

**CHANGES IN SPENDING
PATTERNS OF**

**GENERATION Z
AND
MILLENNIALS**

**DURING COVID-19 IN
PAKISTAN**

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2. Introduction

The state of Pakistan's already fragile economy has been exasperated in the wake of the recent health crisis of COVID-19. The initial mitigation measures to contain the spread through quarantines, travel restrictions, and cities' lockdown have depressed domestic consumption and abridged investment, both foreign and domestic. For a country recovering from a macroeconomic crisis, the pandemic's economic fallout is complicated to cope with since the government has compromised fiscal buffers to respond to the pandemic actively. According to the World Bank estimates, Pakistan's real GDP is expected to have declined from 1.9% in FY19 to 1.5% in FY20 – something that has not happened in Pakistan since the 1952 Financial Crisis, where now, the services sector alone is anticipated to have contracted by over 1%¹. Investment banker and risk analyst Khurram Shehzad has projected Pakistan's economy to shrink by \$15 billion due to the pandemic. He also forecasts a 10% decline in the gross domestic product (GDP) in the fourth quarter of the financial year 2020 ². Correspondingly, according to Pakistan's Institute of Development Economics (PIDE), there could be as many as 18 million Covid-triggered job losses, with the transportation and communication sector alone expecting some 1.95 million people rendered unemployed³.

As such, the pandemic's economic fallout has consequently implicated in generally adverse alterations in individuals' spending patterns and overall consumption preferences, where financial uncertainty and job insecurity remains invariably intact given the present resurgence of the virus. The aforementioned necessitates a thorough understanding of nature as well as the extent of both macroeconomic pandemic shifts in income and employment and industry-specific changes in spending and consumption if we are to appropriately tackle the poverty implications of the pandemic, prevent the impending economic recession, and offer bankrupting businesses an understanding of their consumers, in hopes for them to enact successful mitigating strategies and help ascertain economic recovery post-pandemic. As such, the scope of this report stands to offer critical insight into the consumer-wide financial implication of the pandemic, with the prerogative to identify essential trends in consumption patterns and how they have been motivated by the incidence of job losses or pay cuts and general susceptibility to the socio-economic implication of the virus. This is understood with regards to two generations specifically: Millennials and Generation Z. To this end, the report is divided into three sections, where we aim to draw quantitative inferences and understand macroeconomic changes in income and employment, interpret industry-wide changes such as digital adoption and changing consumer preferences and spending patterns. Additionally, we aim to analyze both generations' projected expectations of the economy in the near future.



¹ The World Bank <https://www.worldbank.org/en/country/pakistan/overview#1>

² Deutsche Welle (DW) <https://www.dw.com/en/top-stories/s-9097>

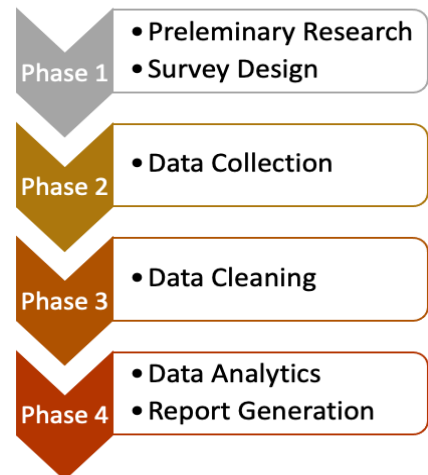
³ Dawn News <https://www.dawn.com/news/1594444/a-job-killing-pandemic>

2.1 Methodology

The insights drawn in the report below are articulated in alliance with a survey conducted by the LCG team (mandated under its R&I Department). They are corroborated and substantiated with publicly available consumption data and secondary research. The survey lasted from **Nov 28th, 2020 to Dec 6th, 2020**, and was **administered online** using google forms and circulated through Facebook, WhatsApp, and emails. The investigators opted for an online data collection method in accordance with the Covid-19 context at the time. All responses were voluntary and remained anonymous. The survey contained a consent form that stated purpose, study objectives, volunteer participation, declaration of confidentiality, and anonymity. This was then compiled and analyzed as a group, where the data obtained was stored in a secure online database. This survey comprised 29 questions. (You can access the manuscript here: <https://forms.gle/aDBtcM3TD7QjAEMw8>).

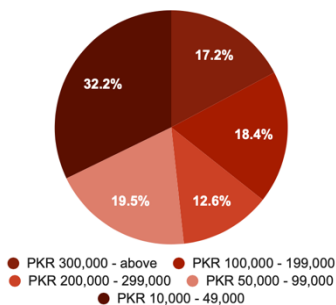
A net total of **390 respondents** were surveyed, off of which 11 responses were discarded on accounts of erroneous data. The group consisted of **292 Generation Z** and **87 Millennial respondents**. **Generation Z respondents** were born between **January 1995 to December 2005**, whereas **Millennial respondents** were born between **January 1980 and December 1994**.

Survey instruments were designed based on thorough literature analysis on survey design and the prevalent Covid-19 context. After the preliminary research, the drafted survey was validated by conducting a pilot study to identify any discrepancies and improve the survey's simplicity, comprehension, and relevance. The survey included questions on assessing demographics, employment and income changes, changes in spending patterns, and respondent expectations of the economy amidst Covid-19. The demographic representation was ensured based on gender, geographical location, monthly income, and employment status.

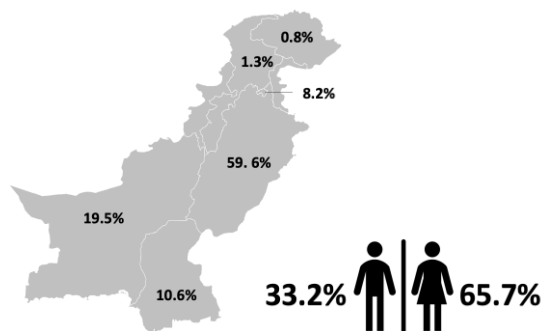
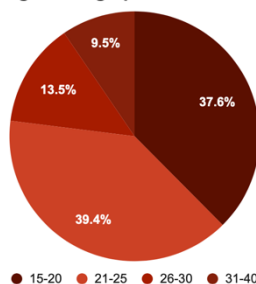


2.2 Sample Specifics

Household Monthly Income Pre-Covid



Age Demographic Breakdown

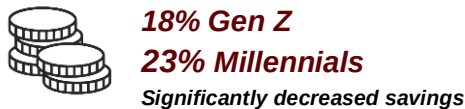
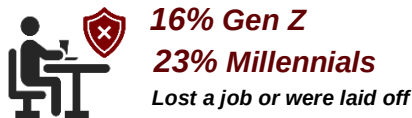


2.3 Context

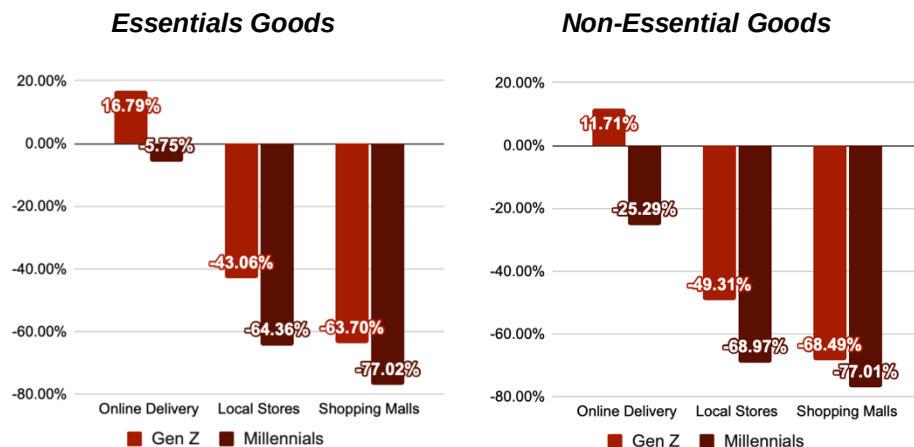
All the data presented details pre-pandemic employment and income status and consumption and spending preferences to contextualize the incidence of Covid-19 on the indicators mentioned above appropriately. To ensure ceteris paribus, both Generation Z and Millennials were administered the same survey, where the data was sorted amongst the two based on age alone. Regarding Gen Z, most of them were **either students or part-time workers, relying heavily on their households' income**, while most Millennials **contributed to their net household income**.

3. Executive Summary

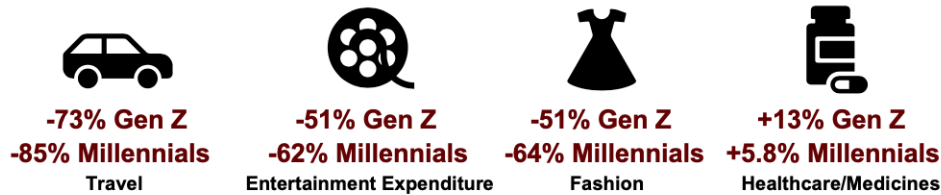
Employment, Income, and Savings



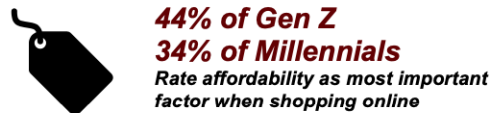
Net Change in Channel Preferences



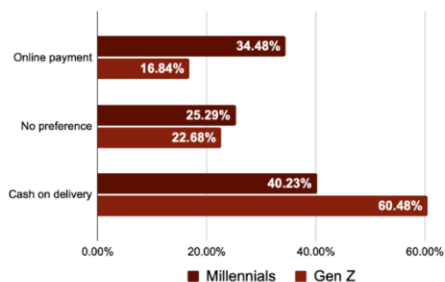
Net Changes in Consumption Expenditure



Shifting Consumer Trends



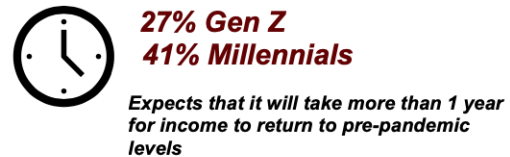
Preferred mode of Payment



Expectations about COVID and Economy



Expectations about Personal Income



4. Macro-Economic Pandemic Shifts

In order to correctly contextualize changes in spending patterns across both generations, it is crucial to understand the underlying factors driving those changes. Income level, employment status and saving patterns all collectively regulate consumption behavior and spending habits. Since the onset of the pandemic, these determinants have undergone serious alterations for all consumers generally, and Gen Z and Millennials more specifically, causing moderate to severe financial insecurity in households. As per a survey conducted by the Center of Economic Research in Pakistan (CERP) 43% of the respondents indicated income/employment as their top concern, with 70% recognizing income/employment as one of the top three concerns amidst the pandemic ⁴.

