

The Role of Communications in Tomorrow's World
Generating value and cultural change

The Era of Millennials: new business models and consumption patterns





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Massimo Costa
Country Manager WPP Italia

2018 will perhaps be remembered in Italy as the year of great changes. Or as the year of the beginning of great challenges, crucial for the growth of the country and its population.

The personalities that are part of the WPP Italia Advisory Board - whom I thank for their commitment to this activity - constantly monitor the movements and trends that signal changes in Italian social habits and consumption patterns. Over the years, this group of entrepreneurs and managers has changed in its composition, enriched with new points of view and energy, with the sharing of new and increasingly interesting experiences.

This ability to collect and analyze is one of the reasons that seven years ago led us to start a collaboration with The European House - Ambrosetti for the creation of the Advisory Board, to give support with facts and proposals to our belief that investment in marketing services and communication make a positive contribution to the stability of the Italian economic system and to the growth of exports.

Our observatory, during 2018, confronted in an original way on how our country is experiencing the "digital transformation" and how the various interlocutors of companies evolved. We have thus seen how the already well-known divisions between North and South, between men and women, between high and low purchasing power have become more acute and on how the understanding and adoption of new technologies have increased the distance between young and mature people.

The first generation of "digital natives" - the Millennials" - occupies an important place in all countries of the world, including Italy. Yet, while a new group of political leaders has managed to intercept well the needs and desires of many of these "young adults", addressing them directly, without intermediaries, thanks to digital platforms, companies have not always been able to do the same.

So in our country the Millennials - which have an impact on usages and consumption comparable to what the university students had in the '60s, without the violent outcome that characterized the student revolts of 50 years ago and that are transforming the world deeply, having become the backbone of it - have often remained far from the proposals and messages launched by companies and, despite having the means, do not participate in dialogue with the productive part of our society.

For this reason, our activity has focused on this part of the population, which Italian elites and leaders have not always been able to understand. We worked to interpret their expectations, to better participate in the new dialectic that distinguishes people between 20 and 34 years, to analyze the deep cultural change they activated, to guide the decisions of managers and entrepreneurs that impact young people, which often express paradoxes and contradictions.

The WPP Italia Advisory Board has elaborated methodologies to re-invent ways and systems to interact with Millennials, because the dialogue with them will allow companies to manage with greater efficiency both the process of continuous innovation that

characterizes this historical moment, and the speed of technological evolution, which is constantly accelerating.

The commitment of thought, analysis and comparison of WPP Italia and of the members of its Advisory Board was summarized by the Working Group The European House - Ambrosetti in this Position Paper.

We think it can be a contribution for companies operating in Italy, for entrepreneurs and managers, to be increasingly among the protagonists of the global market, where Italy must confirm its position by focusing on creativity, manufacturing capacity, a propensity for innovation and a dedication to the customer that our economic interlocutors do not always know and are not always ready to recognize.

KEY FACTS & FIGURES

WPP GROUP

WPP is a world leader in the marketing and communication services sector, in data collection, analysis and management technologies, in the management of channels and communication platforms. In particular it includes companies with leading market positions in:

- **Digital, e-commerce & shopper**
- **Advertising**
- **Media**
- **Data & Insight**
- **Public Relations & Public Affairs**
- **Brand Consulting**
- **Health & Wellness**

More than 150 companies belong to the Group: each of them has its own identity, is responsible for relations with its customers and is committed to developing and implementing its own specialized and distinctive skills. This is the strength of each brand and the ability to respond to the needs of the communication market in a targeted and effective way. Clients engaging with these companies seek talent, satisfaction and experience through a well-articulated, quality brand-by-brand system.

This is testified by results - awarded as "Holding Company of the Year" in the last 4 years by "Cannes International Festival of Creativity", "Effie Global" and "Warc 100" - and by the number of WPP companies that work with:

- **369 of the Fortune Global 500 companies**
- **All the 30 companies of the Dow Jones 30**
- **71 of the NASDAQ 100 companies**

A total of 200,000 people work for the WPP companies, in 3,000 offices spread over 112 countries. In Italy the Group is present with 55 companies active in the various areas, for a total turnover of over 400 million euros and about 2,500 employees.



