DIGITAL ECONOMY AND NEW CAPITALISM: GENERATION Z AS CONSUMER

Abstract
The development of the digital economy and the 4th Industrial Revolution (IV R) bring new dilemmas to economics. The challenges are numerous, and in our paper, we concentrated on two important phenomena of digitalization: (1) whether data has become an equally important factor of production as capital, labor, and land and (2) what changes occur in the structure of costs with the appearance of digital goods. Bearing in mind that these changes were deeply reflected both on the supply and demand side, in this paper, we have devoted special attention to the behavior of Generations Z and Alpha as consumers compared to other generations. We wanted to see, at least preliminarily, what kind of consumer profile is formed by the new generations born in the digital age and IV IR, that is, what kind of changes are occurring in the behavior of consumers of Generations Z and Alpha. We carried out research on their behavior on a sample of over 500 respondents.

Keywords: data, production factors, digital economy, consumption, Generation Z, Generation Alpha

Sažetak
Razvoj digitalne ekonomije i IV industrijske revolucije unose nove dileme pred ekonomsku nauku. Izazovi su brojni, a u radu smo se koncentrisali na dva važna fenomena digitalizacije: (1) da li su podaci postali podjednako važan faktor proizvodnje kao što su to kapital, rad i zemlja i (2) kakve promene nastaju u strukturi troškova sa pojavom digitalnih dobara. Imajući u vidu da su se ove promene duboko odrazile kako na stranu ponude, tako i na stranu tražnje, u ovom radu smo se posebno posvetili ponašanju nove generacije – generacija Z i Alfa kao potrošača u odnosu na druge generacije. Želeli smo da, makar preliminarno, sagledamo kakav profil potrošača formiraju nove generacije koje su rođene u digitalno doba i IV IR. Poseban fokus smo stavili na promene koje donose generacije Z i Alfa kao potrošači. Za potrebe ovog rada, sprovedli smo istraživanje njihovog ponašanja na uzorku od preko 500 ispitanika širom Srbije.

Ključne reči: podaci, faktori proizvodnje, digitalna ekonomija, potrošnja, generacija Z, generacija Alfa
In last year’s paper [39], [21], we investigated the needs and demands of employees, especially of Generation Z, who entered the labor market with different expectations and attitudes than any previous generation. In this year’s paper, we analyze the habits of Generation Z as consumers in the new digital age.

Introduction

The profound changes taking place in the modern world in recent decades require a rethinking brought about by digitalization and the IV Industrial Revolution (IV IR) in the sphere of economics. In this paper, we will only look at some questions that the digital age has opened up and examine the changes that have occurred in customer demand, particularly among younger generations.

In the basic academic economic literature, the phenomena of digitalization and the digital economy itself are still not sufficiently represented. Even in two of the world’s leading economics textbooks, Mankiw’s *Principles of Economics* [24], which is neo-Keynesian, and Mishkin’s *The Economics of Money, Banking, and Financial Markets* [31], which is a neoclassicist, these processes are not covered in detail. Of course, this does not mean that these phenomena are not treated at all in literature, but they are not given adequate attention.

In this paper, we present two very significant phenomena of digitalization:

1. whether data has become an equally important factor of production as capital, labor, and land, and
2. what changes occur in the cost structure with the emergence of digital goods?

Bearing in mind that these changes have had a profound impact on both the supply and the demand side, in this paper, we have devoted special attention to the behavior of Generation Z and Generation Alpha as consumers compared to other generations. The idea is to look at what kind of consumer profile is formed by the new generations born in the digital age and IV IR, that is, in which direction the demand for goods and services is changing. We conducted a survey of their behavior on a sample of over 500 respondents, the results of which will be presented in this paper.

Is data a new factor of production, and are we entering *Data Capitalism*?

With the entry into digitalization and the rise of the digital economy, data has gained special importance [16]. In the past decade, companies operating with data have dominated the ranking of the world’s most valuable corporations, and the availability of data opens up a huge space for improving efficiency and innovation (to get more insights into the state of the Serbian national innovation system, please see [44]). Hence, the UN pointed to the importance of data [43], and the IMF registers these changes [7].

A decade ago, Viktor Mayer-Schönberger and Kenneth Cukier recognized the wave of *Big Data* and new technologies that began to sweep the world and fundamentally change economic, social, political, and all other environments [26]. The recent history of capitalism has been a story of firms and financial capital, but that has changed thanks to the revolution brought about by *Big Data*. Then Viktor Maier-Schönberger and Thomas Ramge indicated that data is starting to replace money as the driver of market behavior, and the combination of *Big Data* and *AI* leads to a new type of capitalism: *Data capitalism*. In it, algorithms for generating data about consumers and products and services enable the connection of buyers and sellers and in-depth understanding [27]. Only the future will tell whether data capitalism will be more efficient than price-based markets and how they will (co)exist. Read more about the digital economy and *AI* in the works of the world’s leading author in the field of digital economy, Erik Brynjolfsson [4], [5].