4.1 Employment-Shifts:

Adverse demand and supply shocks were experienced in Pakistan due to Covid-19, forcing firms to lay off thousands of employees throughout the country. As of June 2020, Pakistan Finance Ministry disclosed that some three million jobs have been lost, where, owing to the deplorable economic condition post-pandemic, the proportion of those living in poverty is projected to increase by a whopping 24% to 33.5% ⁵. The situation is exasperated further for Gen Z and Millennials, who are generally more susceptible to unemployment than other generations; the highest overall unemployment rate of 11.56% is observed amongst the youth ⁶. Given 63% of the population is under the age of 30, Gen Z and Millennials' unemployment stands all the more pronounced than overall unemployment during the pandemic. CERP reported that, as of May 2020, 28% of all respondents were unemployed ⁷. This corroborates LCG Spending Patterns Survey Nov-Dec 2020, where **23% of Millennials** and **16% of Gen-Z** respondents reported that someone from their household or themselves had experienced job loss due to economic distress brought by the pandemic. This is further substantiated by survey results from Gallup Pakistan, where they found that **27%** of their respondents were laid off ⁸.

LCG survey data indicated that Millennials experienced more severe unemployment than Gen Z, which can be rationalized under the assumption that more Millennials are part of the labor force than Gen Z. Here, it's important to note that Job losses or lay-offs varied by Income Class. According to a survey conducted by Gallup Pakistan, 32% of employees were laid off in the low-income class, 20% in the middle class, and 9% in the high-income category. As such the income-class that seems to have suffered the most due to the pandemic is the low income class.

⁴ CERP: https://www.cerp.org.pk/updata/news/files/80_20200725125514.pdf

⁵ Gulf News: <https://gulfnews.com/world/asia/pakistan/covid-19pakistan-finance-ministry-reveals-3-million-jobs-have-been-lost-1.71886956>

⁶ Dawn: <https://www.dawn.com/news/1564053>

⁷ CERP: https://www.cerp.org.pk/updata/news/files/80_20200725125514.pdf

⁸ Gallup Pakistan: https://gallup.com.pk/wp/wp-content/uploads/2020/08/DB_Gallup_COVID_19_03Jul2020.pdf

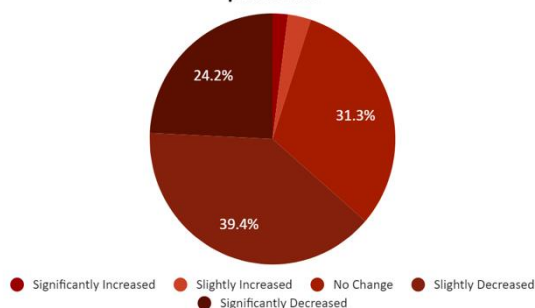


Fig 4.11 Source: LCG Spending Patterns Covid-19 Survey

4.2 Income-Shifts:

While many people faced absolute unemployment and job losses as the pandemic struck the nation, several suffered in the form of pay-cuts. According to LCG survey data, approximately **29% of Gen-Z** and **39% of Millennials** reported that someone from their household got their pay reduced since the start of the pandemic. The overall effect on households' income of the two generations, due to job losses and pay-cuts is depicted in figures 4.21-22. Here, **Millennials** reported a **58.6% net decrease** (*total decrease - total increase*) in net household income, whereas **Gen Z** respondents reported a **net reduction of 54.5%**. The pandemic has significantly reduced the Household Net-Incomes of both generations, and it appears to have had a slightly worse impact on Millennials. This finding very closely matches a similar study done by Gallup Pakistan on the impact of the pandemic in which they found that "54% of the salaried respondents are either working with reduced salaries or have been laid off by their employers" ⁹.

Millennial - Change in Net Household Income due to the pandemic



Gen-Z - Change in Net Household Income due to the Pandemic

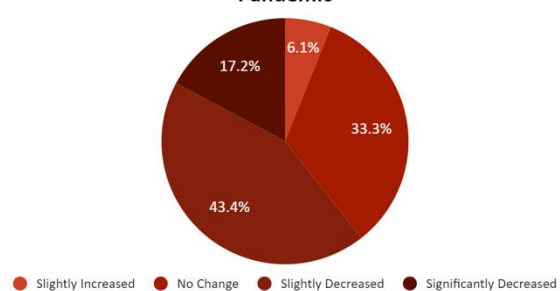


Fig 4.21 Source: LCG Spending Patterns Covid-19 Survey Fig 4.22 Source: LCG Spending Patterns Covid-19 Survey

Net household income of both generations is expected to overlap, as both generations often co-exist in the same household. This is reflected in the pie charts above as both pie charts look roughly the same. **31.3% of Millennials** and **33.3% of Gen Z** stated that their Net Household Incomes were not affected. This could reflect the percentage of respondents who belonged to

⁹ Gallup Pakistan: https://gallup.com.pk/wp/wp-content/uploads/2020/08/DB_Gallup_COVID_19_03Jul2020.pdf

either high-income families or institutions that stayed fully operational during COVID-19, such as the Government Institutions and National Defense Institutions. This is attested by Gallup Pakistan where they concluded that high-income households have been least affected by the pandemic.

Owing to job losses and pay cuts as aforementioned, a substantial portion of both generations experienced some form of 'hardship'; **40.20% of Millennials** and **37.10% of Gen Z** indicated difficulty to either pay for utilities, rent, health care, food or both. Among those who suffered financial insecurity, the following were the most prominent categories of 'hardships' experienced:

Categories of Hardships Experienced

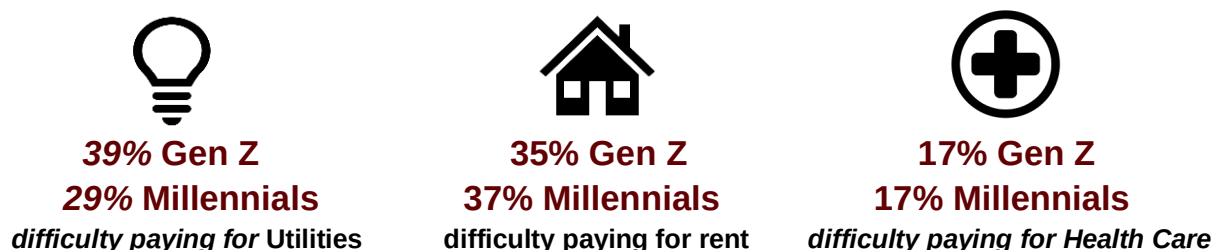


Fig 4.23 Source: LCG Spending Patterns Covid-19 Survey

The most severe areas of hardship for both generations were paying for their utilities and paying for rent. This conclusion is again corroborated with CERP survey, which indicated that "households are most likely to miss electricity payments" ¹⁰. Such difficulties have been faced all around the world; a study conducted by the Metropolitan Policy Program at Brookings found that 36% of their respondents reported that they had no confidence they would be able to pay rent, which further substantiates LCG's finding ¹¹.

¹⁰ CERP: https://www.cerp.org.pk/updata/news/files/80_20200725125514.pdf

¹¹ Metropolitan: <https://www.brookings.edu/research/how-many-households-cant-pay-next-months-rent-thats-a-tricky-question/>

4.3 Changes in Spending vs. Saving Habits:

Given the incidence of job loss or pay cut, many households have had to use up their savings. This was observed in LCG survey data as well. When it comes to changes in personal savings, the data found similar behavior in both generations. Millennials report a **net decrease of 37%**, while Gen Z reports a **net decrease of 33% in their savings**. Research by

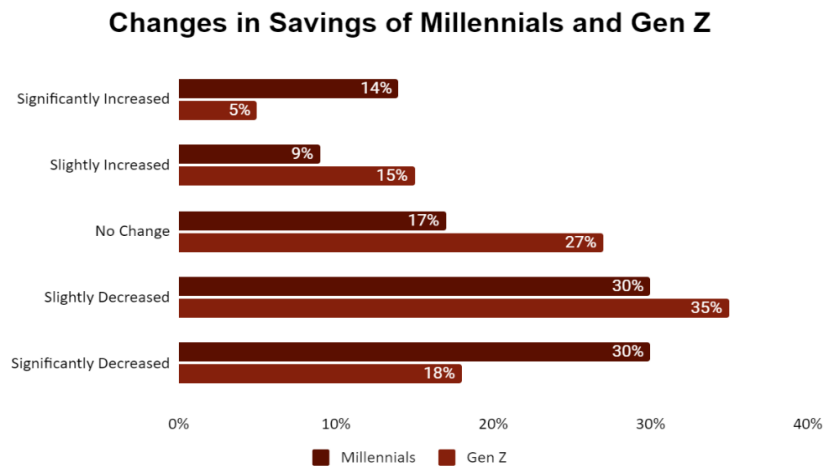


Fig 4.31 Source: LCG Spending Patterns Covid-19 Survey

Gallup Pakistan generates similar results, where every 1 in 5 (19%) of the respondents said that "they had to lean on their savings to cover basic household needs" ¹². This substantial decrease in savings is a phenomenon observed globally as well; according to Harvard College Consulting Group (HCCG), **37.6% of Gen-Z** in the US dipped into their savings, and **20.1%** used most of their saving ¹³.

