



afterpay

The Next Gen Index

Millennials and Gen Z in Australia

Contents.

**Introducing the
Next Gen Index.**

How Consumers
Spend.

What Consumers
Spend On.





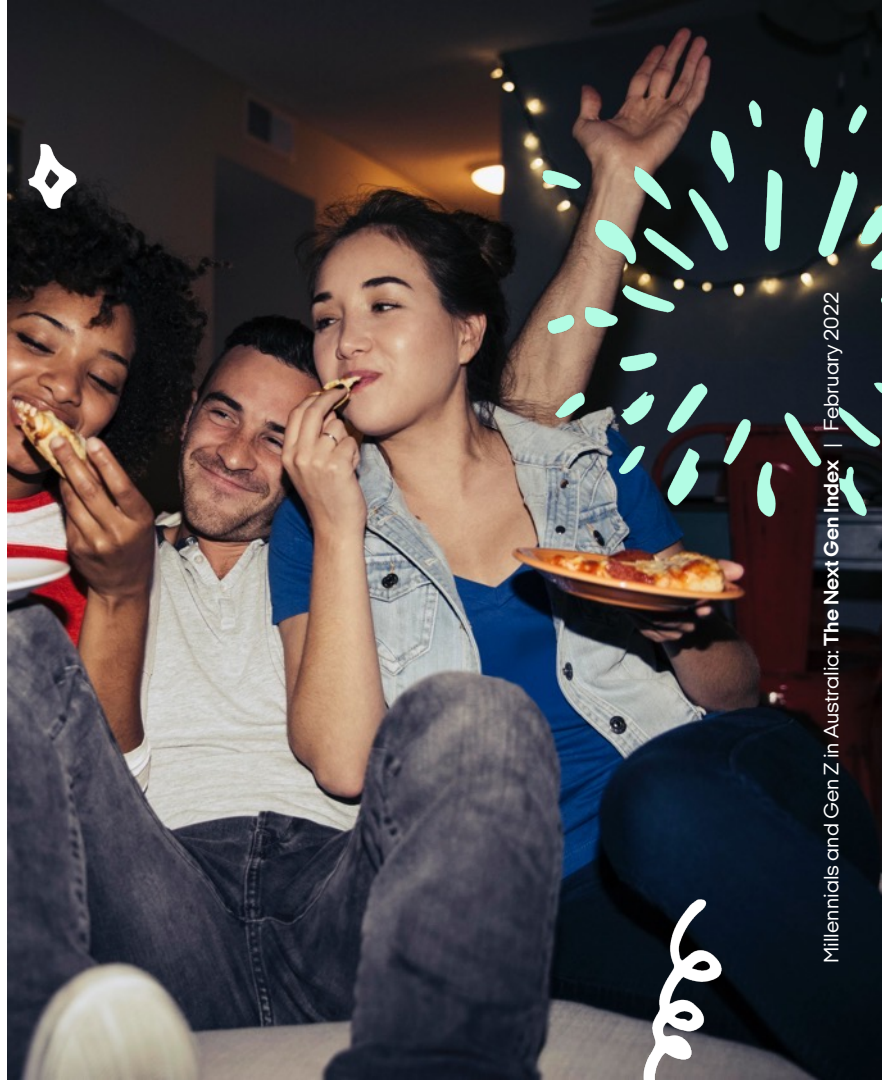
Introducing the Afterpay Next Gen Index.

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, 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 10–25

Millennial

1981–
1996



Aged 26–41

Gen X
and older

Before
1981



Aged 41+

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

Disclaimer

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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 10-25] enter the workforce.

Spending by Gen X increased rapidly during Black Friday/Cyber Monday

All generations took advantage of Black Friday/ Cyber Monday sales, however **older generations, in particular, increased spend by 32% between Oct - Nov.**

Spending by **Gen Z was up 13%** during the same time period.