The goal of emerging Data science is to improve the decision-making process using data analysis [14]. The earliest form of developed writing was recorded in Mesopotamia around 3,200 BC, so today, e.g., Walmart and other major retail chains around the world have had access to vast amounts of data on customer preferences by using point-of-sale systems, registering consumer behavior on the website and monitoring comments on social media. If you watched a movie on Netflix or bought something on Amazon, their websites will use the collected data to suggest what to watch next (blockbuster or bestseller), and another possibility is to guide you to a niche related to your preferences and tastes.
In traditional classical economic theory, the factors of production – labor, capital, and land – are physical factors. But we have known for several decades that other “newer” factors such as knowledge, technology, and management significantly influence production, which is all embodied in technological progress and innovation (to get deeper insights into the Serbian labor force as a component, see [19]).

Nobel laureate Robert Solow [41], a student of the famous American economist of Russian origin Nobel Laureate Vasily Leontiev (creator of the input-output model) and independently Trevor Swon, developed the Solow-Swan model of long-term growth that measures the contribution of each factor of production to GDP; it is an aggregate production function (Cobb-Douglas type) that as a nonlinear system with a differential equation that models the movement of capital stocks per capita, establishes a link with microeconomics, replacing the hitherto dominant Harrod-Jammar model [1], [2]. This then allowed a number of economists to fundamentally develop Solow’s neo-Keynesian model further. David Cass [8] and Tjalling Koopmans [17] came up with what is known as the Ramsey–Cass-Koopmans model endogenously in Frank Ramsey’s consumer optimization analysis. And so came the theory of endogenous growth developed by two Nobel laureates of neoclassical provinciality – Robert Lucas [23] and Paul Romer [37], who built Solow’s neo-keynesian model into a neoclassical model of growth with the point that investments in human capital, innovation, and knowledge contribute significantly to economic growth. This is what Solow was the residual factor, which had the largest single contribution to growth (neither capital nor labor had a major contribution), treated as technical progress related to knowledge and innovation.

And today, as with Solow and Lucas, the question has arisen as to what are the key factors of production (besides labor, capital and land) in the digital age.

Xiang Xu [47] points out that in the digital age, data becomes a factor of production in two ways:

- the first is the traditional data-driven decision-making process ("DDD model"); data is directly used as input and connects IT with other technologies, especially Big Data and data science – so decisions are made based on data analysis; added value generated on the database, as a factor of production, and then profitability and productivity are significantly higher for those who use this factor in the same industry [3], and
- the second is a revised version of the DDD model, in which case the data serve not only as intermediate products but also as final products, which essentially means an extension of the value chain; it is mainly used in services, business media, investment consulting, and other similar industries; producers generate or collect a large volume of original and raw data by investing labor, capital and other factors of production, and after processing generate data as products.

Data shapes the future of humanity. The production, distribution, and consumption of digital data are the carriers of rapid improvement in machine learning, AI, and automation. That’s why Eric Brinjolfssson [4], [5], a leading author in the digital economy, points out that the data is used to reduce search costs and transaction costs to strengthen information-driven choices; they facilitate scientific and medical research and make society more productive.

Xu concludes that the data have become the most critical factor of production that complements traditional factors of labor, capital, and land. But unlike capital, labor, and land, data does not belong to exhaustive resources; it is not limited, at least from today’s point of view [47].

The abundance of IV IR, data, and the development of artificial intelligence led to profound structural changes in the job profiles [15] and labor markets with the potential to cause profound changes in the manufacturing factor market as well – the role of data and information is increasing, and the quantitative role of work is likely to decrease, with a sharp increase in quality. At the just concluded World Economic Forum 2024 in Davos, Erick Brynjolfsson [6] points out that a quarter of jobs face disruption – both growth and decline – due to geo-economic, technological, and green transition trends in the next five years.

The starting hypothesis of traditional economics is scarcity or limitation. The digital era has raised the question of whether new products, such as Windows,
Android, WeChat, etc., mark the entry into a new market... Does this mean that traditional economics may not be able to explain the various new economic phenomena of the digital age in the old way? On this line of thinking, Chunsheng Zhou and Xiuhai Hu [50] further open up dilemmas related to goods that have no limited supply and are part of intangible assets. They argue that scaling in the case of goods without limited supply depends on the number of users, while scaling in the case of goods whose supply is limited depends on production capacity.

Whether the data is used as a new abundant resource or as a new factor of production (in the rank of capital, labor, and land), it is necessary to ensure their optimal use, and this is achieved by developing new business models. The fastest-growing companies in the modern world have almost no physical assets but create innovative digital products and new data-driven business models.

What constitutes the core of all digital business models is the mass use of data, and they differ among themselves in monetization models, i.e. revenue generation. These companies are completely different from the rest of the economy because they do not own classical assets and do not build their competitive advantages on physical assets. Digital giants do not focus on business models of accumulating physical assets, which is the biggest barrier for other companies to enter the markets. The focus of digital giants is on data-driven value creation.

In the world of physical goods, monetization is done directly by meeting the needs that consumers pay directly, while data-driven companies almost never monetize needs directly. Both Google’s word search and Facebook and Pinterest’s data are sold to advertisers for targeting.

In classical microeconomics, the goal function of a firm is to maximize profits (meaning that the company optimally uses the resources at its disposal). In the digital economy, monetization is often at the forefront, although these two objective functions are partly financially and economically connected [18].