While the pandemic was brutal for both generations, our survey depicts that Millennials were more affected in terms of savings; **30% of Millennial** respondents reported that their savings **significantly decreased** owing to the pandemic, in contrast, only **18% of Gen-Z** responded the same. Similarly, a higher proportion of Gen-Z experienced '**no change**' in their savings than Millennials, which further indicates that the effect was more pronounced on Millennials. This can be attributed to the fact that a significant proportion of Gen-Z in Pakistan are still dependent on their parents/guardians. Therefore, they were less pressed to use up their savings, compared to Millennials, a majority of whom are generally responsible for providing for themselves and their families. Our survey also shows that even though Millennials' net effect was worse, a larger portion of Millennials also indicated a significant increase in their savings. This may possibly reflect the Millennial respondents from high-income households, which suffered the least in Covid.

¹² Gallup Pakistan: <https://gallup.com.pk/post/29499>

¹³ HCCG: <https://www.harvardconsulting.org/research>

When enquired about major purchases amidst Covid-19, i.e., whether respondents delayed a major purchase, e.g., purchasing a home, a car, or making any other major investment, **37.20%** responded in affirmatively, owing to the pandemic. More specifically, **35.27% of Gen Z** respondents chose to delay major purchases as opposed to **43.68% of Millennials**. Overall, the data suggests that less than 50% of respondents across the two generations decided to postpone a major purchase – the remaining were either unsure or answered no.

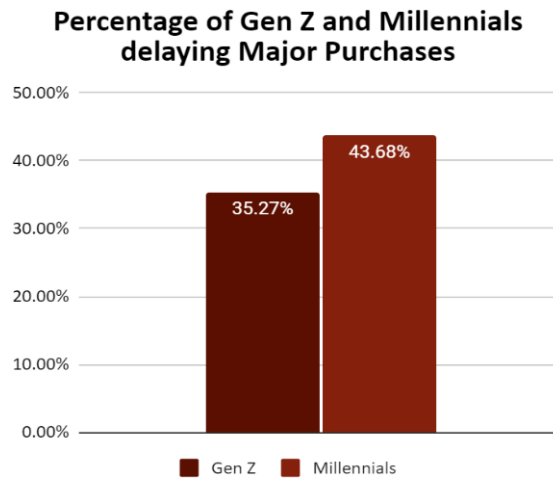


Fig 4.32 Source: LCG Spending Patterns Covid-19 Survey

Here, re quoting Gallup Pakistan, where nearly 1 in 5 respondents (19%) used up their savings, it can be reasonably inferred that as people begin to rely more heavily on their savings, their tendency to make large purchases decreased given the uncertainty about the future. As such, a significant portion of respondents across the two generations opted to delay major purchases (It is important to note that this figure is a % of total respondents across the two generations and includes those who were not planning to make a large purchase in the first place).

5. Industry Level Pandemic Shifts

As expected, given the deplorable economic conditions outlined in Section 4, overall spending has declined noticeably. As new COVID-19 cases skyrocketed, consumer spending began to plummet shortly after the first reported cases in Pakistan at the end of February. Our findings showed that **41.43% of Gen Z respondents** either started buying fewer high quality or expensive items or substituted them with lower cost or lower value items than pre-pandemic times. In comparison, **43.68% of Millennial respondents cut down expenditure on high quality or expensive items**. At the opposite end of the spectrum, **25.95% of Gen Z respondents bought the same or greater quantity of high-quality products** as they did before the pandemic; for millennials, this figure was **29.8%**.

Comparison of Pre and Post Pandemic Spending Patterns

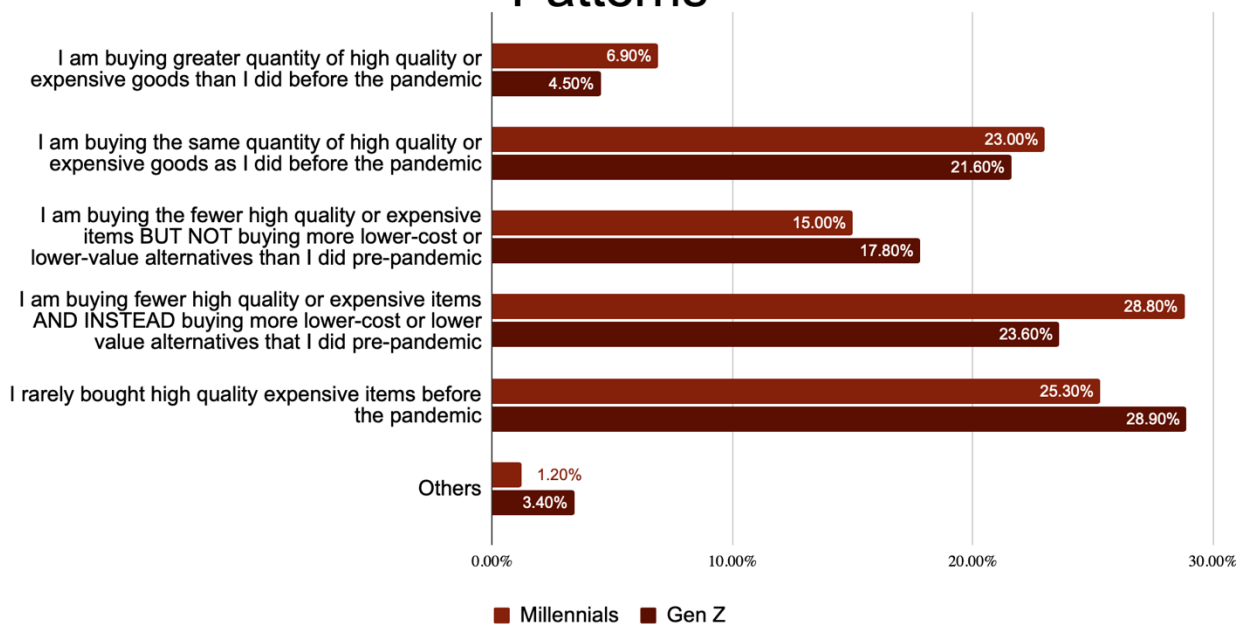


Fig 5.01 Source: LCG Spending Patterns Covid-19 Survey

Overall, we can see that the impact of COVID-19 on consumer spending regarding expenditure on premium products vs. lower-cost products was similar across the two generations. We can observe a general tendency of consumers in Pakistan to reduce spending on premium products instead of increasing it. We can attribute this primarily to the fact that the consumers across both generations did take a hit in terms of reduction in incomes due to job loss and pay cuts, as evidenced by our findings in Section 3 (Macroeconomic Post-Pandemic Shifts). Furthermore, this observed general trend is corroborated by the results of Aurora in their COVID-19 Consumer Behavior Survey, as per which "62.3% of respondents confirmed that their overall spending had decreased; 19.4% thought that the lockdown had not made much difference and 13.3% indicated that their spending had increased." Moreover, 49.80% of respondents reported that they would

opt for cheaper alternatives for their preferred brands¹⁴. Additionally, Gallup Pakistan also found that in terms of food and grocery alone, "nearly 1 in 4 Pakistanis (23%) say they are now relying on less preferred and less expensive food items to cover basic household needs" ¹⁵.

5.1 Changes in Spending Across Different Channels

With regards to "**Changes in Consumer Spending Habits on Essential Goods**" (i.e., groceries food and beverage, medical prescriptions, and personal care products, etc.) via different channels (i.e., shopping malls, local stores, and online delivery), as a consequence of COVID-19, our data depicted that across both generations, online delivery has seen the most favorable trend. In contrast, shopping malls have seen the least favorable trend when it comes to essential goods.

Interestingly, all three channels experienced a negative net change (% of increase - % decrease) for Millennials. On the other hand, online delivery experienced a positive 'net change' for Gen Z, with the other two channels remaining negative. Therefore, the data suggest that Gen Z respondents were more amicable to buying essential goods via online delivery services. In contrast, Millennial respondents chose to reduce net consumption as a whole, compared to pre-pandemic levels.

