennials adapted to social media, smartphones and instant messaging to augment their daily lives. Gen Z was born into these innovations and expect them to be ubiquitous.

SELF-STARTING

Born out of the uncertainty of growing up in or around the Great Recession, Gen Z expects to work harder and be more of a self-starter than Millennials. This mentality translates into Gen Z also being less collaborative and more competitive than Millennials.



KEY INSIGHTS ON GENERATION Z FOR THE CASINO INDUSTRY

As stated previously, the intent of this paper is not to give manufacturers, operators and regulators advice, guidance, nor step by step instructions for how to attract Generation Z as customers and employees. The aim is merely to inform and help frame the conversations our industry will need to have going into 2020 and beyond. With this in mind, below are 5 takeaways to be considered across strategic planning, products, promotions and personnel.

1. Personalization: Generation Z values relevant, timely, personalized content.

Manufacturers and operators might think of analytics to find out more about Gen Z customers not as data points coming in the door, but about their lifestyles.

Winners will go beyond attracting patrons to predicting the behavior of personality styles, if not individuals.

2. The 8-second filter: Generation Z is already making decisions off a comparatively tiny bit of information that is presented to them. Think of Generation X (34- 49 years old) entertainment. Most television shows were 30-minute sitcoms with a clear storyline and characters that were developed

over years. Today, Gen Z is consuming AND creating stories that are seconds long. When you need to communicate with this population, from marketing, to entertainment, to talent acquisition, think critically of what you are conveying in 8 seconds. If you can't get your message into 8 seconds, think of breaking the information you're trying to convey into smaller bits.

This generation isn't going to read through a user manual, they'll search for exactly what they need to know at that moment from the internet. Businesses across this industry will have to examine how this equation applies to them.

3. The career dynamic: A mistake in thinking, that is still entrenched from the Millennial learning curve, is that Generation Z will job hop according to factors like pay, feeling valued, and how connected they feel to the mission of the company. Generation Z can be a potent force in the workplace IF you know how to leverage them. Studies have shown that the prevalence of on-demand learning has made Generation Z believe that they can learn and master almost anything. From writing code to photography they're proving to be fearless at learning new competencies. When you combine this

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confidence and dexterity in acquiring new skills, combined with their self-starting mentality, born out of the uncertainty of the Great Recession, and you have a population that isn't looking to arbitrarily jump from job to job, they want different roles to master in rapid succession.

From manufacturers to operators to regulators, Generation Z will be an integral part of your workforce. Take advantage of their desire to take on new challenges and put them a place of ownership. You'll be well-positioned for your next generation of leaders.

4 ■ Demanding, but far from impatient: Bringing together their 8-second filter with the fact that they are the first generation of Digital Natives with on-demand everything via a phone, Generation Z will be quick with expectations and demanding, but it would be a miscalculation to write them off as impatient, entitled or immature. For decades, businesses have been seeking, developing and adopting faster services, from Lean manufacturing, to same-day delivery, to First Touch Resolution. Successful enterprises will continue to strive for more nimble delivery across everything they do from onboarding to communication to support to production.

For manufacturers, think of how robustly your games are designed, built and tested. If it's on the floor, Generation Z is going to expect it to work flawlessly.

This next generation has a higher bar for things to happen quickly and efficiently. The choice for this demographic will be businesses in which information flows quickly, services are delivered seamlessly, and products work every time, all the time.

To connect with Generation Z, the casino industry is going to have to look across all assets, operations and experiences to redefine today's "exceptional" as tomorrow's "expected."

5 ■ Marketing, social media & social proof: Generation Z will look everything up on-line. What does this mean to the industry? As it is today, the pillars of the casino industry will be competing for attention to either draw in patrons or employees, or both. Building on all other emerging findings related to Generation Z, the casino industry will need to think critically about how they present themselves on social media and in marketing to this population. Remember the 8-second filter? Now look at your marketing material and website with fresh eyes and a stopwatch. What do these materials tell you in 8 seconds? Are you explaining all the wonderful things about your company, or can you find one headline that blares out the value you bring to the market and individuals?

Perhaps most alarming to companies today, reviews and star ratings are influencing behaviors to a greater degree today than ever before.

It's called, **social proof**.

This tendency is driven by our natural desire to behave “correctly” under most circumstances—whether making a purchase, deciding where to dine, determining where we should go, what we say, who we say it to, and so on.

Put simply, people are going places, engaging in activities and making purchases based on what they see other people do.

According to YouGov, up to 97% of consumers read reviews before making a purchasing decision. Previous studies across social proof studies show that up to 87% of consumers trust the stars and reviews they see online as much as they trust friends and family.

According to a study published in the Cornell Hospitality Quarterly, the average rating for a hotel with less than 20 reviews

is 3.5 out of 5 stars, with “terrible” reviews (a rating of 1 star) at close to 12%. As a hotel sees the number of reviews grow over 100, its average star rating increases to 3.9. This shows that where social proof meets reviews, quantity matters. The more your

THE EFFECT OF TRADITIONAL MARKETING MODELS ALREADY PALES IN COMPARISON TO THE IMPACT MADE BY SOCIAL PROOF

business is reviewed, the likelier you are to receive higher ratings, and the less likely you are to see more unfavorable reviews because people don't want to go against the social proof of your positive reviews.

WHAT IS SOCIAL PROOF?

Social proof is a psychological phenomenon where people reference the behavior of others to guide their own behavior.⁴

⁴ Nielsen Norman Group Social Proof in the User Experience, October 19, 2014

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What does this mean to the casino industry?

First, this trend is not going away, and as Generation Z matures, will only accelerate. The effect of traditional marketing models already pales in comparison to the impact made by social proof. Successful businesses across the casino industry will need to consider what this means to a generation where this phenomenon is even more acutely in play. Secondly, embrace and actively manage your online reputation or it will define you as a business, service, or employer. Track and monitor your reviews from job review sites like Glassdoor.com to customer review sites like Yelp. Know when your customers are talking about your

brand. Respond promptly to customer feedback, both positive and negative. Examine comments to seek out actionable insights that will help you enhance your customer experience, products, services or perspective to top tier job seekers.

In conclusion, many analysts are predicting that by 2020, Generation Z will make up roughly 40% of the U.S consumer base. Winners and losers across the casino industry will be determined by who recognizes this population and pivots to engage them.

WELCOME TO
GENERATION Z.



white paper

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