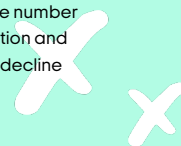
Consumers used BNPL to take advantage of Black Friday/Cyber Monday promotions

While BNPL spending currently accounts for a small portion of total spend, that number is growing fast. Between Oct-21 and Nov-21, **BNPL sales grew by 28% as consumers used BNPL to manage and budget their purchases.**

Credit cards continue to stagnate

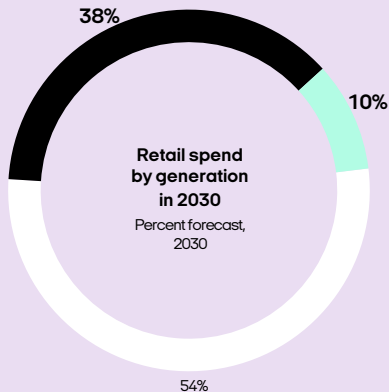
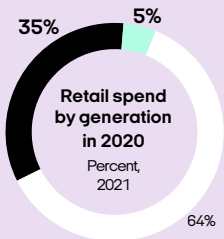
Since Covid-19 began, spending on credit card purchases has stagnated, with spending at the same level as at Jan-20.

The demise of credit cards began before Covid-19, with the number of credit cards in circulation and the value of balances in decline since 2017.