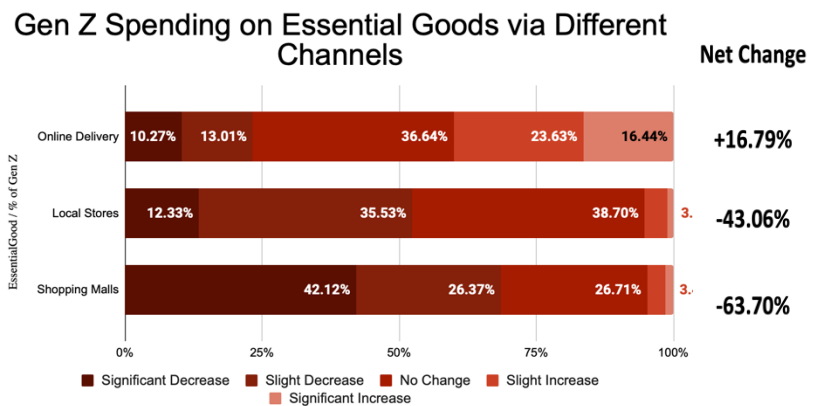


Fig 5.11 Source: LCG Spending Patterns Covid-19 Survey

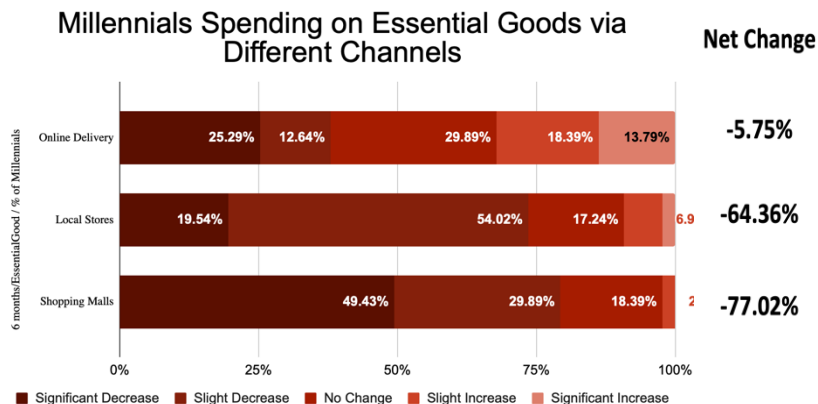


Fig 5.12 Source: LCG Spending Patterns Covid-19 Survey

The increasing trend to shop online for groceries and other essential items is corroborated by Aurora's COVID-19 Consumer Behavior Survey, where **26% of** respondents reported that they were purchasing grocery and household items via online delivery channels¹⁶. Furthermore, **6.5% of respondents** said that their overall expenditure on groceries

¹⁴ Aurora Dawn: <https://aurora.dawn.com/news/1143780/consumer-behaviour-in-covid-19>

¹⁵ Gallup Pakistan: <https://gallup.com.pk/post/29499>

¹⁶ Aurora Dawn: <https://aurora.dawn.com/news/1143780/consumer-behaviour-in-covid-19>

had decreased post-pandemic; a similar trend can be seen in LCG's findings where there has been an observed net reduction in spending across both generations and all channels collectively.

Like essential goods, **non-essential goods** (namely restaurants, apparel, media and entertainment, electronics, and hobbies) also experienced a favorable trend regarding online shopping and a net adverse impact on shopping malls as a preferred channel of purchase since the onset of Covid-19.

The **net change** in purchasing was most negative for **shopping malls (-77%)** followed by **local stores (-68.97%)** and finally **online delivery** with the least negative **(-25.29%)** for both generations combined. As such, all categories experienced a decrease, but the net change in online delivery was significantly less than the other two. This can be attributed to the fact that stores and malls were either shut down during lockdown or had minimal traffic given with social distancing protocols.

The most **significant difference** between **Millennials and Gen Z respondents** was observed in their **online purchasing habits**. Only **12.6% of Millennial respondents** had a '**Significant Increase**' in **online shopping** compared to **20.3 % of Gen Z respondents**. Moreover, an even greater contrast existed between the percentage of respondents who chose '**Significant**

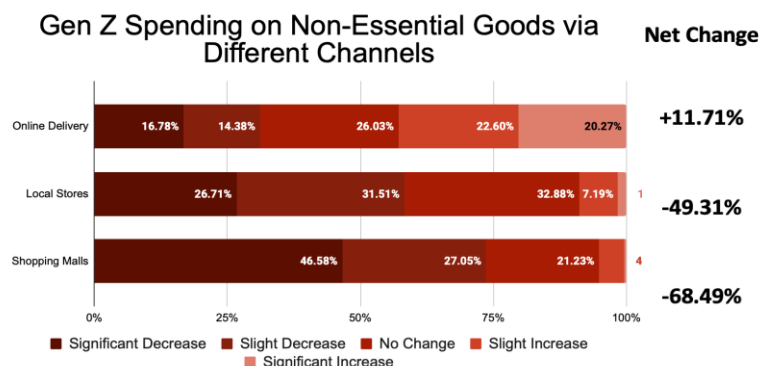


Fig 5.13 Source: LCG Spending Patterns Covid-19 Survey

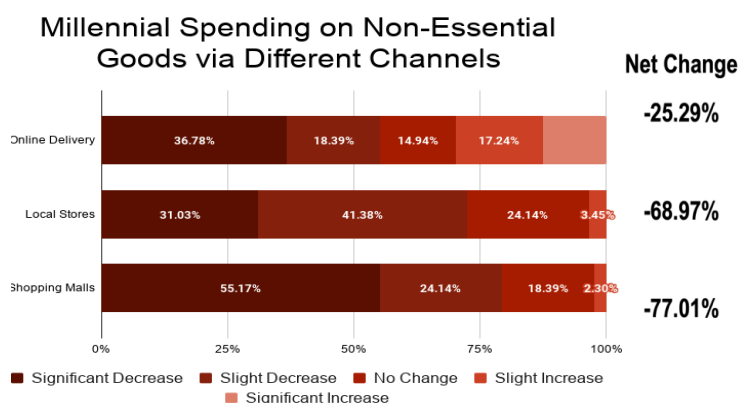


Fig 5.14 Source: LCG Spending Patterns Covid-19 Survey

Decreases' for online shopping: **36.8% millennials compared to only 16.8% Gen Z**. These stark differences can possibly be explained by online shopping generally being more popular amongst Gen Z shoppers due to more awareness of technology than Millennials. Both Millennials and Gen Z respondents avoided purchasing from shopping malls.

None of the Millennials identified a '**Significant Increase**' in shopping for non-essential goods from local stores and malls. In contrast, a tiny **percentage of Gen Z respondents did 'Significantly Increase'** their spending via **local stores and malls**. This suggests that Millennial respondents are more careful when it comes to buying non-essential goods and might not

necessitate consumption for them generally and especially during Covid, while Gen Z, given their financial dependence on household income, would be more liable to make non-essential purchases.

5.2 Changes in Spending Across Different Goods

Bounded by the constraints of the pandemic, consumers have been forced to reprioritize their consumption, to account for either the risk of contracting the virus or deteriorating household finances due to the economic downturn. People are generally showing a tendency to shift their spending to essential goods (say healthcare or groceries) and are cutting back on discretionary categories, e.g., travel and apparel, across the globe ¹⁷.

Both Gen Z and Millennials predominately remain faithful to the aforementioned trends; millennials, aged 26 to 40 years comprise both young as well as new parents and homemakers, whilst Gen Z aged 11-25 are either coming of age or completing education and entering the workforce, all of which has been exceedingly hurdled in light of the global

Net Change in Consumption - Millennials vs Gen Z

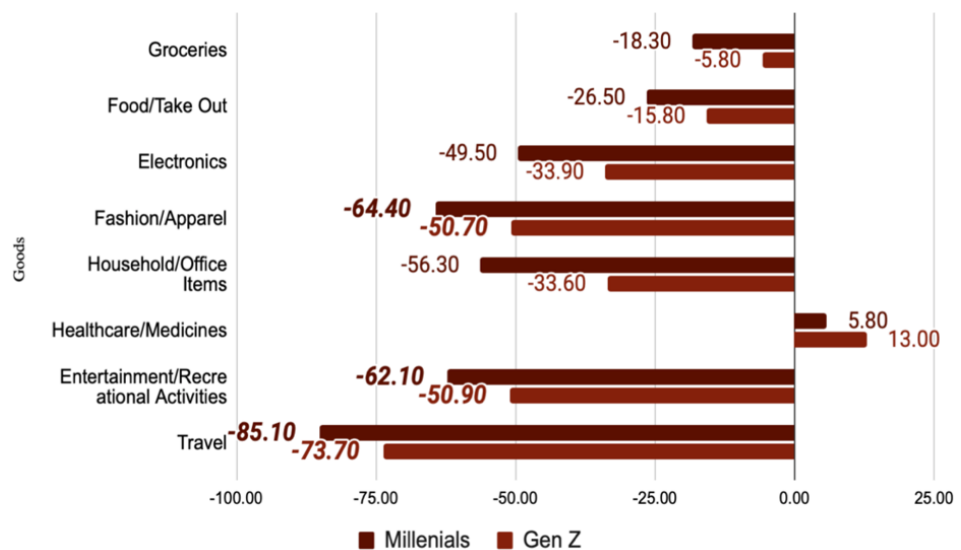


Fig 5.21 Source: LCG Spending Patterns Covid-19 Survey

pandemic and as such translates into changing consumer behavior. Historical precedence stands against youth where it has been observed that youth unemployment rates rise faster than overall unemployment during economic recessions, all the while attributing to changing spending patterns, particularly in the aforementioned generations ¹⁸.

