



Millennials and Gen Z  
in Australia:  
**Next Gen Index**



## Contents

# Introducing the Next Gen Index

How Consumers Spend

What Consumers Spend On

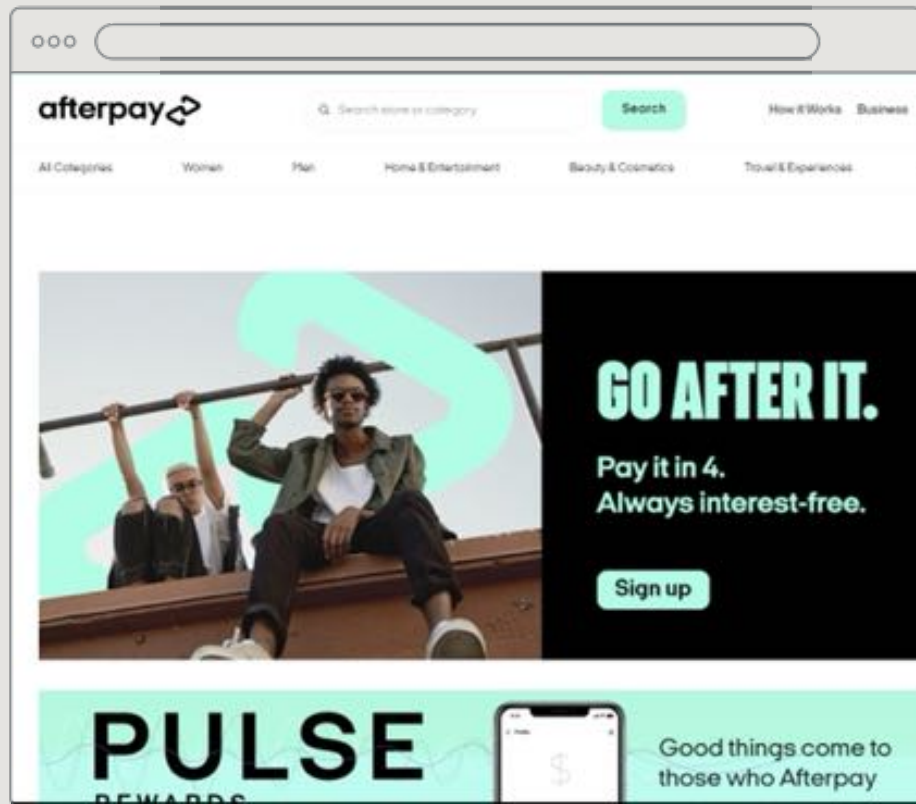
# Introducing the Afterpay Next Gen Index

The Next Gen Index is an economic series on consumer spending. The insights provided recognise the growing power of younger generations in the economy, and how their behaviours and preferences are shaping the future of commerce. The series also shines a light on the role of Buy Now Pay Later (BNPL) in the changing landscape.

The Index consists of two components:

- 1. How Consumers Spend:** Explore overall consumer spending by each generation and the types of payment methods people use (internal and external data analysis).
- 2. What Consumers Spend On:** Deep-dive into the spending trends of Afterpay customers in this dynamic dashboard, which compares trends for each generation across multiple categories (internal data analysis).

The Index is an evolving tool that will develop over time as it is updated regularly with the latest consumer data.



# Meet the 3 Gens

**Gen Z**

1997 - 2012

Aged 9-24

**Millennials**

1981-1996

Aged 25-40

**GenX and older**

Before 1981

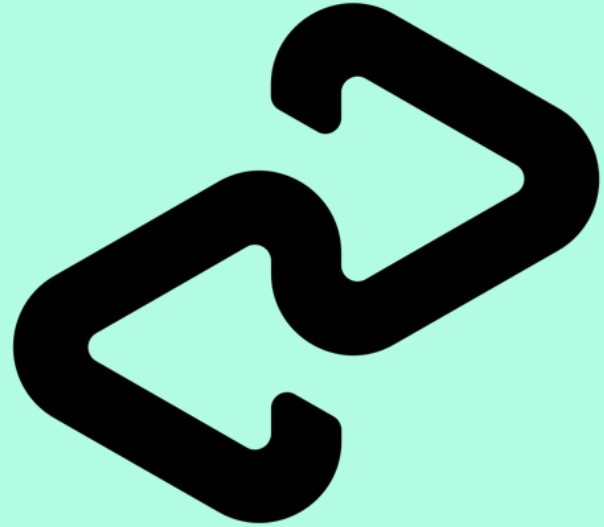
Aged 41+

Note: Generation age grouping based on definitions by the Pew Research Center

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**How Consumers Spend**

What Consumers Spend On

# Key takeaways on how consumers spend

Gen Z and Millennials are becoming a powerful force in the economy

Gen Z and Millennials currently account for **36% of the total retail spend** in Australia.

Their share of retail spend will grow to **48% by 2030**, as more of Gen Z (currently aged 9-24) enter the workforce.

Spending by younger generations has recovered

Spending by **Millennials and Gen Z is now 7% and 5%** above pre-COVID levels.

Millennials were the most likely to push funds back into the economy, with spending increasing to **14% above** pre-COVID levels in July.

BNPL and Debit are on the rise

While BNPL payments currently account for only **4% of total retail spend**, that number is growing fast.

Despite the COVID-19 crisis, spending on **BNPL is up 106%** for 2020. Also, debit card spending increased by 38% last year.