The goal of each microeconomic entity is profit maximization, and profitability is a key indicator of the financial success and sustainability of the firm. In contrast to profitability, monetization is the process of generating income from products, services, or assets. Monetization requires finding different ways to transform non-monetary values into money. For example, when it comes to online platforms, monetization involves generating revenue from websites, applications, or digital content. Hence, the monetization strategies can range from subscriptions, ad placements, and clicks, sales of user data to third parties to freemium models, in which a service is provided free of charge, but there may also be an improved service, as a premium version, which is available with a subscription. Thus, monetization can be a way to make a profit, and whether this will be achieved depends on management and successful control of the company’s costs.

**Change in cost structure and Zero Marginal Cost (ZMC)?**

Thanks to the large amount of data, new technologies are pushing the boundaries in production and opening up new opportunities for individuals and organizations [16]. With the advent of the digital economy, in addition to the open question of whether data has become a factor of production, there has also been a change in the structure of the company’s costs. Digital technologies and the presentation of information in bits have made it possible to reduce the cost of storing, processing, and transferring data. The economic implications of these processes are enormous.

The key question is, what changes if the information is no longer in atoms but in bits? The digital economy is looking for answers to the question of what changes in the standard economic model when certain costs fall significantly or are not at all, which results in Zero Marginal Cost – ZMC (Figure 1).

According to Avi Goldfarb and Catherine Tucker [11], there are five types of economic costs that are reduced with digitalization: search, replicating, transport, tracking, and verification. Search costs are lower in the digital environment with higher quality and research coverage; digital goods can be replicated at zero marginal cost because they are usually non-rivalry in character with unchanged quality during the importance of geographical distance changes because transport costs for digital goods, i.e., data, are approximately zero. In addition, digital technologies have made it easier to track people’s behavior and enable digital
verification, making it easier to verify the reputation and reliability of any individual, business, or organization.

In physical products, the marginal cost (the cost of producing an additional unit of product) first decreases, then rises (does not approach zero) and includes the cost of raw materials, labor, and logistics... The key feature of digital goods is that they have ZMC because the production of an additional unit of digital goods is approaching zero or even zero. This means that digital goods can be multiplied without (or almost no) additional costs.

Examples are countless: the cost of producing an additional copy of an app, the cost of downloading an app that has already been installed 10,000 times on different devices, etc... Jeremy Rifkin [36] explained in detail the ZMC phenomenon in digital goods and the emergence of the so-called Sharing economy. The digital good must have financial, user, and other consumer values – Word documents, music on Spotify, web page, apps, Wikipedia page, emails, dropbox files, Airbnb apartments – all virtual goods that enable JOB TO BE DONE as a completely new approach to marketing.

Evolution of customer centricity as an implication of data limitless supply

By using data, companies get deeper insights into their customers, and those who succeed in utilizing that data to improve brands and customer experience are the ones who both lead and disrupt. The customer-centricity in brand creation and adoption is there to make this approach feasible.

Customer centricity, a concept deeply embedded in the very fabric of modern commerce, has witnessed a profound evolution over the years. The roots of customer centricity go back to the pioneering insights of Peter Drucker, who, in his book The Practice of Management (1954), laid the groundwork for a fundamental switch from a product-centric to a customer-centric approach by saying that ‘it is the customer who determines what a business is, what it produces, and whether it will prosper,’ mirrored in part by Lewitt’s (1960) statement that ‘firms should not focus on selling products, but rather on fulfilling customer need’ [40]. Looking back in history, an excellent illustration of a thriving customer-centric organization can be traced as far back as 1975. Tumi, an innovative USA-based suitcase manufacturer, serves as a noteworthy example. This company had each of its development divisions focused exclusively on a particular customer group, and through meticulous research, they designed products tailored specifically for each segment [22].

Though introducing customer centricity had its roots in the 20th century, George S. Day of Wharton School reignited interest in this concept in 2006. His survey underscored that the percentage of USA companies structured around customers would surge from 32% to 52%. This surge was prompted by companies racing to establish customer-centric organizational frameworks [22]. However, Day was not the sole catalyst for the recent surge in the popularity of this concept – a fiercely competitive and ever-evolving market landscape, coupled with advancements in technology and digitalization, has contributed to the increasing adoption of customer-centric approaches. Companies are now more inclined to focus on developing, designing, and maintaining long-term relationships with customers, shifting away from mere manufacturing.

Customer-centric organization. In recent years, 30% of Fortune 500 companies, including industry giants such as Intel, Dell, IBM, and American Express, have embarked on the journey to become customer-centric, initiating comprehensive restructuring efforts [22]. The strategic imperative of customer and human centricity has transcended mere business. Leaders across industries emphasize the transformative impact of prioritizing
the human element in business strategies, as the more a business focuses on providing a great experience for customers, the more it’s able to adapt to their changing habits and expectations.

For a company, that means it’s not only the external marketing strategies that need to be well thought out, but there also needs to be an internal cultural shift toward embracing empathy, innovation, and continuous improvement. The strategic importance of this shift lies in the impact it has on various facets of organizational functioning, from marketing and product development to employee engagement and corporate culture. Understanding this shift involves scrutinizing the contrast between companies focused solely on delivering products and those aspiring to cultivate a customer-centric ethos – or, in plain terms, the way they’re doing business now versus the way they wish to do it moving forward.