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

48%



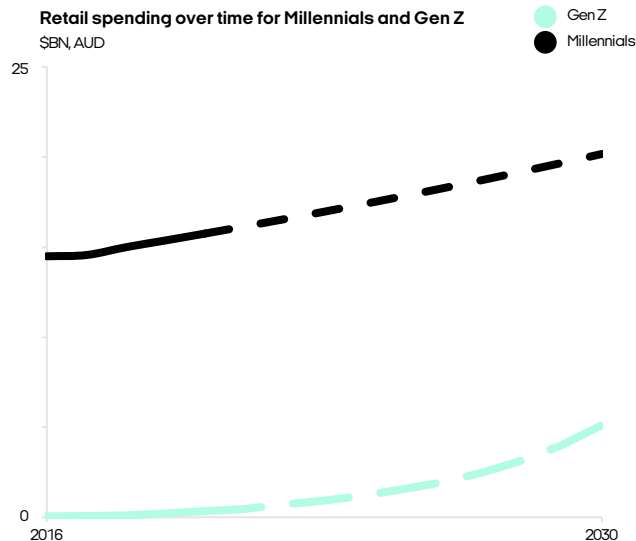
● Gen Z
● Millennials
● Gen X and older

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

Millennials and Gen Z
peak earning years are
still to come



Retail spending over time for Millennials and Gen Z
\$Bn, AUD

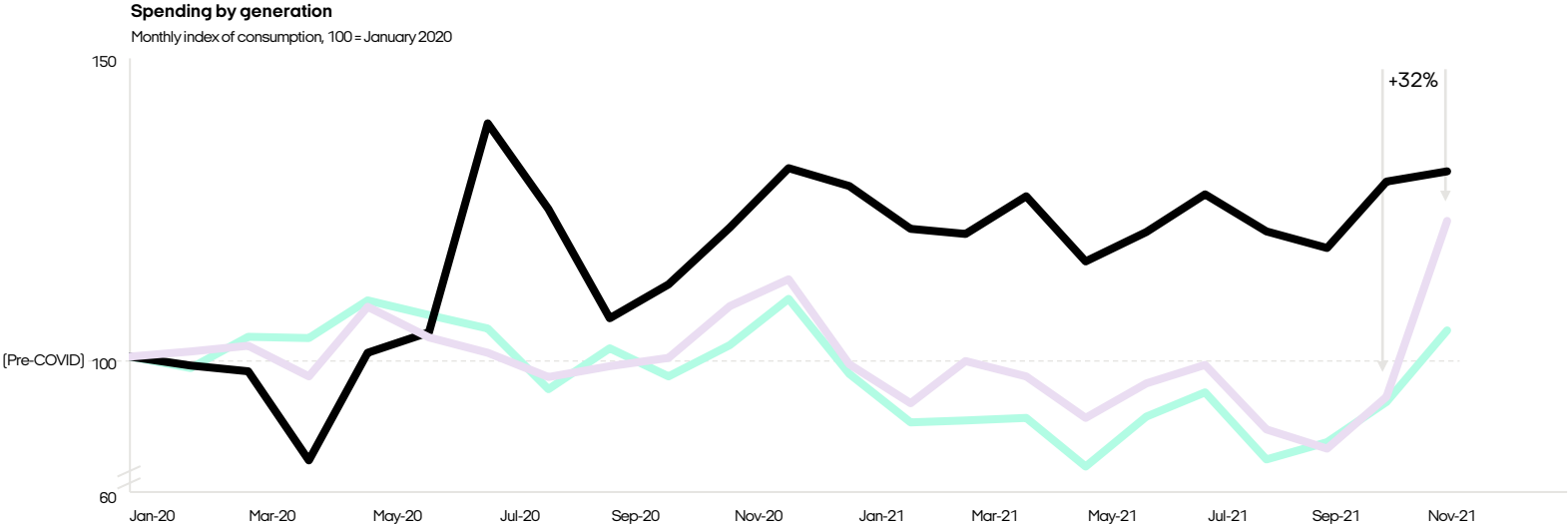




Consumer spending by older generations accelerated in Nov-21, driven up by Black Friday and Cyber Monday sales