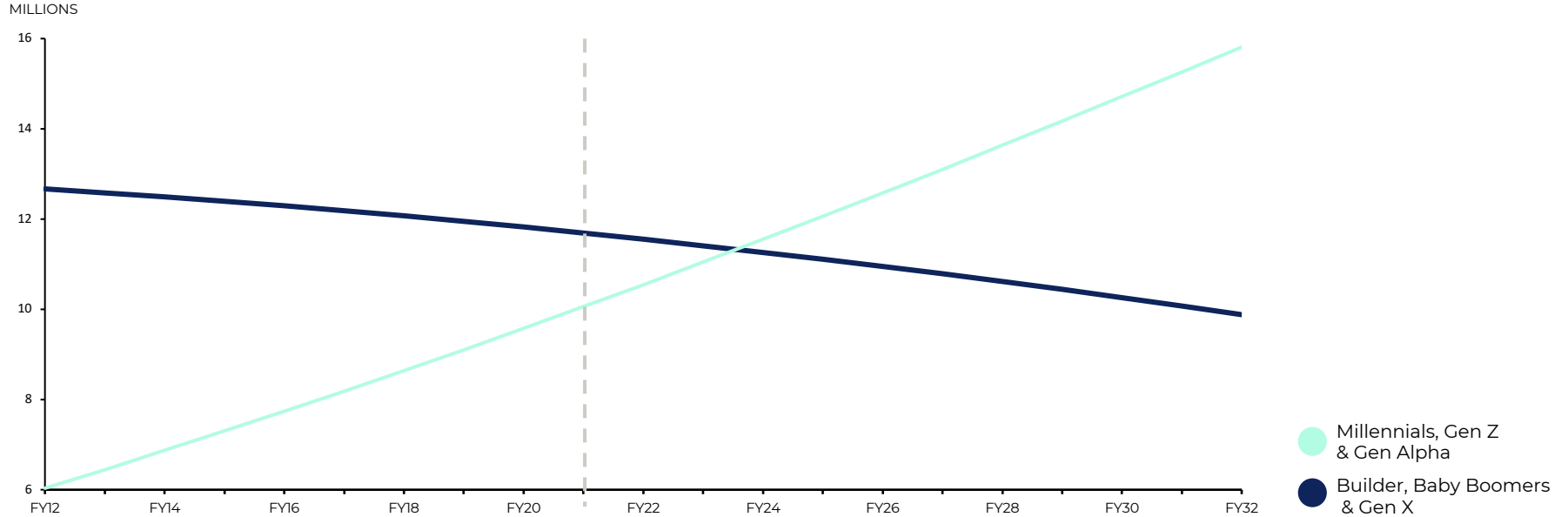
Younger generations are leading the growth of BNPL

BNPL spending is trending up across **all generations**, however younger generations are leading the charge.

BNPL spend for Millennials and Gen Z is up **75%** and **119%** since January 2020.

The population of Millennials and younger will outnumber older generations by FY24

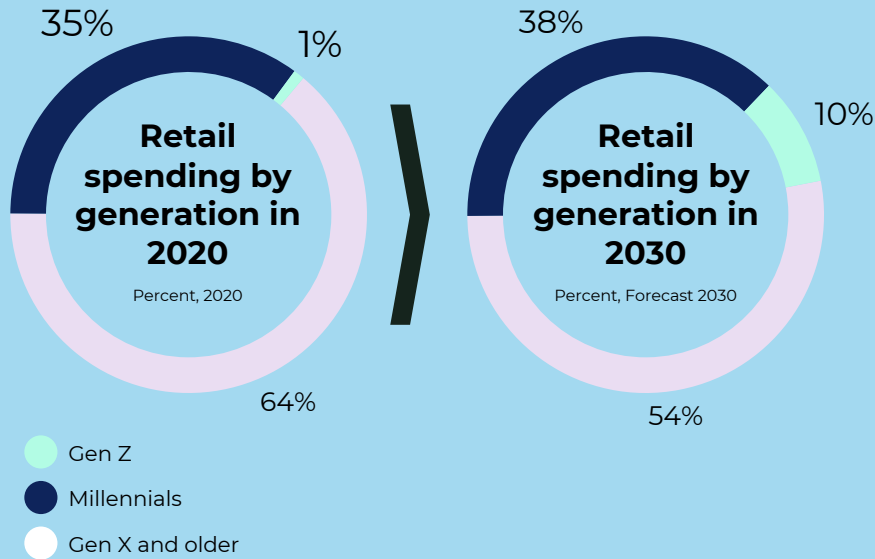
### Total population in Australia



Source: ABS Population Statistics FY12-FY32 (Based on 2020 Forecast)