¹⁷ McKinsey: <https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/a-global-view-of-how-consumer-behavior-is-changing-amid-covid-19>

¹⁸ Market Research: <https://blog.marketresearch.com/the-impact-of-covid-19-on-millennials-and-gen-z-consumers>

Cross - Generational Groceries Expenditure Changes

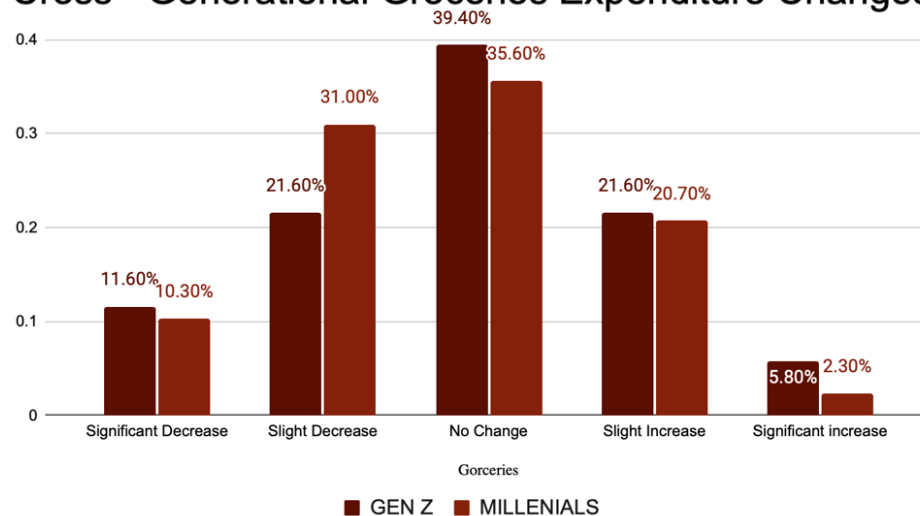


Fig 5.22 Source: LCG Spending Patterns Covid-19 Survey

Correspondingly our survey also indicated that spending patterns of both generations (namely Gen Z and Millennials) depicted net negative consumption in one short of all categories surveyed since the onset of the pandemic, where travel alone has observed **85.10% and 73.7%** reduction in net consumption for

millennials and Gen Z respectively. As anticipated, health care has had a net positive increase in consumption, with groceries having the least negative net change between pre and post-pandemic consumption. These results are validated and corroborated with results from Gallup Pakistan's survey, which also indicated a net positive impact on medicine consumption (+4%) and a slightly negative net impact on groceries (-3%) ¹⁹. Generally, the data is normally distributed around "no change" for both generations. This and the slight net negative impact on expenditure on groceries observed could be attributed to the time at which both Gallup and LCG conducted the survey; as of June and November (for Gallup and LCG respectively), consumers had resorted away from bulk buying and hoarding as was previously experienced, and given the rapid deterioration of financial affluence for many consumers owing to the pandemic, they were then consuming (on average) relatively less or at most, at pre-pandemic levels. The most significant net negative impact on consumption was observed for travel, entertainment, and fashion categories for both generations. Critical insights on changing consumer behaviors from Gallup Pakistan's July survey further supplements this finding as they too highlighted that "expenditure on out-of-home entertainment, travel and apparel & footwear has been severely dented for the rich" in Pakistan ²⁰.

With an observed significant reduction in travel expenditures, Pakistan's travel and tourism industry has had to bear the brunt of the economic crisis triggered by Covid-19. Pakistan's tourism sector constitutes everyone from daily wagers to small and medium-sized entrepreneurs, from tour guides and porters to street vendors, whose income sources are solely, if not predominately, dependent upon the tourism season. Since the onset of Covid-19, a large number of SMEs are

¹⁹ Gallup Pakistan: https://gallup.com.pk/wp/wp-content/uploads/2020/08/DB_Gallup_COVID_19_03Jul2020.pdf

²⁰ Gallup Pakistan: https://gallup.com.pk/wp/wp-content/uploads/2020/08/DB_Gallup_COVID_19_03Jul2020.pdf

projected to go bankrupt; according to the National Tourism Coordination Board, "at least 1.5 million jobs in tourism and hospitality sector are at immediate risk, especially in the SME sector"²¹. They further reported that as of spring 2020, a whopping 100% of all tour bookings were canceled, causing an estimated USD10 million in revenue loss. Given that Gen Z and Millennials comprise the bulk of the demand for tourism, their changing spending preferences are strictly linked to the industry's financially compromised situation.

GEN Z and MILLENNIALS Cross-Generational Travel Expenditure Changes

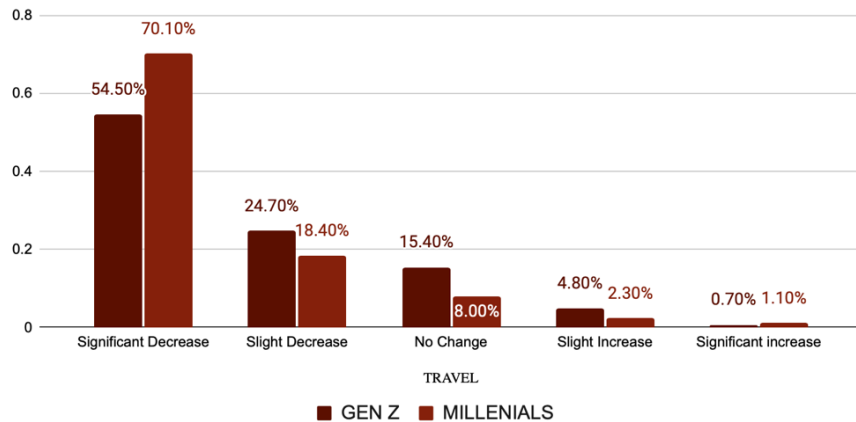


Fig 5.23 Source: LCG Spending Patterns Covid-19 Survey

Cross - Generational Entertainment and Recreational Activities Expenditure Changes

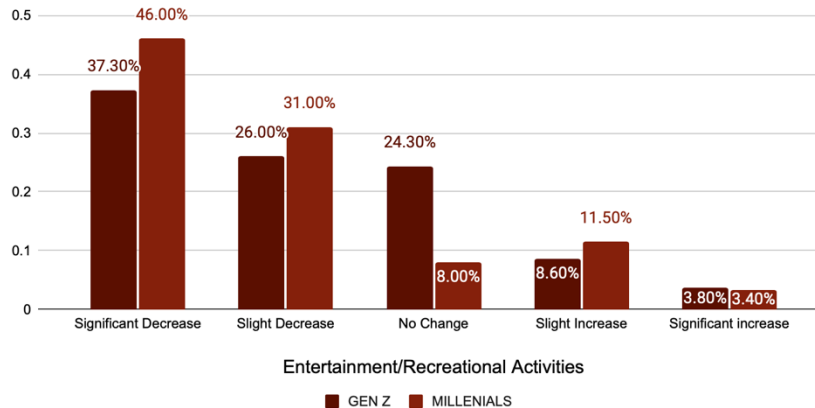


Fig 5.24 Source: LCG Spending Patterns Covid-19 Survey

observation: **24.3% of Gen Z** and **only 8% of Millennials** identified "no change" in their spending for entertainment. This can be attributed to either Millennials generally paying greater regard to follow SOPs or are more constrained to the work-from-home environment than Gen Z.

Similar to travel expenditures, entertainment and recreational activities (visits to restaurants, shopping centers, museums, theaters, etc.) have reduced net spending. This observation in Pakistan remains consistent with international trends. According to a survey conducted by IBM, the most common response indicated reduction in expenditure on recreational activities²². It's important to highlight an interesting

²¹ National Tourism Coordination Board: https://tourism.gov.pk/publications/strat_covid.pdf

²² IBM: <https://www.ibm.com/thought-leadership/institute-business-value/report/covid-19-consumer-survey>