- Gen Z
- Millennials
- Gen X and older



Source: illion, analysis by Accenture



**BNPL spending increased by 28% in Nov-21
as consumers used BNPL platforms to take
advantage of sale promotions**

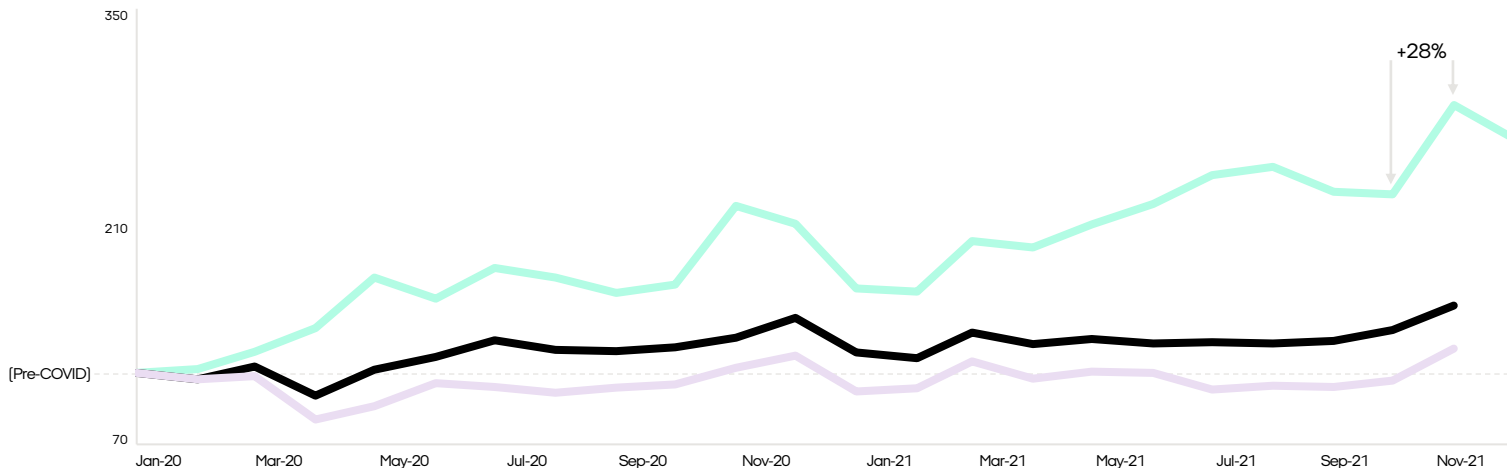
BNPL spending
up 161%
since Jan-20



- Buy Now Pay Later
- Debit
- Credit

Spending by payment type

Monthly index of consumption, 100 = January 2020



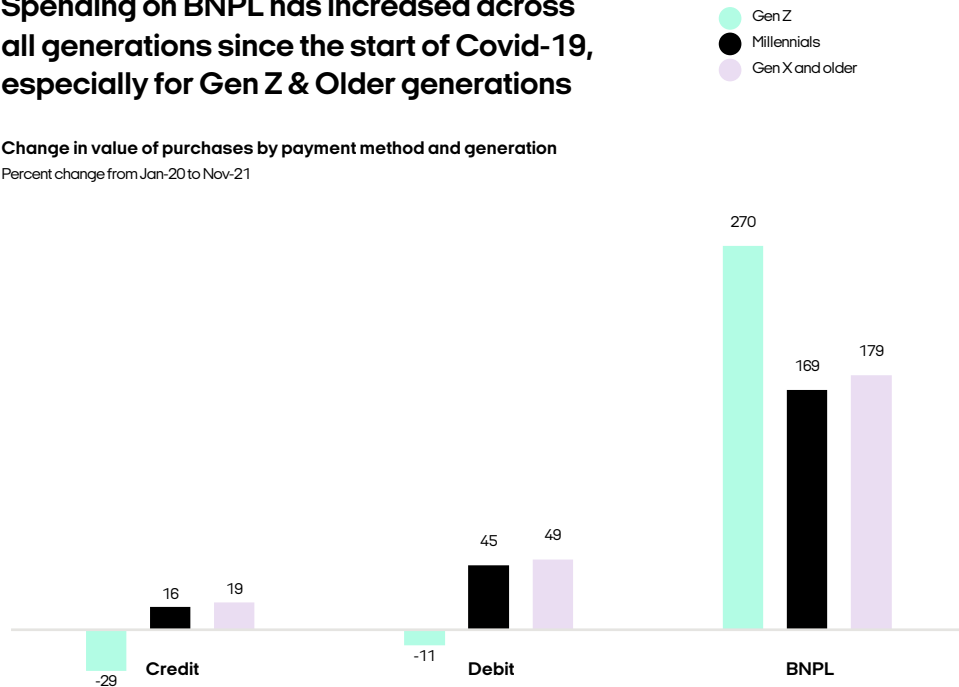
Source: illion, RBA Payments data, analysis by Accenture



Spending on BNPL has increased across all generations since the start of Covid-19, especially for Gen Z & Older generations

Change in value of purchases by payment method and generation

Percent change from Jan-20 to Nov-21



Spending on BNPL has increased across all generations, Gen Z

up 270%

since Jan-20

Source: illion, RBA Payments data, analysis by Accenture



BNPL only accounts for
around 5% of total retail
spend and...



Notes: Excludes Cafes, restaurants and takeaway food service.
Source: ABS Retail trade data, illion, analysis by Accenture

...its share has been
growing rapidly since the
start of Covid-19

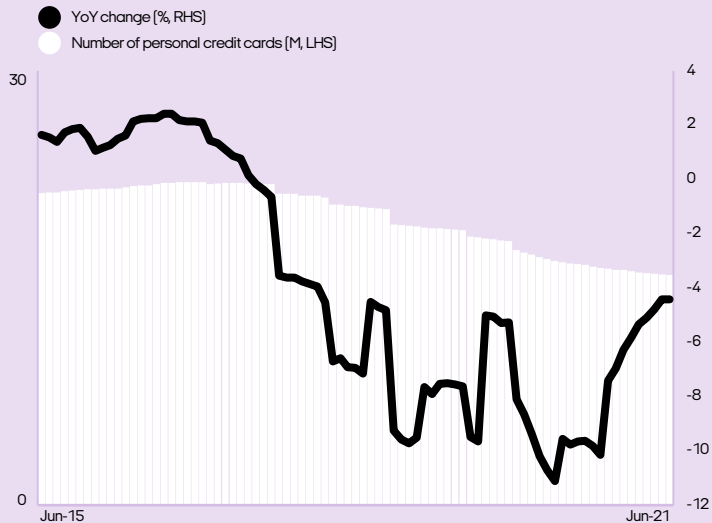
Growth in Buy Now Pay Later share of retail spending
Percent, Year on year