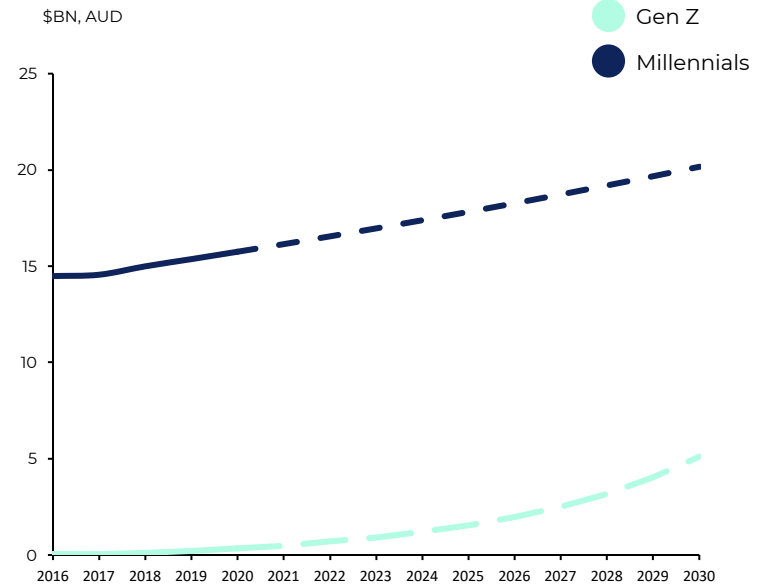


Millennial and Gen Z share of spend will increase to 48% by 2030



Millennials and Gen Z peak earning years are still to come

### Retail spending over time for Millennials and Gen Z

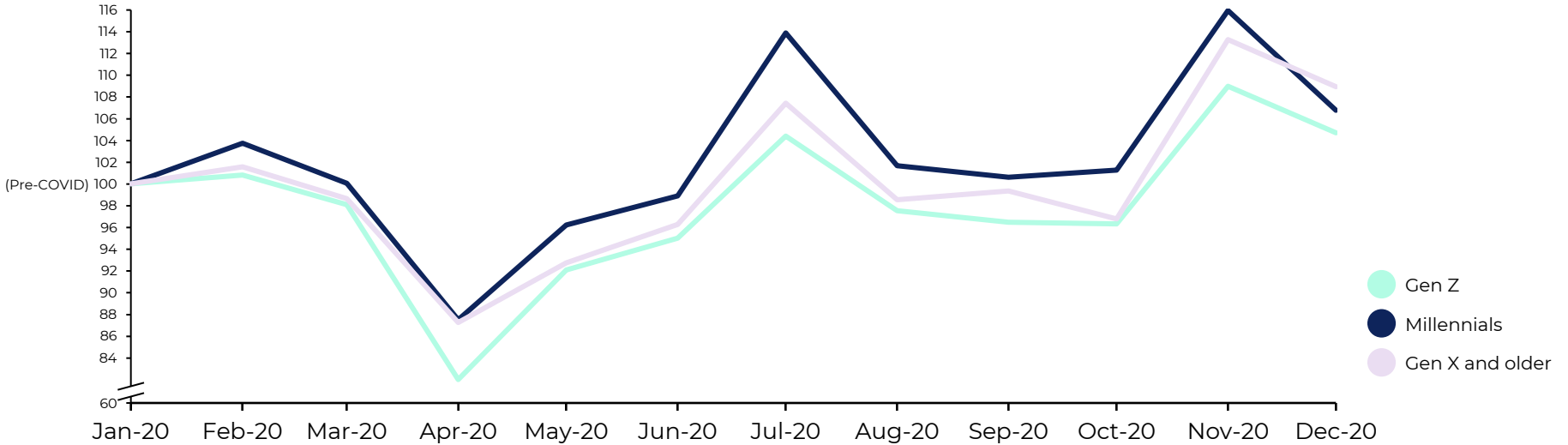


Source: Forecasts based on the ABS Household Expenditure Survey 2015-2016, HILDA Waves 6-18, analysis by AlphaBeta as part of Accenture  
 Note: Retail expenditure includes clothing and footwear, personal care, household goods and services and medicines, prescriptions and healthcare products

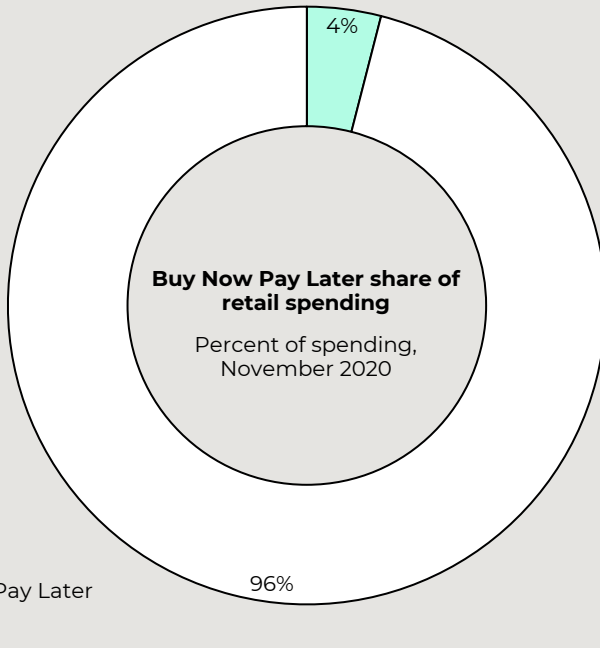
# Spending by Millennials and Gen Z has recovered, and is now above pre-pandemic levels

## Spending by generation

Monthly index of consumption, 100 = January 2020



BNPL only accounts for around 4% of total retail spend and...