**Customer centricity and strategy.** Customer-centric companies need to begin by embracing a fundamental philosophy: the company exists to serve the customers, not the other way around. This perspective dictates that all decisions should originate with the customers [40]. The overarching goal is to satisfy customer needs by designing the best solutions for them, not just providing the best product, as seen in product-oriented companies [38]. Contrary to product-driven companies, which seek to find multiple uses and customers for their products or sell products to all potential buyers [40], customer-driven companies aim to identify as many products as possible for specific customer segments [10]. The pivotal shift in the strategic component involves moving from the mindset of selling products to customers to creating value for them through forging long-term relationships.

**Customer centricity and structure.** This strategic move also leads to a significant difference in organizational structure. Beyond merely adjusting the business approach, it becomes essential to implement organizational changes aligned with the newly defined goal. In the realm of organizational structure, product-driven companies typically feature product profit centers, product managers, and product sales teams [40], [10]. According to Marc Rubin’s definition, it’s usually a single person who is responsible for a specific product or a group of products [38]. In contrast, customer-centric organizations necessitate the establishment of customer segment centers, customer relationship managers, and customer segment sales teams. These teams manage work processes and tasks based on user segmentation and their customer journeys rather than focusing on products.

A great example of aligning organizational structure with the customer journey comes from the Dutch company CoolBlue. In its pursuit of providing a distinctive customer experience, CoolBlue created domains such as Returns, Customer Service, and Shipping & Delivery, each corresponding to a step or a stage in the customer journey. These domains are supported by Knowledge Centres within the company, with a Domain Boss overseeing the strategic direction and underlying goals of each domain [45].

However, achieving a truly customer-driven organizational culture goes beyond the superficial aspects of organizational design. It entails developing and instilling a mindset with the core value of fostering long-term customer relationships and satisfaction.

Hyper customer centricity brings the customer into sharper focus using advanced data analytics and smart technologies to track and anticipate consumer behavior in near-real time, thus being able to deliver personalized products and experiences when, where, and how the customer wants or needs them. It means that from a strategic perspective, companies must integrate customer-centric principles into their core values and organizational DNA. This involves being more customer-facing and driving a high-performance culture by aligning internal processes, employee training, and performance metrics with the overarching goal of continuously delivering exceptional customer experiences. The process in itself is not a one-time initiative but an ongoing commitment that requires continuous learning and unlearning, which allows companies to promptly respond to evolving market dynamics and expectations.

**Customer centricity and operation.** Once a winning strategy is established and a customer-centric structure has been created, companies must ensure that their operations are aligned to deliver the desired customer experience. Transformational change needs to permeate
various layers within the company, with marketing and sales standing out as the initial focal points. In the context of the preceding comparison, the sales mindset should evolve from asking questions like “How do we ensure that our customers buy our services and products?” [35] or “How many users can we sell this product to?” to adopt a more customer-centric approach. The key questions then become “Why did the user buy our product?” and “In what situation did the user decide to buy the product?” with the objective of gaining a deep understanding of the customer’s true needs.

The biggest change companies should embrace involves being on the customer’s side in buyer-seller transactions, even if it means ‘unselling’ the product. This implies that a salesperson won’t push product sales if it is not the right fit for a particular customer’s needs. Moreover, the salesperson should feel empowered and supported by the company’s vision to recommend products from other sellers if they better match the customer’s requirements, as the goal is to cultivate a valuable, long-lasting relationship with the customer, not just a one-time transaction. In this transformed landscape, product placement and marketing storytelling go beyond the conventional focus on product features and advantages. Instead, the emphasis shifts towards highlighting the benefits that will enhance customers’ lives and illustrating how these products will work for them.

Survey methodology

To capture value in a new economy, companies need to understand their customers. Business models are not only transitioning to become digital and data-driven but also the new entrants into the market are exceptionally digitally and tech-savvy compared to any previous generation [48].

To research those new customers, we conducted an online survey among 504 individuals from younger generations, spanning from December 2023 to the beginning of January 2024. Nearly 99% of the participants belong to Generation Z (born between 1995 and 2010), while, notably, we had a 0.8% representation from Generation Alpha (born after 2010) for the first time. The survey comprised 23 questions, primarily structured as closed-ended queries with pre-defined responses or rating scales. We ensured a balanced distribution between female (59%) and male respondents. The age distribution indicates that the majority falls within the 20-23 age group (50.8%), followed by 16-19 years old (34.1%).

Done by students at various levels of study, with more than half engaged in bachelor’s studies, the survey drew participation primarily from individuals in Belgrade. However, it is important to note that the survey achieved regional diversity, with students from all Serbian regions contributing to the data collection process (see Figure 2).

As most respondents are currently students, many of them are not yet employed. Despite their lack of salary,
they autonomously make decisions regarding the products and services they use, showcasing distinct shopping habits and preferences. Consequently, our objective is to collect data that sheds light on the consumer behavior of younger generations and the expectations they hold towards the brands they engage with. In this context, we aim to compare the aspirations and demands of Generation Z and Alpha in Serbia with those of their global counterparts. To achieve this, the article compares survey results obtained from our conducted survey with similar surveys conducted by renowned organizations such as Deloitte.