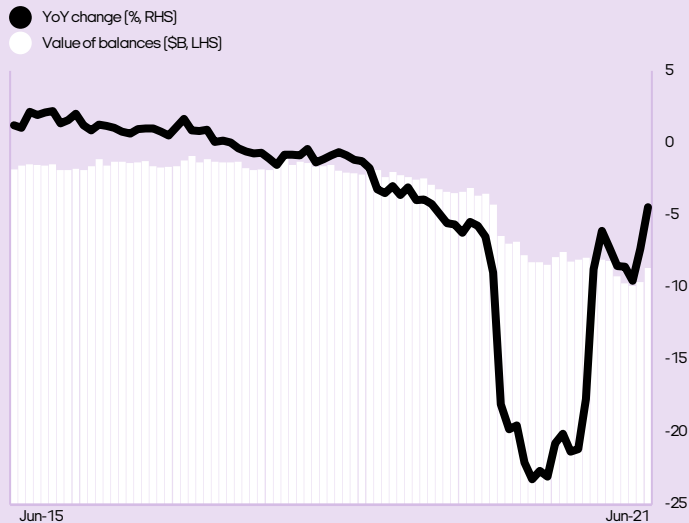


The shift away from credit cards predates Covid-19, with credit card accounts and balances declining since 2017

Decline in personal credit cards



Decline in credit card balances



Source: RBA Payments data, analysis by Accenture



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Key takeaways on what consumers spend on

Millennials still dominate BNPL but Gen Z are the fastest 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 15% of spending on Afterpay, but it is **the fastest growing cohort – spending is increasing at 39% YoY** in December 2021.

Fashion and Department Stores make up the majority of spend

Though other categories such as Household and Footwear are growing fast, Fashion and Department Stores dominates Afterpay spending.

These two categories account for **55% of Gen Z of Millennial spend**.

Recreation is the fastest growing category for younger generations

Gen Z and Millennials are increasing their spend on Department Stores and Recreation, driven by the end of lockdowns.

These two categories purchases only make **2-to-3% of Gen Z Millennial spending** but this product category is **growing above 90% YoY in 2021 Q4**.

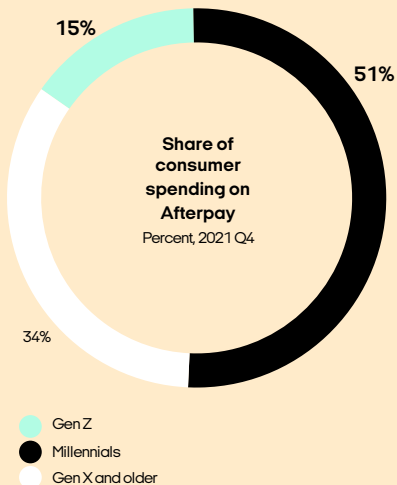
As lockdowns have ended, Millennials and Gen Z returned to instore shopping

For example, sales growth for Recreation products skyrocketed after the end of lockdowns in NSW and VIC, exceeding 300% YoY in 2021 Q4.

Also, instore sales for travel and events increased rapidly in 2021 Q4, climbing above 150% in 2021 Q4.