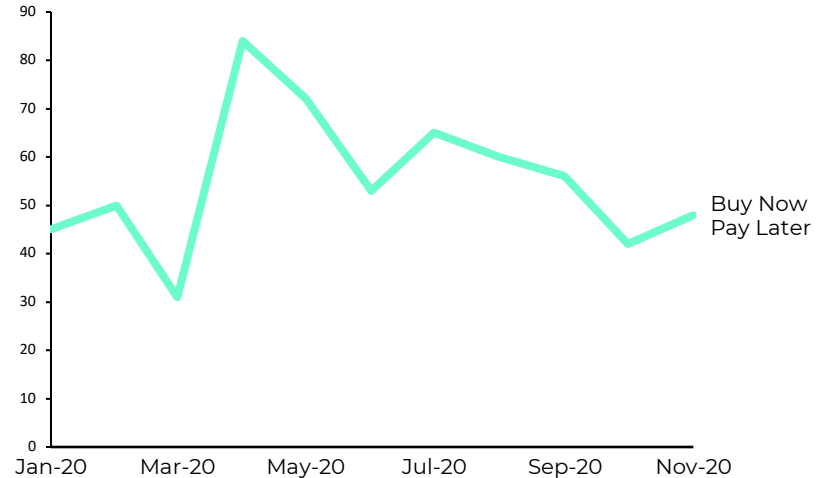
- Buy Now Pay Later
- Other

Source: ABS Retail trade data, Consumer transaction data, analysis by AlphaBeta as part of Accenture

...its share has been growing rapidly, accelerated by the structural shifts through the pandemic