GenZ Changes in Consumer Spending

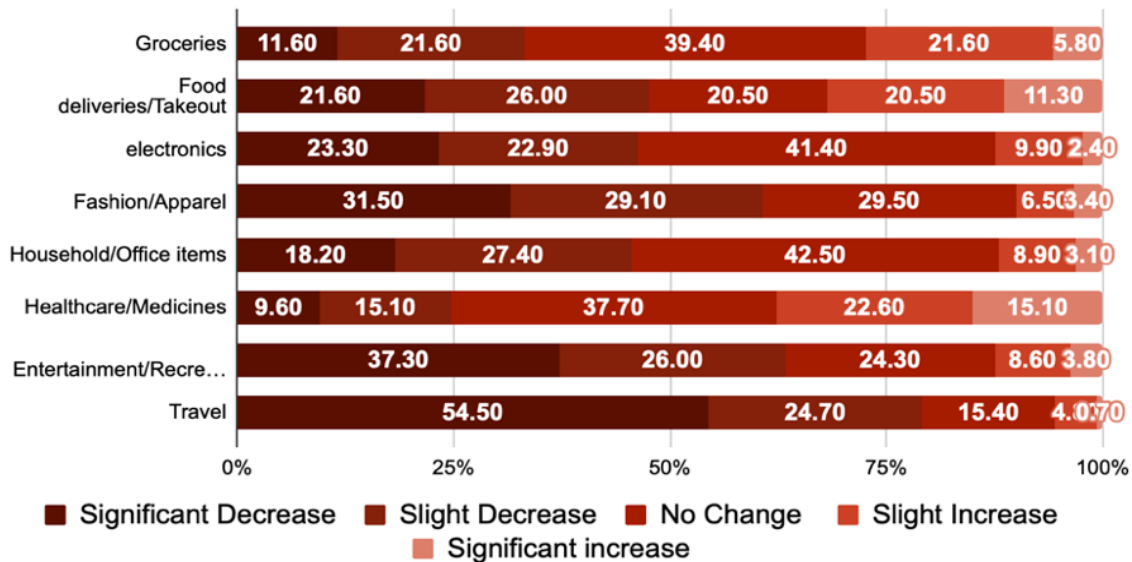


Fig 5.25 Source: LCG Spending Patterns Covid-19 Survey

Millennials Changes in Consumer Spending

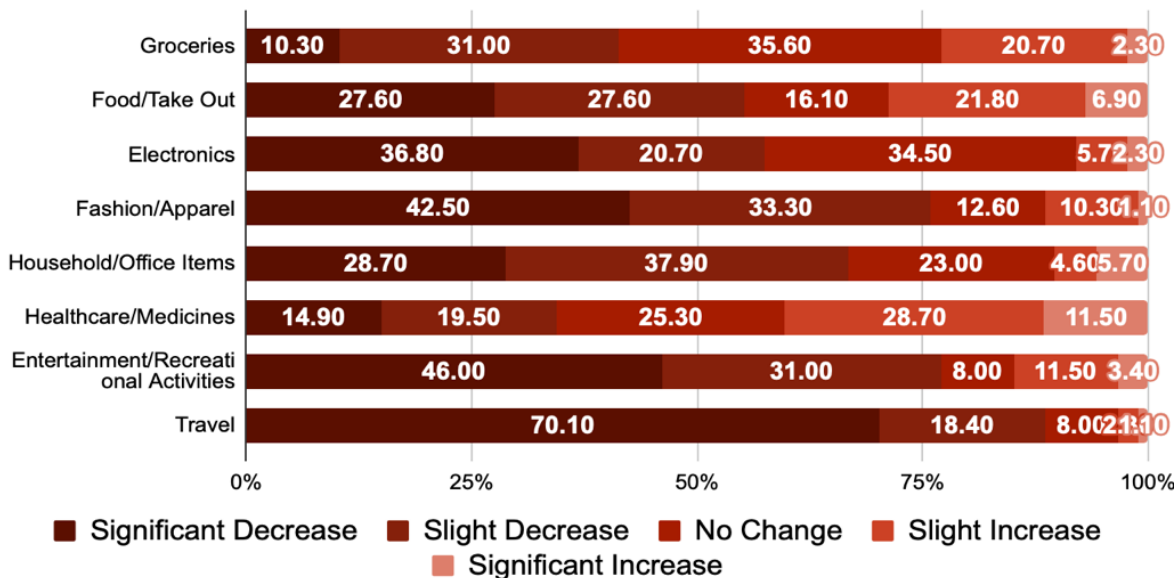


Fig 5.26 Source: LCG Spending Patterns Covid-19 Survey

5.3 Digital Adoption

Since the COVID-19 pandemic struck the country, the necessity of avoiding contact forced all sectors of the economy to switch to the virtual environment. Businesses have had to quickly adapt their operations to fit the changing world's needs with an ever-growing emphasis on digitization. Traditional methods of business transactions were now replaced with lockdown friendly methods. Section 5.1, establishes that Gen Z were quicker to embrace the transition to the digital landscape. This section hopes to explore the differences between the preferences of both generations in the digital environment.

Both Millennials and Gen Z have the highest preference for Cash on Delivery in their online transactions, which is likely due to the lack of technical knowledge of the average Pakistani consumer, aggravated by complicated online payment processes. This is made worse by an existing trust deficit in the Pakistani market towards online payments. According to a research article published by the University of Electronic Science and Technology of

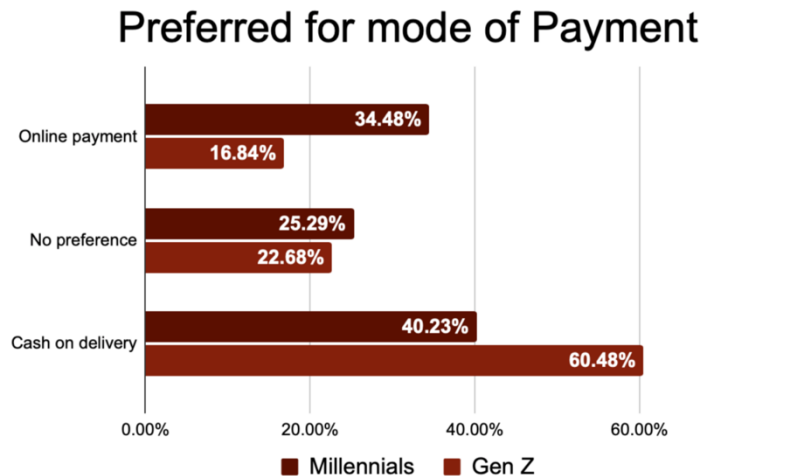


Fig 5.31 Source: LCG Spending Patterns Covid-19 Survey

China, "E-commerce is still evolving in Pakistan, and the customers lack prior experience of online payments. Besides, online payment rules and cyber laws are not mature and fail to provide enough sense of security to the customer. Therefore, events of hacking and misuse of e-payment information are frequently reported. Such scams hinder the prospects of adoption of e-payment methods." ²³

However, the preference for Cash on Delivery is significantly more pronounced for Gen Z as **60.48%** of **Gen Z** respondents chose **Cash on Delivery**, compared to **40.23%** of **Millennials**. This may primarily be a consequence of Gen Z lacking the means to independently make online transactions, as online transactions generally require Credit Cards. Most banks in Pakistan offer Credit Card services only to professionals and people in business. Most Gen Z individuals have yet to join the job market and tend to have Debit Cards and not Credit Cards. The same reason can be attributed to why **34.48%** of **Millennials** prefer online payment, as opposed to only **16.84%** of **Gen Z**, who prefer the same.

²³ Sage Journals: <https://journals.sagepub.com/doi/full/10.1177/2158244020917392>

LCG survey data depicts quite interesting similarities and differences between both generations regarding the importance they hold for different factors involved in online transactions. The prominent similarities are that Gen Z and Millennials give the **most importance** to "Product and Brand Reviews" and the **least importance** to "No Contact Delivery."

Millennials - Importance of Different Factors in Online Transactions

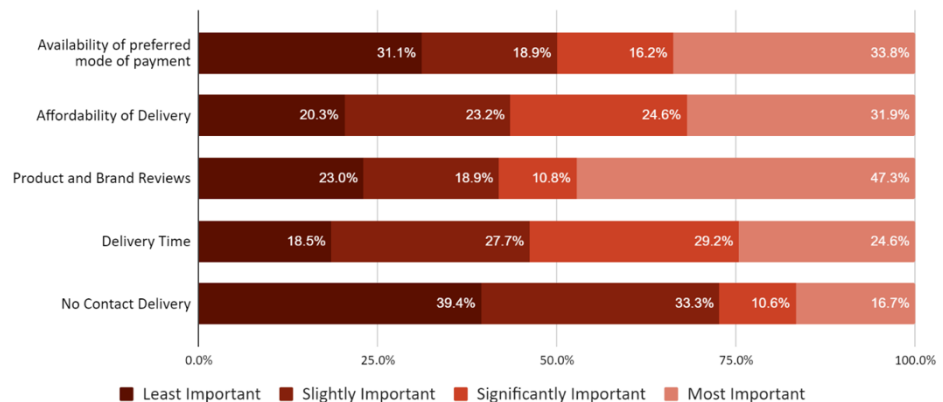


Fig 5.32 Source: LCG Spending Patterns Covid-19 Survey

However, we still observe that the preference for "Product and Brand Reviews" is significantly more pronounced in Gen Z, with 57.1% of respondents rating it as the **most important** and 28.8% rating it as **significantly important** (compared to 47.3% and 10.8% of Millennials respectively). This could be purely a consequence of Gen Z having a higher online presence, making them more prone to being influenced by online reviews.

Gen Z - Importance of Different Factors in Online Transactions

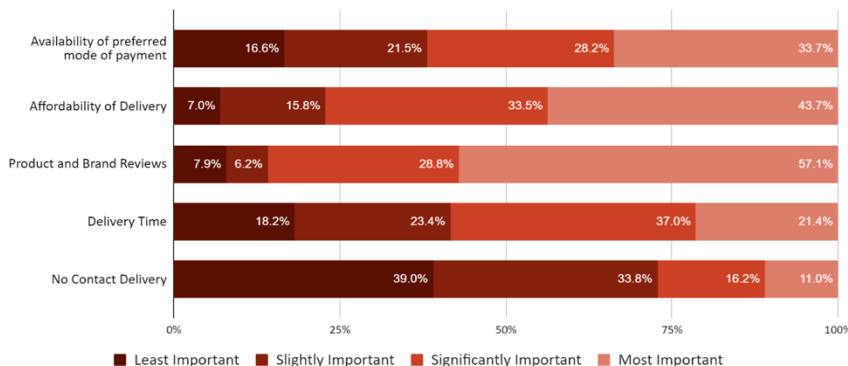


Fig 5.33 Source: LCG Spending Patterns Covid-19 Survey

Both generations chose 'Product and Brand Reviews' as the most important factor. Research done by Spiegel Research Center further substantiates this finding. Their study found that nearly 95% of shoppers read online reviews before making a purchase, and products with reviews are 270% more likely to be bought than a product without ²⁴. According to an article published by Knowband, product reviews are given such weightage because they build consumer trust by acting as social proof and providing better insights into the product ²⁵.

"No Contact Delivery," on the other hand, was given very little importance by both generations, possibly because it is a service that only some businesses offer, so there may be a lack of awareness on the consumer's side on the importance of "No Contact Delivery." It may also be the

²⁴ Spiegel: [https://spiegel.medill.northwestern.edu/pdf/Spiegel Online%20Review eBook Jun2017 FINAL.pdf](https://spiegel.medill.northwestern.edu/pdf/Spiegel%20Online%20Review%20eBook%20Jun2017%20FINAL.pdf)

²⁵ Knowband: <https://www.knowband.com/blog/ecommerce-blog/product-reviews-importance/>

case that Millennials and Gen Z feel less threatened by COVID-19, as it is a greater danger to the elderly and people with immune system deficiencies.