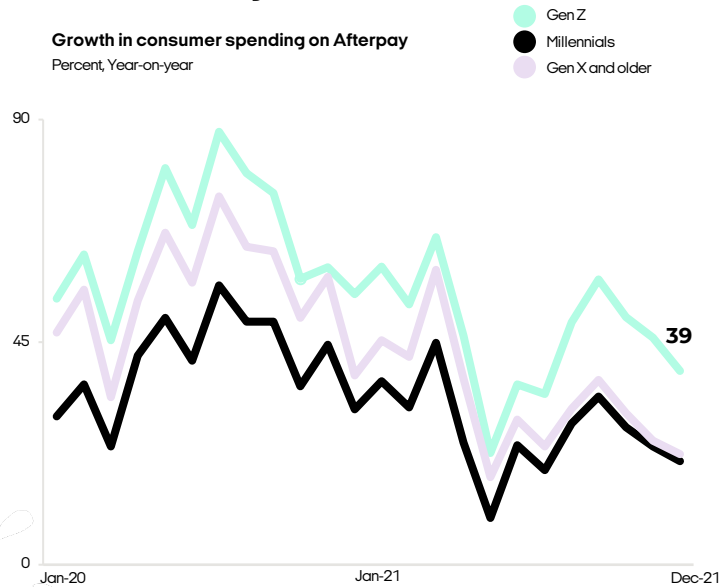
Millennials account for the majority of spending on Afterpay



Source: Afterpay data, analysis by Accenture

Sales growth remains robust. Gen Z is the fastest growing cohort, with 39% YoY growth in Dec-21

Growth in consumer spending on Afterpay
Percent, Year-on-year





Instore sales on Afterpay has experienced a strong comeback...

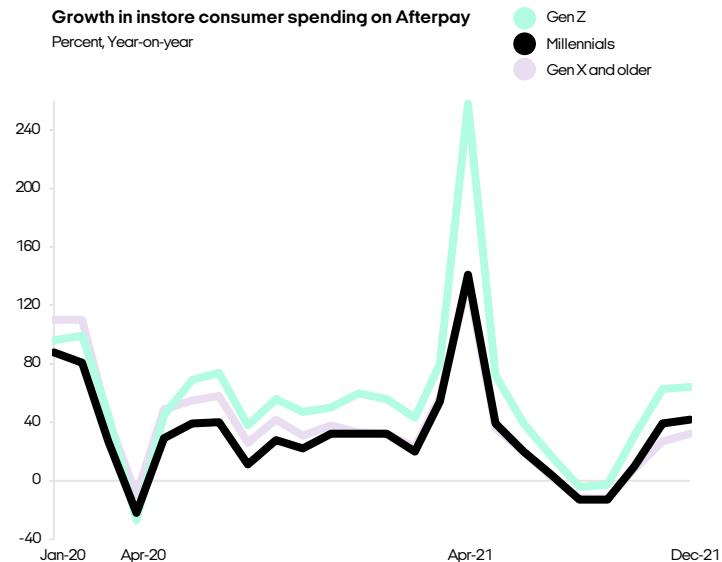
Share of instore sales on Afterpay
Percent