**Growth in Buy Now Pay Later share of retail spending**

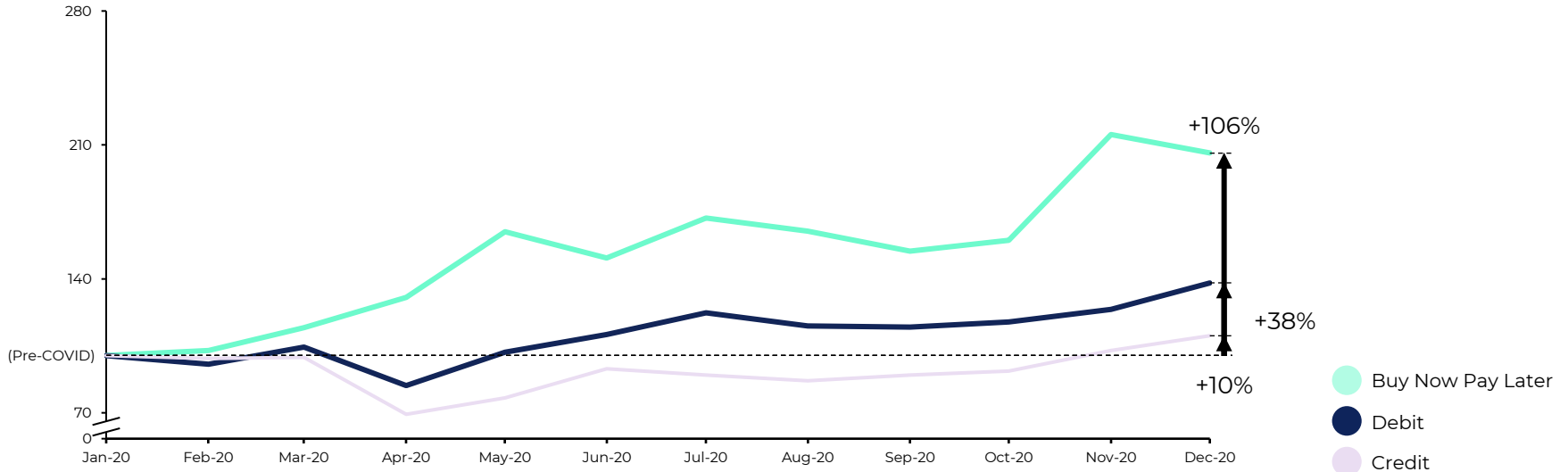
Percent, Year on year



# Spending on BNPL has increased rapidly – up 106% for the year

## Spending by payment type

Monthly Index of Consumption, 100 = January 2020

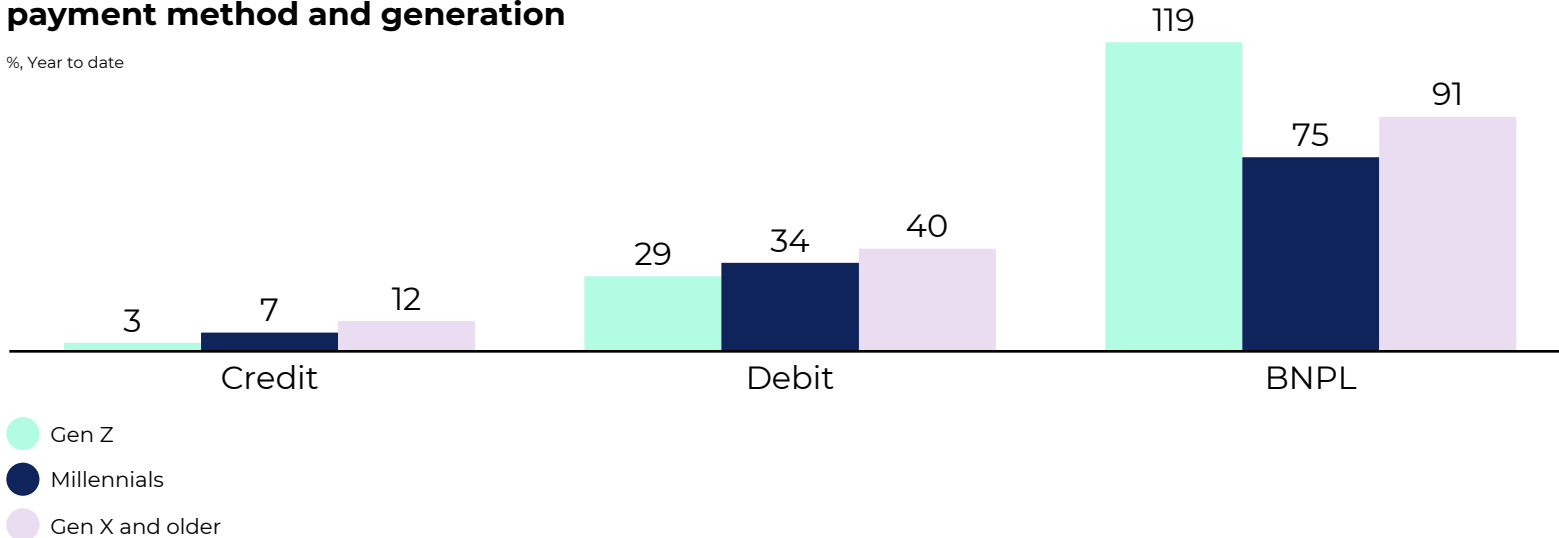


Source: Consumer transaction data, RBA Payments data, analysis by AlphaBeta as part of Accenture

Spending on BNPL has increased across all generations, especially for Gen Z & Older generations

**Change in value of purchases by payment method and generation**

%, Year to date



A woman with dark curly hair, wearing a light blue sweater and black pants, is standing in a clothing store. She is looking at a smartphone in her hands while reaching towards a rack of clothes. The background shows more clothing racks and a bright window.

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# Key takeaways on what consumers spend on

Millennials still dominate BNPL but Gen Z are the biggest growing spenders

Millennials were the first adopters of BNPL, and while they still account for the majority of purchases, other generations are catching up.

**Gen Z account for 14%** of spending on Afterpay, but it is the **fastest growing cohort – spending is increasing at 55% YoY** in December 2020.

Younger Aussies are spending more on Home and Department Stores

Household and Department Store purchases are the fastest growing categories, especially among younger generations – **growing above 80% YoY for Gen Z and over 40% YoY for Millennials.**

Spending growth in these categories is being driven by **Furniture, Home Comfort** and **Outdoors** purchases.

In lockdown, Millennials and Gen Z are turning to online shopping

With COVID-19 restrictions in place, Gen Z and Millennials have swapped in-store for online spending.

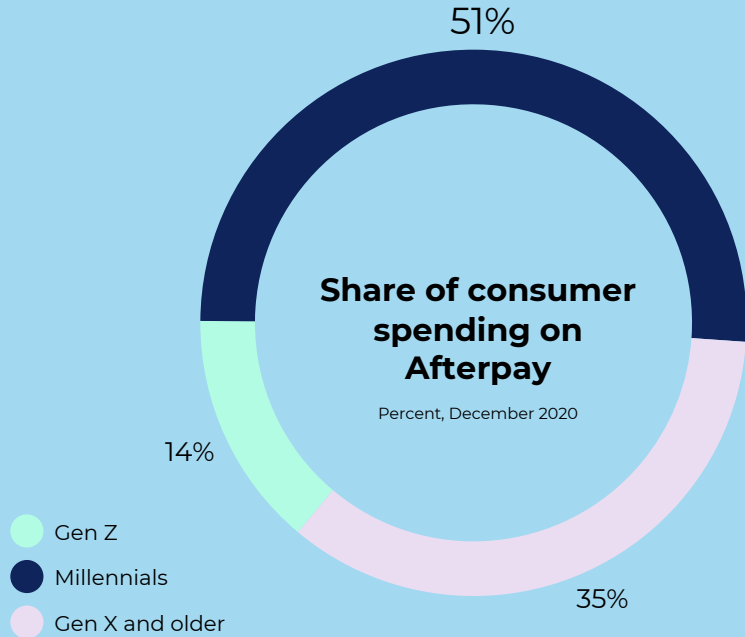
**For Victorians in their second lockdown,** staying at home resulted in a sharp **rise in spending growth** compared to other states.

Younger Aussies are supporting small businesses through BNPL

Despite COVID-19 restrictions, growth in spending for small businesses has increased to **81% YoY for Gen Z and 50% YoY for Millennials,** accounting for nearly **two-thirds of total spend** on small businesses.

**Over 80% these sales occur online** for both generations.

Millennials account for the majority of spending on Afterpay



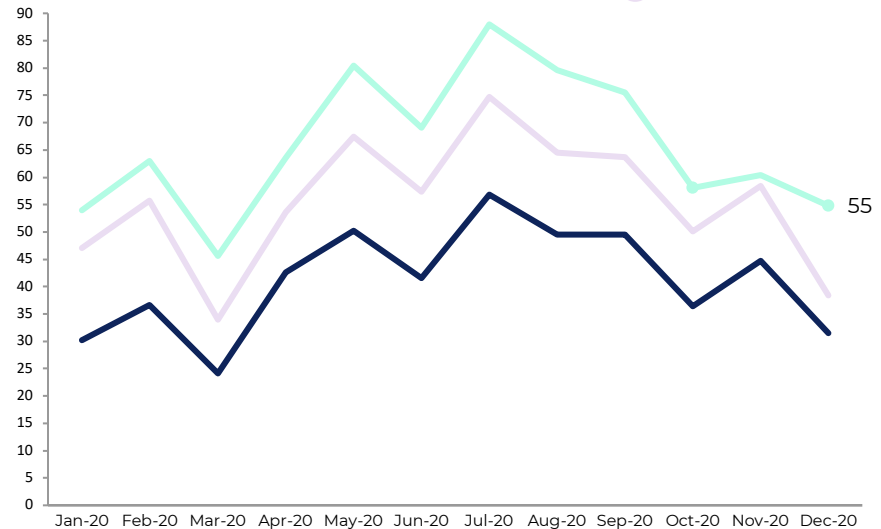
Source: Afterpay data, analysis by AlphaBeta as part of Accenture