The most pronounced differences between the two generations occur in the factors "**Affordability of Delivery**" and "**Availability of Preferred Mode of Payment**." Gen Z gives more importance to both factors compared to Millennials, with a more considerable difference between the two generations in "**Affordability of Delivery**."

43.7% of **Gen Z** respondents rated "**Affordability of Delivery**" as the **Most Important** factor, and **33.5%** rated it as **Significantly Important**, which is much higher compared to the **31.9%** and **24.6% of Millennials**, respectively. This is likely because a large fraction of Gen Z is not part of the working force, and they are financially dependent on their parents and guardians. Therefore, they have lower disposable income and tend to be more price-sensitive compared to Millennials. Similar results were noted by Harvard College Consulting Group (HCCG) in a survey conducted in August 2020, where they found that **56% of their Gen Z respondents** reported that they were either 'somewhat more' or 'much more' price-sensitive after Covid²⁶. Their research further indicates that Gen Z are even more unlikely to have access to pre-pandemic disposable income levels than other generations, which also attests to our hypotheses.

There is a smaller difference between Gen Z and Millennials when it comes to "Availability of Preferred Mode of Payment," however, our data clearly shows that Gen Z respondents have a higher propensity of favoring availability of preferred mode of payment as opposed to Millennials. As explained in the previous section, this is likely to be because Gen Z are more dependent on specific modes of payment than Millennials, which tend to have more options. More Millennials are employees with regular incomes and credit cards compared to Gen Z, which is why Gen Z is (due to necessity) more inclined towards "Cash on Delivery," as displayed in Figure 5.33.

²⁶ HCCG: <https://www.harvardconsulting.org/research>

6. Pandemic Projections and Expectations

Covid-19 has rendered the economy in a parlous state, where the World Bank projects the GDP growth rate for the fiscal year 2020-21 to go down to barely 0.9%, which is the lowest economic growth rate in over a decade (last reported to be at 0.4% during the fiscal year 2008-09 during the then financial crisis)²⁷. The aforementioned can be contextualized in terms of consumer expectation of economic recovery, which would implicate their spending habits and their tendency for total net consumption given the current Covid context. As such, the following section hopes to understand respondents' expectations on pandemic recovery, which would then substantiate their expectations on the recovery of the entire economy and their incomes.

6.1 Speculations on the Pandemic

Consumer spending preferences now and in the future are motivated by a future projection on as to when will the Covid-19 subdue; as such, LCG's survey wanted to determine the popular opinion with regards to when the pandemic would be over and whether there were any significant cross-generational differences in these expectations. As such, most **Gen-Z** respondents, **59.25%** to be exact, believed that **administering a vaccine** would be the actual end of the pandemic. The second-highest percentage, **22.95%**, have selected '**when the WHO declares the pandemic to be over.**' Some value judgments derived from these percentages are that for most people, the **flattening of the curve** (chosen by only **10.27%**) and **removal of lockdowns** (chosen by only **3.42%**) seem to be signals of false hope. This can be because both of these observations took place within Pakistan during the end of August and beginning of September but eventually had to be reversed when the second wave arrived.

Both targeted generations seemed to be mainly in agreement with each other when it came to their predictions about recovery. Again, the most popular answer for **Millennials** was "**when a vaccine is administered,**" with a percentage of **49.43%**. The second most popular option was regarding a **possible WHO directive** once again, with **21.84%**. Following this was '**when cases begin to decrease again,**' chosen by **14.94%**, and finally '**when lockdowns are lifted,**' with **6.90%** of **Millennial** respondents selecting that.

These statistics are tremendously similar to the ones that Gen-Z respondents picked, showcasing that the general population's opinion regarding this particular issue does not differ generationally. This, again, leads to the aforementioned conclusions. Firstly, both demographics seem to favor external, international organizations over national ones, which is why they would trust a WHO directive more than the local government's decision to ease lockdowns. Additionally, they are now wary of lowering cases and a flatter curve since they have experienced how quickly that can change once the general public starts to disregard protocols. A vaccine, however, is yet to arrive,

²⁷ The Express Tribune: <https://tribune.com.pk/story/2190562/2-world-bank-sees-pakistans-economic-growth-sliding-1>

which makes its effects more promising. This also points to the public's lack of trust in a potential herd immunity outlook, as expanded upon previously.

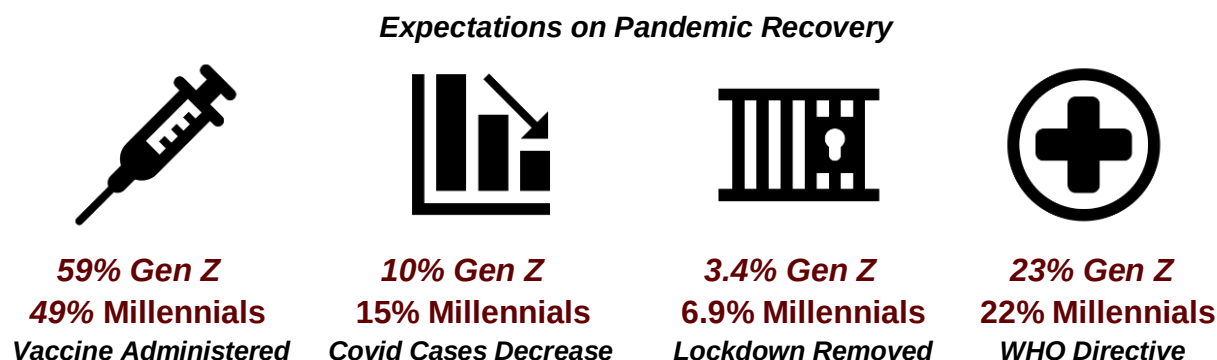


Fig 6.11 Source: LCG Spending Patterns Covid-19 Survey

6.2 Expectations of Economic Recovery

This section aims to gauge the optimism of both generations regarding when they expect the economy to improve. As seen within the graph, most **Gen-Z** respondents flocked towards the option of **more than one year**, with **61.3%** selecting as such. These numbers' inferences are clear; most people are not

Gen Z and Millennials: Projections on Economic Recovery

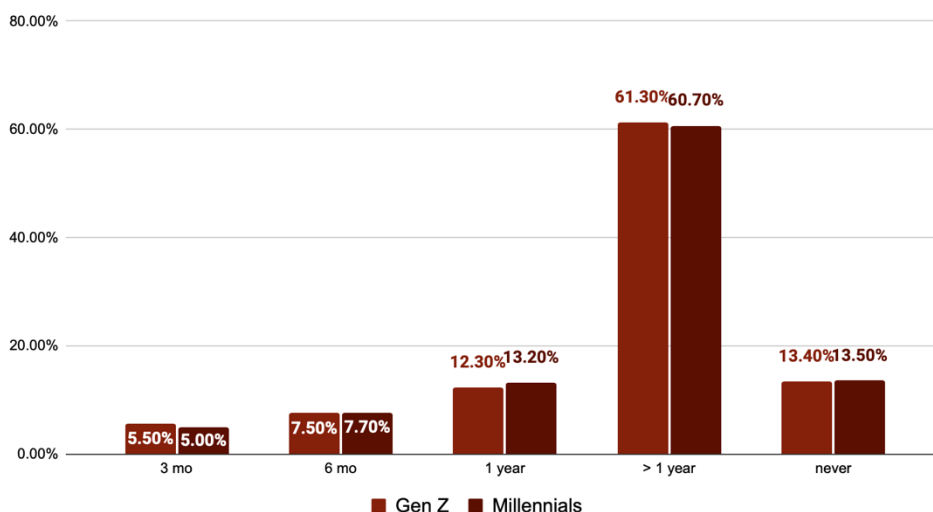


Fig 6.21 Source: LCG Spending Patterns Covid-19 Survey

incredibly optimistic about Pakistan's economic recovery from the COVID crisis. They seem to believe that there will be an eventual recovery but that this will occur in the long term and that the crisis's repercussions will be felt for years to come. Moreover, the second most popular answer was that the economy would never be able to recover also shows a lack of faith in the Pakistani economic system's potential.

Millennial trends were also remarkably similar to Gen-Z ones. Again, **a majority (60.7%)** chose **'more than a year,'** while **13.5%** picked **'never.'** These numbers are extremely similar to the gen-

zones, with less than a 2% difference overall. This also shows that this generation has a similar mindset regarding economic recovery and is also pessimistic. One can infer that the potential timeline of economic recovery is not a point of contention between the two generations and that opinions do not differ cross-generationally.

Experts seem to share this pessimistic perspective about the economic recovery of Pakistan. An article published by DW included the following quote by Zafar Moti, the former director of the Karachi Stock Exchange (KSE), "Pakistan's economy is shrinking, unemployment is rising, and various sectors are in crisis." Moti told DW he is less concerned about Pakistan's financial markets and more concerned about the pandemic's long-term impact²⁸.

6.3 Expectations of Income Recovery

Regarding whether they expect their incomes to return to pre-pandemic levels, a majority of **Gen Z** respondents seemed to be relatively optimistic, with **30.2%** believing that their **income levels would recover**, and **26.5% going with maybe**. Only a minority of **8.9% chose a decisive 'no'**. This indicates the generation's overall optimism regarding their situations in light of the pandemic and their belief that they will be able to get past the effect it has had on their economic conditions. The pattern for Millennials also seems to almost mirror the Gen-Z response. However, they seem to be a bit more indecisive about it. Here, a majority of **32.2%** lies in the maybe option, followed by 31% choosing yes and again, a small minority of 6.9% choosing no.