Source: Afterpay data, analysis by Accenture

...driven by Gen Z and Millennial consumers

Growth in instore consumer spending on Afterpay
Percent, Year-on-year

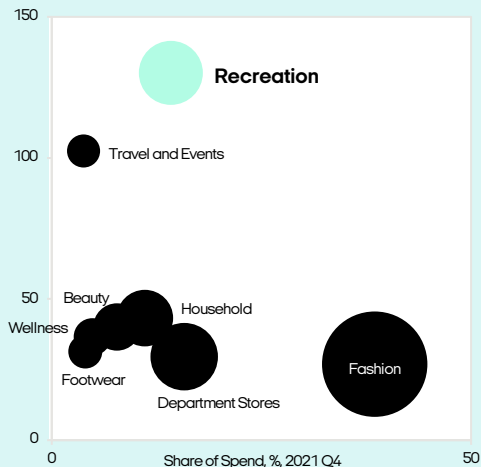




For Gen Z and Millennials, the top growing category is Recreation

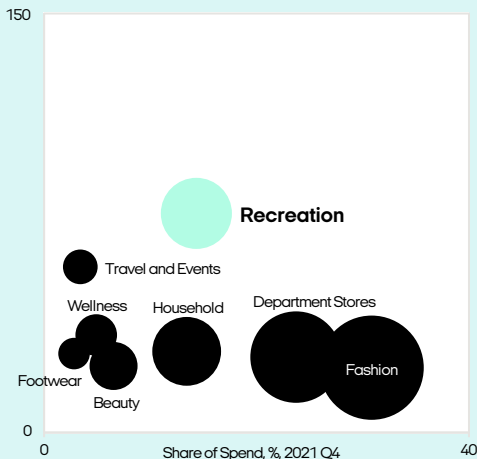
Gen Z

Growth, % YoY from 2020 Q4 to 2021 Q4



Millennials

Growth, % YoY from 2020 Q4 to 2021 Q4



Source: Afterpay data, analysis by Accenture

Top purchases within Recreation stores for both generations are



Pet food and toys

Party accessories



Outdoor

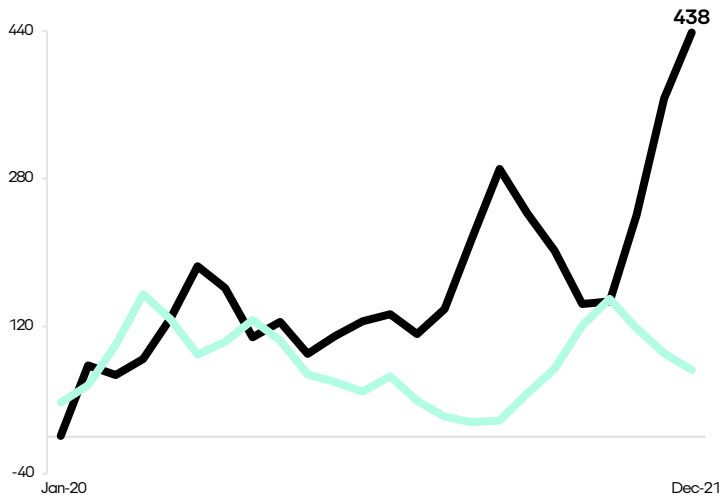


Instore recreation sales for Gen Z and Millennials have skyrocketed since the end of lockdowns in NSW and VIC

Growth in recreation spending on Afterpay (Gen Z)

Percent, Year-on-year

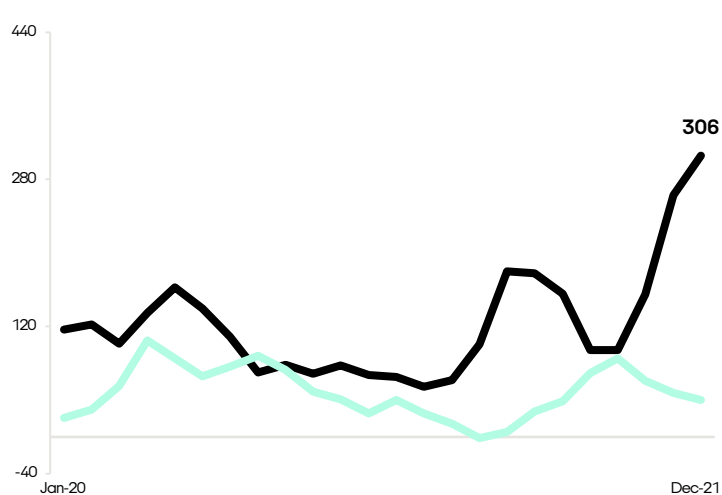
● Instore
● Online



Growth in recreation spending on Afterpay (Millennials)

Percent, Year-on-year

● Instore
● Online



Source: Afterpay data, analysis by Accenture



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

First generation 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 generation fully immersed in social media

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

Brand & image



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



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