However Gen Z is the fastest growing cohort, with 55% YoY growth in December 2020

**Growth in consumer spending on Afterpay**

Percent, Year on year

- Gen Z
- Millennials
- Gen X and older

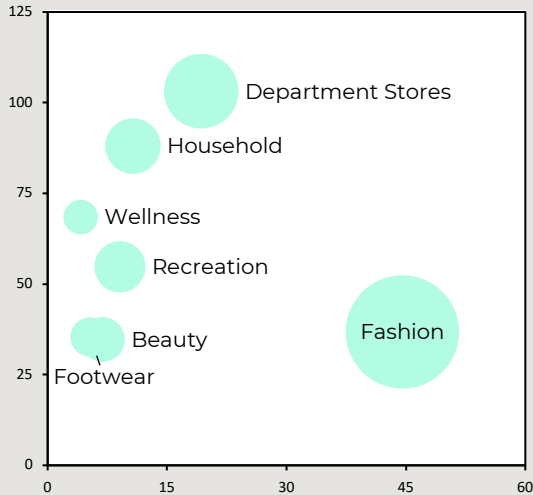




# Spending trends by generation

## Gen Z

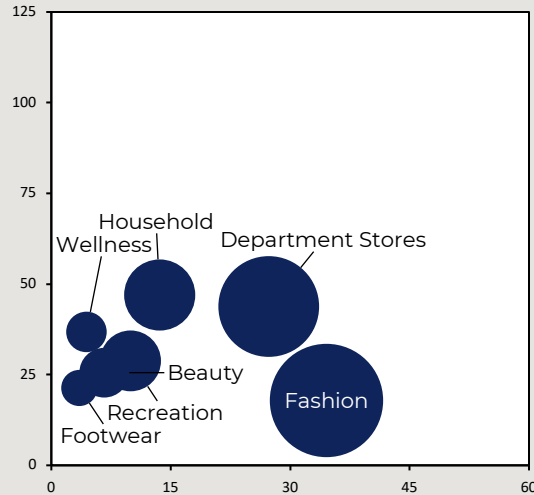
Growth, % YoY



Share of Spend, %

## Millennials

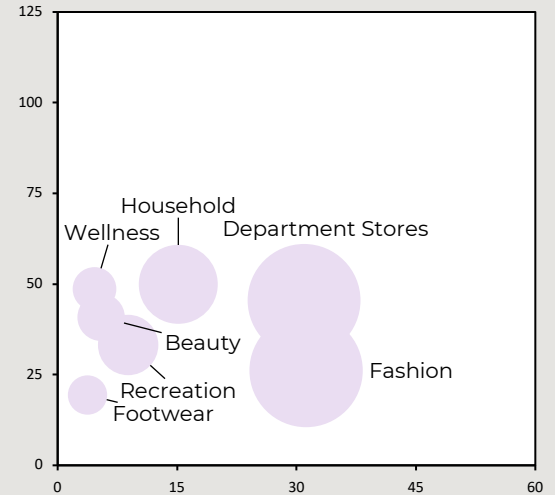
Growth, % YoY



Share of Spend, %

## Gen X and older

Growth, % YoY

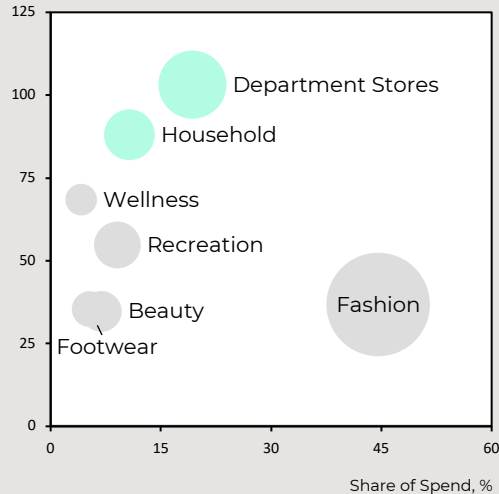


Share of Spend, %

For Gen Z and Millennials, the top growing categories are Household and Department Stores

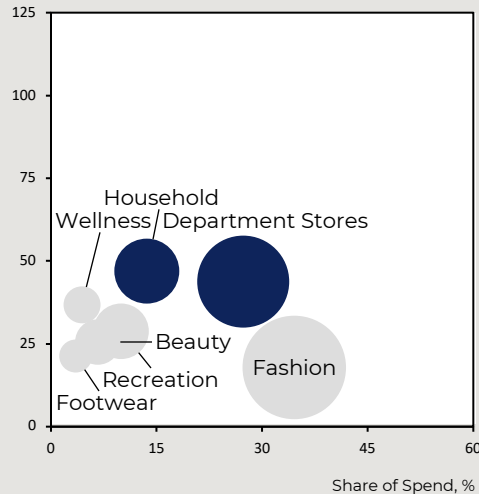
### Gen Z

Growth, % YoY

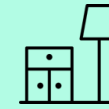


### Millennials

Growth, % YoY



Top purchases within Household and Department Stores for both generations are...