**Generations Z and Alpha as consumers**

In the 60th year of the last century, Vogue magazine coined the term “youthquake” to encapsulate the transformative shifts in fashion and culture [34]. Today, this term can aptly be applied to illustrate the market impact brought about by new influencers, namely Generation Z and Alpha, together representing NextGen, also known as Zalphas.

In a previous article, we delineated the distinctive traits of Generation Z. This cohort, comprised of digital natives, stands as the most ethnically and racially diverse generation in history, exhibiting unique values, habits, and behaviors as they seek authenticity [39]. The next generation, the Greek Alphabet named Generation Alpha, is poised to become the largest and most diverse generation, being entirely born and shaped in the 21st century.

While Generation Z was predominantly raised by Generation X and late boomers, Generation Alpha’s parents belong to the Millennial generation, individuals who embraced digital technologies during their teenage years rather than adulthood. Born and raised entirely in the current century, Generation Alpha emerges as a more digitally connected generation than any before, raised in the great screen age [42]. Significantly, they constitute the only living generation where a considerable number will witness the dawn of the 22nd century. Generations Z and Alpha, often described as NextGen, represent around 45% of the global population, and their earnings are about to hit $33 trillion by 2030, which is more than 25% of global income [46].

Despite the numerous similarities between these two generations, notable distinctions exist in key aspects. While Generation Z frequently experiences significant financial anxiety, Generation Alpha is poised to become the most financially prosperous generation in history [30]. Furthermore, Gen Z diverges in their approach to education, expressing a preference for studies that offer tangible, applicable knowledge for the labor market.

![Figure 3: What is important to you when buying a brand?](source: Conducted survey (1-not important at all, 5-very important)]
Conversely, Generation Alpha appears more aligned with their parents, Millennials, who pursued fields of study based on personal interest rather than strict career applicability. There are expectations that 1 in 2 Gen Alpha members will have a university degree [49]. Alphas are anticipated to remain in education and reside with their parents for an extended duration compared to Gen Z. Additionally, there is some difference in their priorities when it comes to purchasing specific brands (see Figure 3).

For Generation Z, sustainability is a way of life, and they translated this to purchasing decisions as one way to protect the planet. Deloitte’s global survey shows that climate change is the major stress for Gen Z and Millennials, and they feel anxious about the environment [9]. Millennials raise Generation Alpha, and if in some cases not, then they often have Generation Z siblings. Therefore, we can expect this generation to be even more sustainably conscious than any other before.

NextGen (Z and Alpha) in Serbia said it appreciates the most quality and price when buying a brand. However, we see this as a result of the general demand sophistication of the Serbian economy (improving, but still below the EU average), as well as the influence of older who often spread the word about the importance of price/quality ratio. Upon delving into statistical data, we observe that 66% of respondents consider a brand’s impact on the environment to be crucial or very crucial in influencing their purchasing decisions. Since they are tech-savvy, online purchase availability is also important to them. However, still, more than 80% of NextGen in Serbia is buying in-store and paying with cash or card, while around 18% are purchasing via Apple Pay, Google Pay, and Cash Pay. One intriguing aspect is the emphasis on brand personalization and authenticity, with a noteworthy correlation to age. As members of the NextGen cohort mature and further build their own attitudes, they increasingly prioritize the purchase of authentic brands (Table 1).

Table 1: % of NextGen members who find brand personalization and brand authenticity important (in %)

<table>
<thead>
<tr>
<th>Age</th>
<th>12-15</th>
<th>20-23</th>
<th>24-28</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand personalization</td>
<td>46.5</td>
<td>52.0</td>
<td>54.2</td>
</tr>
<tr>
<td>Brand Authenticity</td>
<td>60.5</td>
<td>55.5</td>
<td>61.1</td>
</tr>
</tbody>
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Source: Conducted survey

In our previous article, we discussed the significance Generation Z places on employers prioritizing mental health [39]. According to the Deloitte Global Gen Z and Millennial survey, nearly half of Gen Z individuals (46%) report feeling stressed or anxious consistently. Gen Z anticipates that their employers will actively address mental health concerns, and a majority of Gen Z respondents (57%) affirm that their employers take mental health seriously [9]. This sentiment regarding the importance of employers fostering mental health is echoed by members of Generation Z in Serbia, aligning with the perspectives

Figure 4: To what extent do you value a brand’s support the following:

Source: Conducted survey (1 not important at all, 5 extremely important)
they also demonstrate a familiarity with the practice of reusing. The consumption of second-hand clothing has experienced a surge in popularity in recent decades, attracting extensive global efforts to understand the dynamics behind consumers’ purchasing behaviors.

In Serbia, this trend is particularly pronounced among Generation Alpha, where 50% of respondents are willing to buy second-hand items to reduce environmental impact. Among Generation Z members also in Serbia, approximately 40% share this sentiment. Moreover, the NextGen cohort emphasizes the importance of avoiding fast fashion to contribute to climate action since, on average, we throw away over half of the cheaper items we buy in less than a year, which creates a whole lot of waste [32]. In Serbia, around a third of NextGen express a preference for steering clear of fast fashion as a means of supporting brands in their efforts to reduce environmental impact. Globally, the trend is consistent, with almost 33% of Generation Z already avoiding fast fashion and a quarter of them planning to do so in the future [9]. Discussing the realm of fashion, NextGen is poised to reshape the luxury industry. The concept of luxury, along with the markets for luxury brands, is undergoing a significant transformation to align with the preferences of the emerging generation of customers, Generation Z, whose purchasing power is on the rise. According to Bain & Company, it is projected that Generation Z will constitute 70% of luxury spending by 2026 [25]. One of the foremost challenges of their counterparts worldwide. This also has spillover effects on expectations related to brands.