The general outlook is very similar with regards to when they expect their incomes to return to normal. The only slight difference is the millennials' tend to be more wary and hesitant to derive any significant conclusions about this situation. Most Gen Z respondents (41.27%) believed

Millennials and Gen Z: Projection on Income to Restore to Pre-Pandemic Levels

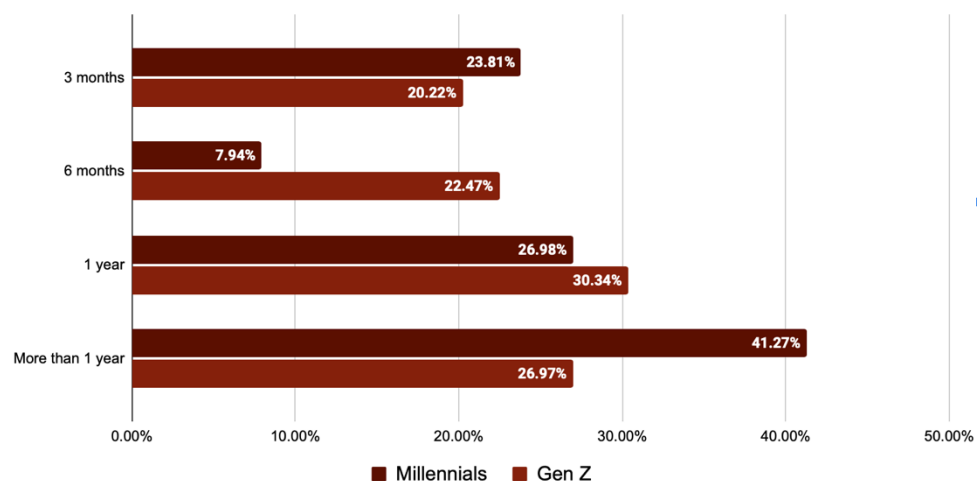


Figure 6.31 Source: LCG Spending Patterns Covid-19 Survey

that this recovery would take more than a year to occur. This was followed by 26.98% choosing

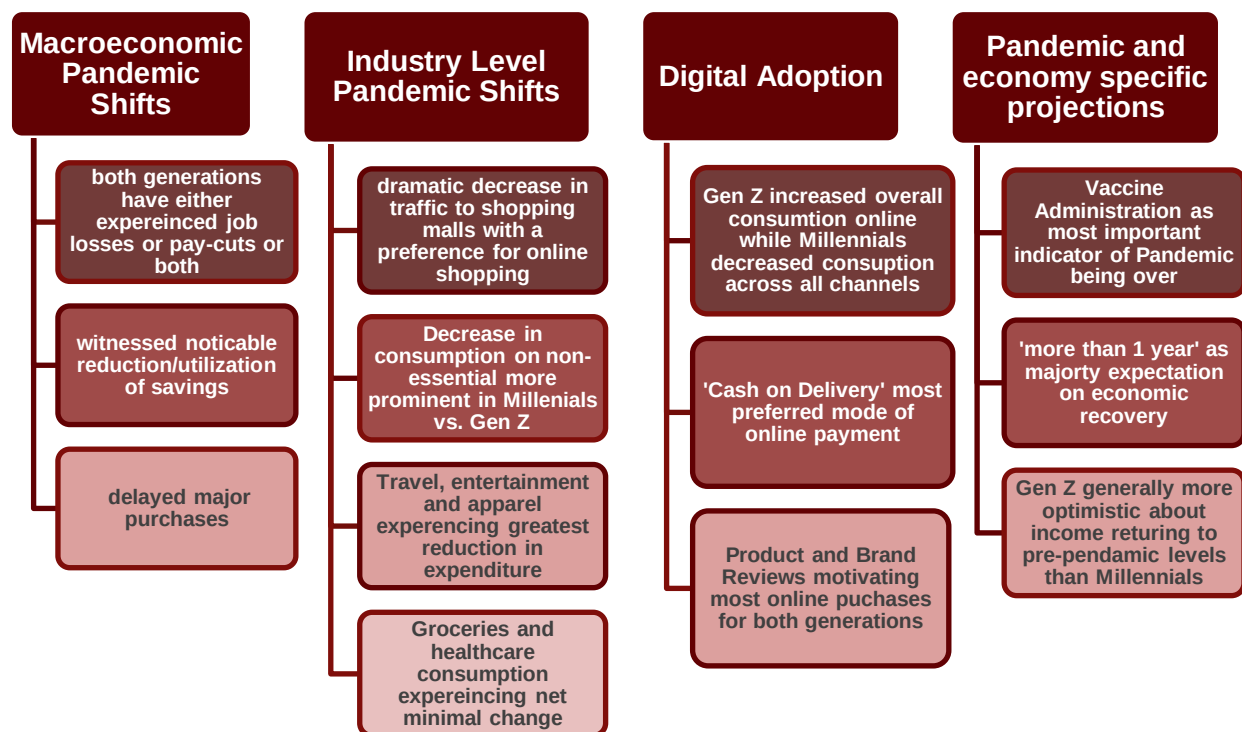
²⁸ DW: <https://www.dw.com/en/how-the-covid-19-crisis-is-affecting-pakistans-economy/a-54292705>

a year, and then 23.81% for three months, finally followed by 7.94% for six months. It seems as though most people are trying to be realists and hence have a hesitancy to hope that they can recover in a short amount of time. For most, this seems to be a long term recovery.

The millennial response was much more evenly divided between all the available options. Here, a majority was formed out of the 30.34% who chose 1 year, followed by 26.97% for more than a year, 22.47% for six months, and 20.22% for three months. One can derive that the lengthiest option has the most support, and the shorter the timeline gets, the fewer people seem to choose it. This indicates a hesitancy to be hopeful about their economic conditions, which is similar to the gen-z reaction. The only significant difference between the two generations is that millennials were more fanned out within the options as compared to their younger counterparts.

7. Conclusion

The pandemic has brought dramatic and categorically adverse implications on the economy, where the incidence of social distancing, quarantines, and lockdowns in addition to pandemic-induced financial inconvenience have drastically altered consumption patterns and spending habits. Both Gen Z and Millennials remain consistent with the aforementioned, and as such, was observed in this report. Substantiated via market data, academic research, and external polling, LCG's survey on 'Changes in Spending Patterns of Generation Z and Millennials during Covid-19 in Pakistan' concluded that both generations have succumbed to adverse income changes, which have consequent in adaptation to the prevalent Covid context, resulting in thoroughly altered consumer behavior in both generations.





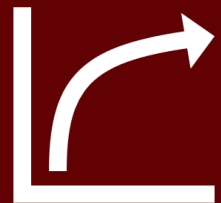
Due to the pandemic, both generations reported a net decrease in their incomes, owing to job losses and pay cuts. Millennials appeared to be worse off in that regard. Similarly, Millennials also reported a greater overall decrease in savings, however both reported large net decreases in savings. Hardships were experienced by both generations, particularly with regards to paying for rent and utilities. Significant portions of both generations delayed large purchases; with more Millennials delaying major purchases than Gen Z.

Since the lockdown, both generations stopped going to local stores and shopping malls and transitioned to a virtual environment, with Gen Z being more amicable to online delivery. Spending preferences also changed substantially across different types of goods. Healthcare was the only category to receive a net increase in spending by both Millennials and Gen Z. Spending in all other categories decreased with travel and entertainment having the largest net decreases across both generations.



Gen Z were quicker to adapt to online delivery as opposed to Millennials. For both generations, Cash on delivery was the most preferred mode of payment. Product and Brand reviews were the most important factor for both generations in the online setting. Gen Z were more price sensitive and gave more importance to affordability than Millennials.

Both generations largely believed that they would only expect the pandemic to be over after a vaccine is administered to the public. Expectations with regards to economic recovery showed little variation cross-generationally, as both were largely pessimistic, and expected a long recovery period. This trend also carried through into their expectations for when their own incomes would return to pre-pandemic levels, where Millennials seemed slightly more pessimistic than Gen Z.





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Minahil Fatima is a Junior at Lahore University of Management Science pursuing a double major in Economics and Mathematics. She serves as the Director Marketing at LCG, with the prerogative to formulate business affiliations, specific to LCG's brand. She loves dogs and likes to solve rubric's cubes of any and all manner.

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Ahmed Jarar Abbasi is a Sophomore at LUMS, currently pursuing a major in Management Science. At his time in LCG, Ahmed has delivered workshops on Market Research as a part of the Learning and Development department. His idea of the perfect hang out is going on a long walk with a good friend and talking your hearts out. He's passionate about psychology, philosophy and poetry.



Zainaab Basil

Zainaab Basil is a freshman currently studying Economics and Politics at LUMS. She has devoted her time with LCG to working on the client acquisition process, as well as developing the partnerships and clientele that the society caters to. She has a knack for random historical facts and literary analysis, and particularly enjoys such discourse.

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Shahmir is a Sophomore student at LUMS intending to major in Economics, At his time in LCG, Shahmir has worked extensively on knowledge creation within the society as part of the Learning and Development department. Beyond that, he is deeply passionate about debating and public speaking, and is an avid cricket fan.



Nawaal Siddique

Nawaal is a freshman enrolled in the Science and Engineering School at LUMS. As a member of the LCG, she aims to use her scientific research experience to diversify her skill set with management consulting and further polish her critical thinking abilities. Nawaal is also fond of classic Literature and actively participates in theatrical activities.

Safwaan Ghani

Safwan is a sophomore at LUMS with an intended major in Economics. During his time at LCG, he wants to analyze and engage with emerging tech-based startups in Pakistan. Outside of LCG, he has worked extensively with a B2B E-Commerce startup in its seed round. Safwan also loves to cook, his YouTube feed is filled with recipe videos for Italian dishes.