**Furniture**



**Home comfort**  
(such as blankets, pillows and candles)

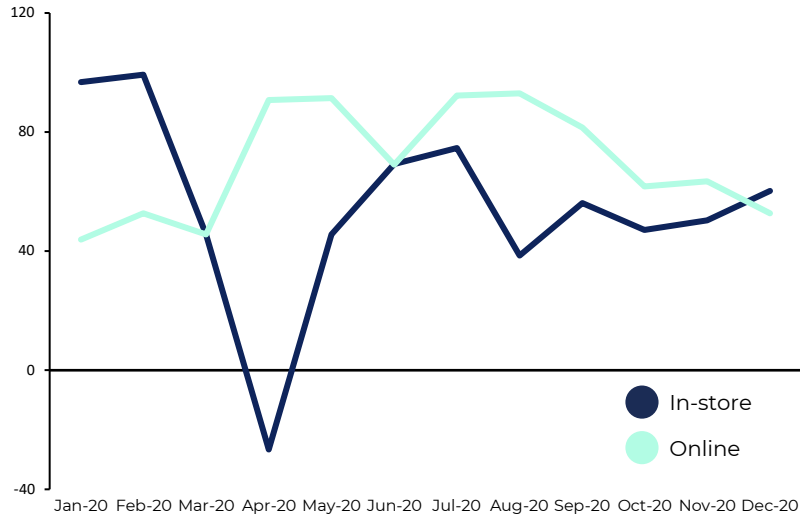


**Outdoors**

# COVID-19 restrictions are causing Gen Z and Millennials to turn to online shopping on Afterpay

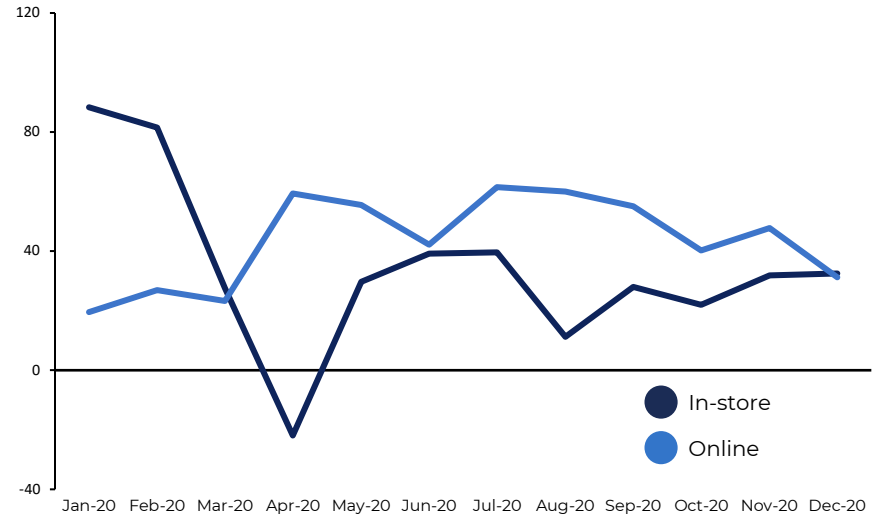
## Growth in consumer spending on Afterpay (Gen Z)