For NextGen, the paramount considerations are that a brand actively supports mental health and makes a positive impact on sustainability and the environment (Take a look at Figure 4). This inclination is consistent with the fact that over 60% of NextGen individuals consider a brand’s environmental impact when deciding on a purchase. While issues like gender equality and civil/political activism do not rank as high in brand loyalty as environmental and mental health concerns, approximately 20-25% of respondents still consider a brand’s commitment to social-related issues to be important. Furthermore, they are actively engaging in tangible actions to address these concerns. Despite 52% of NextGen members expressing uncertainty about discontinuing product consumption if it doesn’t align with their values, 45% have already refrained from purchasing a product due to a brand’s stance on specific social issues.

Consumer habits and actions towards environmental protection – NextGen is sustainably conscious and more demanding in the purchasing process, paying great attention to sustainability [46]. Sustainability is becoming a lifestyle for this generation, and product purchase is one way to contribute to solving environmental issues.

The majority of survey respondents have conveyed their readiness to initiate recycling as a means of alleviating environmental impacts (see Figure 5). Beyond recycling, they also demonstrate a familiarity with the practice of reusing. The consumption of second-hand clothing has experienced a surge in popularity in recent decades, attracting extensive global efforts to understand the dynamics behind consumers’ purchasing behaviors. In Serbia, this trend is particularly pronounced among Generation Alpha, where 50% of respondents are willing to buy second-hand items to reduce environmental impact. Among Generation Z members also in Serbia, approximately 40% share this sentiment. Moreover, the NextGen cohort emphasizes the importance of avoiding fast fashion to contribute to climate action since, on average, we throw away over half of the cheaper items we buy in less than a year, which creates a whole lot of waste [32].

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confronting luxury brands in the upcoming years stems from the markedly different value systems of Generation Z compared to previous generations such as Baby Boomers, Millennials, and Generation X. To both retain their existing consumer base and attract new customers, luxury brand manufacturers should swiftly adapt, transcending some established traditional notions of luxury – such as status, heritage, and prestige. Instead, they need to offer luxury freshly by embracing principles of inclusion, sustainability, transparency, technology, and innovation [25].

A distinctive aspect of Gen Z in Serbia is its approach to nutrition, differing from its global counterparts. Only 12.9% of Generation Z members in Serbia express a preference for a vegan/vegetarian diet to reduce environmental impact. Among those contemplating adopting a vegan lifestyle, a significant proportion falls within the 16-19 age group. This choice ranks among the least favored actions globally as well. However, 22% of Generation Z worldwide plan to adopt such dietary habits. Statista’s data also reveals that over half of Generation Z in the United States follow a partially vegetarian diet. Those percentages should be even higher further with Generation Alpha since their parents are Millennials who are more nutritionally informed. However, this doesn’t necessarily imply a complete shift to a vegan diet. Rather, it means making more informed choices, such as reading labels, opting for organic foods, consuming less meat, and avoiding additives [28].

On the other hand, Generation Z in Serbia shares a common stance with their global counterparts when considering abstaining from driving as a measure to reduce environmental impact; approximately 26% of both groups express a willingness to make this choice. Maturity once again emerges as a crucial factor influencing attitudes. In Serbia, our observations indicate that those individuals who already possess driving licenses are more inclined to take this particular action. On a global scale, Generation Alpha exhibits an intriguing perspective on mobility, as highlighted by Hyundai: “Self-charging electric cars and space travel via public transport rank at the forefront of the future mobility wish list among the younger generation.” [13].

Generation Z and Generation Alpha are values-driven ones, with more than half of them in Serbia (54%) considering it crucial for a brand to align with their values. They stress the significance of honest communication from the brand, and they value individuals who endorse the brand to share the same values. There are 42% of NextGen members in Serbia who refrained from buying a product simply because it was endorsed by an individual whose values did not align with those of young people. These values revolve around honesty, commitment to sustainability, and addressing mental health issues.

However, when selecting the brand, they trust the most, young people turn to their closest connections – friends and family (see Figure 6). In essence, when gathering information about brands, young people highly value honest communication that presents both advantages and disadvantages and they appreciate connecting with users through authentically created content. Friends emerge as the most influential, with only 3.4% of respondents in Serbia relying on popular individuals or influencers for brand recommendations. More than influencers, the youth trust comments on social networks (14.1%), valuing the insights and experiences shared by those who have already tried a product or possess specific knowledge about a brand. Surprisingly, 64% of NextGen in Serbia do not follow their favorite brand on social media.

Studies conducted in the USA and China have highlighted a diminishing influence of paid influencers. Notably, micro-influencers (up to 50,000 followers) and nano-influencers (up to 10,000 followers) wield greater influence than mega-influencers (over 1 million followers). Young individuals are increasingly discerning the difference between sponsored posts by influencers and content generated by regular users [33]. Certainly, employing influencer marketing as a communication intermediary with influencers can foster a higher willingness among customers to share brand-promoting user-generated content (UGC) compared to paid social media advertising [20].