Percent, Year-on-year

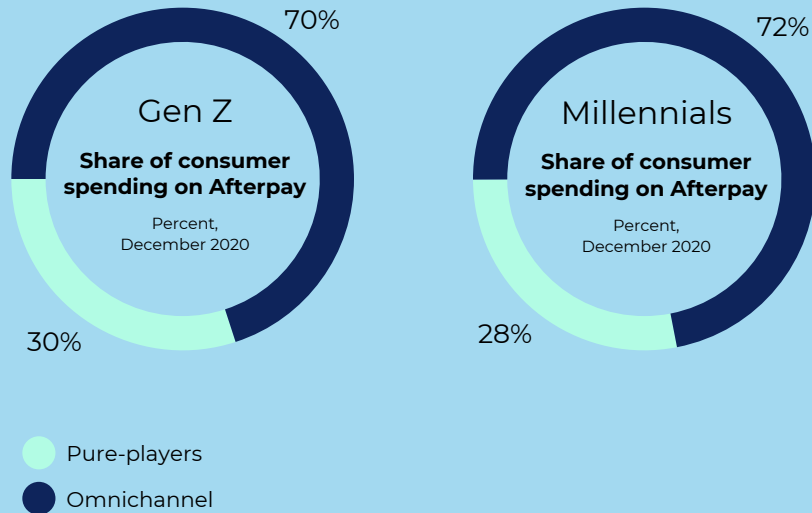


## Growth in consumer spending on Afterpay (Millennials)

Percent, Year-on-year



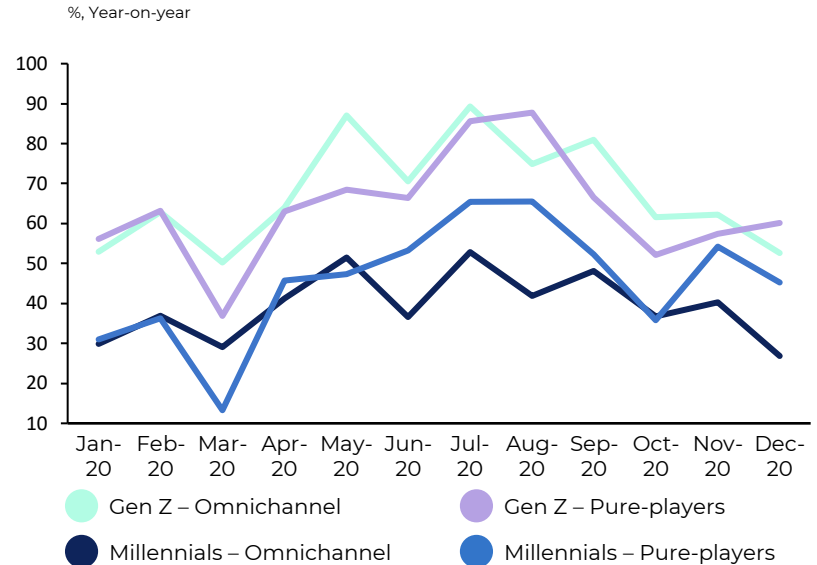
Roughly 70% of consumer spend is on omnichannel merchants



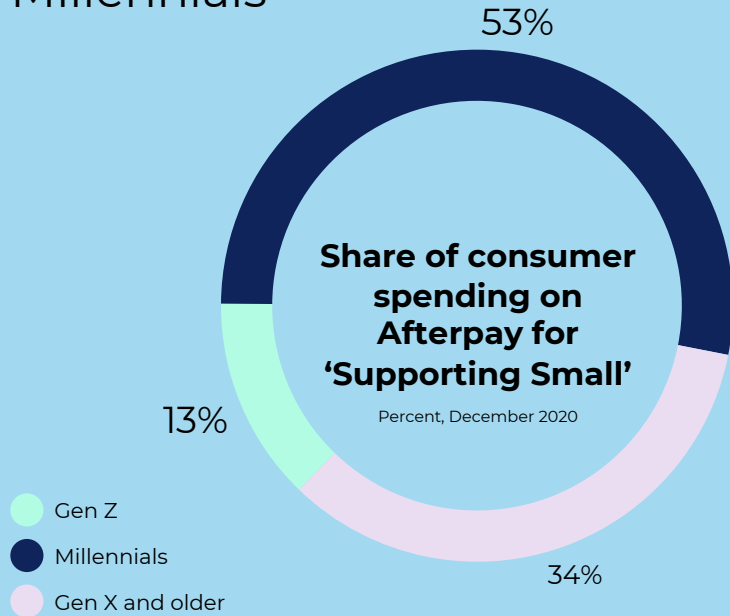
Source: Afterpay data, analysis by AlphaBeta as part of Accenture

For both Gen Z and Millennials, omnichannel and pure-players have grown at a consistent rate

### Growth in consumer spending on Afterpay



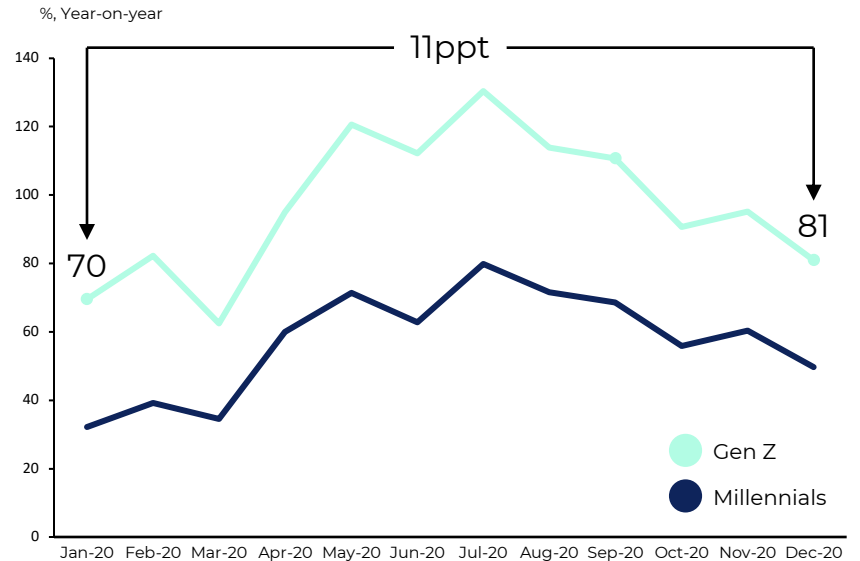
Roughly two thirds of all spend on small businesses is from Gen Z and Millennials



Source: Afterpay data, analysis by AlphaBeta as part of Accenture

Younger Aussies have been spending more on small businesses

**Growth in consumer spending on Afterpay for 'Supporting Small'**



## Gen Z & Millennials spending will be different and is being shaped by new forces



Scarred by the experience of **recessions** in their early lives

The median Gen Z was in primary school for the GFC, and is leaving high school during COVID... economic crises are a feature of their psyche

**Value**



First generations to be **mobile & digitally native**

Millennials were the first generation to grow up with internet connectivity and Gen Z is the first generation to grow up with smart phones

**Omni-channel experience**



First generations fully immersed in **social media**

Millennials and Gen Z are the first generations to be fully immersed in social media

**Brand & image**

A close-up photograph of a woman with dark hair and bangs, smiling warmly. She is holding a white rectangular card in front of her face, which partially obscures her mouth. The card has the text 'Thank You!' in a large, black, sans-serif font, followed by 'afterpay' in a smaller, bold, black, sans-serif font, and a small black icon of two arrows forming a square. The background is a solid, light teal color.

Thank  
You!  
afterpay 