Upon first hearing about a brand and forming their initial impressions from family and friends, young individuals predominantly seek additional information through the brand’s website (see Figure 7). Youth do not watch TV. McCrindle notes that Generation Z prefers consuming
screen content via mobile devices, while Generation Alpha leans towards streaming [29]. Gen Z listens to music on platforms like Spotify, while Alphas favors smart speakers like Alexa [29]. Given that their parents and grandparents predominantly use Facebook, it’s unsurprising that only 9.9% of Zalphas gather information about brands on this social media platform. Instead, Instagram and YouTube are more commonly used for brand recommendations than TikTok.

Socially, Generation Z is characterized by the Global Financial Crisis, while the impact of COVID-19 marks Generation Alpha. As a result, social media platforms are becoming even more integrated into the lives of Alphas and younger members of Gen Z.

When looking at social media usage in general, Instagram and TikTok dominate, along with YouTube, among all generations (see Figure 8). Younger generations use TikTok more than YouTube, but as we move toward older ones, the dominance shifts to YouTube. Facebook shows minimal signs of life among older generations.

According to our survey results, the younger they are, the more time they spend on social networks. A significant portion of young people, with the highest percentage, spends between 1 and 3 hours on social networks. Notably, 10%...
of them, or every tenth young person, spend more than 5 hours on social media platforms. This trend is particularly pronounced among Generation Alpha, where 50% fall into this category, and 20% of the younger Gen Z individuals (aged 16-19) also spend over 5 hours on social media.

Globally, over 4 in 10 members of Generation Z have expressed that social media makes them feel lonely or inadequate [9]. However, the parents of Generation Alpha, being millennials and more tech-savvy, can provide a higher level of guidance and protection for their children in navigating the digital landscape. However, it remains an open question whether this will be the case, as Alphas are known to use certain platforms that their parents may not fully comprehend and, in some instances, even guide their parents in using them.

Considering all the findings, it can be inferred that companies in the process of developing brands should prioritize sustainability and strive to minimize negative environmental impact through initiatives like recycling and reusing. Additionally, they ought to focus on delivering personalization and authenticity within the brand, fostering honest communication. Brands should have a clear stance and implement concrete actions in support of mental health and social issues, such as gender equality. Being active on social media and maintaining websites that ensure optimal user experiences while making online purchases available. To do all of this, companies need to put customers in focus more than ever, and the customer-centric approach is there to help.

Customer Centricity and NextGen. Seeing that customer centricity, at its core, revolves around prioritizing customer needs, preferences, and experiences in all aspects of business strategy and operations, for the Next Gen era, that entails a profound understanding of ‘how they tick’ – what are their distinct characteristics, behaviors, and values. Unlike the generations that came before, Gen Z and Alpha are digitally native, socially conscious and have grown up in a world where instant gratification and authenticity are paramount, so it’s only natural that as a customer segment, they require a nuanced approach that goes beyond traditional sales or marketing strategies, seemingly easily applied to their predecessors.

Businesses need to align their values with those of NextGen, fostering a genuine connection that goes beyond mere transactions. This understanding sets the stage for a deeper exploration of why customer centricity, particularly in the context of those generations, is not just a trendy buzzword but a strategic necessity and a priority for any company determined to survive and thrive. There’s a quote attributed to Steve Jobs that says: ‘Get closer than ever to your customers. So close that you tell them what they need well before they realize it themselves,’ and those words resonate with the core tenet of customer centricity – an intimate understanding of customer needs, leading

Figure 8: Which social network do you use (by age groups in %)?

![Figure 8: Which social network do you use (by age groups in %)?](image-url)

Source: Conducted survey
to the anticipation and fulfillment of latent desires. And one thing is clear – NextGen has an abundance of those.

In Serbia, the NextGen journey reflects a delicate balance between the ever-present global influences and reliance on various local nuances. Serbian NextGen is unique in its ability to blend global trends with a sense of local identity. Brands that understand this duality and authentically connect with the rich cultural medley of the region can create powerful resonance and cater to their needs on two fronts – one that emphasizes the importance of high-quality products and/or service in general and the other one – that focuses on tailoring that quality aspect to offer a seamless, yet highly personalized experience. In the era of data capitalism, companies need to be both prepared and willing to gather data about their customers in various ways to truly grasp their behavior and secure their own competitive edge. Understanding customer behavior goes beyond just knowing who, when, and where bought how many of the products. It’s about delving into the why – the motives, values, and goals that drive a customer to choose a particular product. What role does that product play in the customer’s life, what job gets done for them, and what values does it hold for them? For companies looking to connect with Gen Z and Alpha, the key is creating products that resonate with and support their values.

The research underscores the significance of environmental sustainability as a key aspect of brand value expected by NextGen. Hence, for companies aspiring to be truly customer-centric and stand out in today’s cutthroat market, it’s not just about developing a sustainable product - it’s actually about aligning their entire business approach, organization, and processes accordingly.

Conclusion placement

We have opened a lot of questions and pointed out the key dilemmas that have arisen with entering the digital age. There are many open questions that the digital economy is looking for and will continue to seek answers to.

It would be pretentious to draw definitive conclusions at this point, but it is quite certain that the digital transformation that is taking place all around us should have three key dimensions:

- technical-technological, which develops through the fantastic achievements of the digital age;
- economic and financial, so that technological achievements using new business models make the best contribution to raising the well-being of the population and the position of consumers and
- the social-humanistic effects of the achievements of digital technologies and the potential risks to which consumers are exposed (on the one hand, a significantly improved position of consumers but, on the other hand, an open space for the abuse of technologies).

Only in the combination of these dimensions can a substantive but desirable digital transformation be achieved.

The digital age, with its modern technologies, has opened huge opportunities for prosperity, but in order to use all open opportunities in the best way, it is necessary to achieve full economic and financial effects but also the full social purpose of all these processes. The enormous technological achievements of digitalization open up questions to which we will seek answers further, and among them are from the point of view of companies that are today the purpose of business – the relationship between economic and social effects, and from the point of view of the individual what is his position – the role of consumers is strengthened, but also opens up space for the use of technologies that carry numerous risks.

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Nebojša Savić

is an emeritus professor at the FEFA Faculty, teaches Economics and Competitiveness and is a MOC affiliate faculty member of the Harvard Business School Institute for Strategy and Competitiveness. He was the President of the Council of the Governor of the National Bank of Serbia (2012-23). He has more than forty years of experience in company restructuring and institution building toward a market economy. Professor Savić was a member of top expert teams advising on economic reform policies in Serbia. He was a member of the Serbian National Competitiveness Council (2008-2012) and previously served as President of the Yugoslav Economists Association and Editor-in-Chief of Economic Barometer, the leading monthly business cycle publication on the Yugoslav economy. He was a member of the Board of Directors of Alpha Bank Serbia (2006-2012) and President of the Board of Directors of Komercijalna banka, Serbia (2003-2005). He holds a PhD and MA degree from the Faculty of Economics, University of Belgrade. Dr. Savić has authored seven books (including Savić, N. and Pitić, G., Eurotransition – Challenges and Opportunities, 1999) and more than sixty articles.

Jelisaveta Lazarević

is an assistant professor and Vice Dean at the FEFA Faculty. She is also a Chief Economy Producer at Bloomberg Adria. Jelisaveta is involved in the business development of the innovative company EM Analytic Solutions, which specializes in the application of AI and advanced analytics for the purpose of creating added business value in various industries. She started her career at the Center for Advanced Economic Studies, where she had the opportunity to work on a World Bank project for the Ministry of Economy: Employment and Competitiveness, where she specifically focused on the analysis of value chains in the sectors of the economy with the greatest development potential. She is a strong believer in inclusive innovation-driven development and for two years she was Head of corporate partnerships at All for All organization, where she is a board member. Jelisaveta completed her undergraduate and master’s studies at the FEFA Faculty as a student of the generation. During her undergraduate studies, she was named one of the best economics students in Serbia by the Serbian Association of Economists. She defended her Ph.D. dissertation at the FEFA Faculty in the field of business economics on the topic: Essays on strategy and innovation. At the FEFA Faculty, she works on projects that contribute to the competitiveness of the economy, especially through the research of companies that are defined as “hidden champions”. During her career so far, she has received several awards, such as being selected as a future leader of Europe by the France Ministry of Europe and Foreign Affairs.
Ana Jeličić

is a lecturer at the FEFA Faculty and teaches Design Thinking and Designing the Products. She is a partner of the global DesignThinkers Academy for Adriatic Region. Ana completed her master's studies at the Faculty of Philosophy, where she was inspired by the topic of continuing employee education in companies. Her career started in HR Agency, but her professional development continued in Innovation Agency where she got a chance to meet with different industries, projects and methodologies aiming to innovate processes, products or business models. At that time, she met for the very first time with design thinking methodology. She was gaining knowledge of the topic at HPI School, in Potsdam, Germany. As a certified Design Thinking Facilitator in recent years, she facilitated a variety of trainings, boot camps, open innovation challenges, and projects by implementing design thinking methodology. The facilitator’s strength is to empower small and big teams to unlock their creativity for more business impact and to solve problems by using different approaches and tools.

Filip Grujić

is the coordinator of the Center for Career Development and a lecturer at the FEFA Faculty in Belgrade, where he has been teaching a course in Marketing since 2020. Filip is also engaged as Talent Pool Coordinator at DDOR osiguranje Novi Sad, as part of an HR department, where he works on various HR processes such as developing and monitoring activities targeting young and talented people in a company, and also works on building a strong relationship between company and universities and high schools. He participated in the Serbian Youth Leadership Program in the United States of America, where he was one of the best delegates of his group. He completed his undergraduate studies at the Faculty of Economics and Business in Belgrade, module: Management. Grujić holds a master's degree in Marketing management from the same faculty at the University of Belgrade. He started his career as an Associate at the Center for Corporate Relations at the Faculty of Economics, where he was part of the team that established cooperation with more than 400 companies and provided more than 1300 internships for students. From 2017 to the present, he has been engaged as a consultant in employer branding projects for several domestic and foreign companies. Co-author of Ahold Delhaize’s Brand Ambassadors program in 2017. In October 2021, he started his PhD studies at FEFA Faculty. Filip has been a panelist and guest lecturer at many student conferences and conferences in the field of HR, marketing, employer branding and talent development.