MISSION, LOGICS AND OBJECTIVES OF THE ADVISORY BOARD WPP / THE EUROPEAN HOUSE – AMBROSETTI

1.1. THE ADVISORY BOARD AND THE OTHER ACTORS OF THIS INITIATIVE

This Position Paper summarizes the reflections and results of the seventh work cycle of the WPP / The European House - Ambrosetti Advisory Board, founded in 2012 with the aim of providing solid and conscious responses to the major challenges facing businesses that deal with communication in Italy and, at the same time, provide a new perspective on **the role of the communication sector for the growth and competitiveness of our country.**

The project is supported by an Advisory Board that includes some prominent personalities from the world of Italian communication and entrepreneurship, selected for their experience and expertise on the subjects of in-depth analysis and investigation and for their ability to be accredited and high-ranking opinion leaders profile in their respective sectors.

The 2018 Advisory Board is composed by:

Aldo Bisio *CEO, Vodafone Italia*

Fabio Caporizzi *CEO, Burson-Marsteller Italia*

Silvia Candiani *CEO, Microsoft Italia*

Massimo Costa *Country Manager, WPP Italia*

Marco Costaguta *Fast Moving Consumer Goods Expert e Presidente, LTP*

Valerio De Molli *Managing Partner & CEO, The European House – Ambrosetti*

Luca Garavoglia *President, Davide Campari*

Monica Maggioni *Journalist, former President RAI*

Francesco Pugliese *CEO, CONAD*

Gabriele Salvatores *Director and screenwriter*

Cristina Scocchia *CEO, KIKO*

Daniilo Taino *Columnist, Corriere della Sera*

Andrea Zappia *CEO, SKY Italia*

The Advisory Board operates with a variable geometry and each meeting benefits from the contribution of external participants involved, based on the topics of the meeting. We thank for the contributions offered on this year's itinerary:

Massimo Beduschi *CEO, GroupM*

Federico Capeci *CEO, Italy Kantar Insights*

Giuseppe Stigliano *Executive Director Europe, AKQA*

The initiative and the Position Paper are edited by the Working Group of The European House – Ambrosetti, composed by:

Cetti Lauteta (Consultant, Scenarios and Strategy Area)

Riccardo Maria Barchiesi (Consultant, Scenarios and Strategy Area)

Monica Mantovani (Analyst, Scenarios and Strategy Area)

Loredana Zaccuri (Project secretariat)

Valeria Casati (Project secretariat)

We would like to thank in particular for the contributions offered to the creation of this Position Paper **Federico Capeci** (CEO, Italy Kantar Insights), **Fabio Caporizzi** (CEO, Burson -Marsteller Italia), **Massimo Beduschi** (CEO, GroupM) and **Giuseppe Cariello** (Graphic Designer, Burson-Marsteller Italy).

For the in-depth analysis, the Working Group, in addition to research on specific issues carried out autonomously, has treasured the precious reflections already contained in proprietary and non-proprietary documents, which are summarized below:

- **Post Millennial Marketing: Marketing di nuova Generazione**
Federico Capeci, 2017
- **#Generazione2.0**
Federico Capeci, 2014
- **Obiettivo Crescita. Cosa possono fare le imprese e lo Stato per tornare a far crescere l'Italia**
The European House – Ambrosetti, 2018

1.2. MISSION, OBJECTIVES AND LOGICS OF THE INITIATIVE

The mission of the initiative “**The role of communication for the society of tomorrow - generating value and cultural change**” is:

To contribute to promoting the development of a greater awareness of the role and importance of communication not only to improve the business results of companies but - and above all - to create value, employment and growth

The project therefore intends through the creation and transfer of a new approach to the world of communication:

- reaffirm the importance of the contribution of communication as a **strategic asset of the country system**;

- draw closer to the market and to customers, also and above all to small and medium-sized enterprises, which make up the majority of the Italian productive fabric, enhancing **consulting and accounting expertise**, the ability to offer support in internationalization processes and to target markets and target consumers;
- collaborate with institutions and other public and private organizations (such as universities) in order to constantly update the skills of professionals in the sector, adapting them to the needs of the market;
- build **professionalization and career paths** to train a new generation of “marketing people” capable of thinking and acting in a strategic way;
- develop solutions and strategies to attract the **best international skills and professionalism**;
- to promote greater **transparency and governance in the management of consumer and business data**.

Each year, the Advisory Board addresses both specific issues for relaunching the competitiveness of the communication sector and some major national issues that directly and indirectly impact the performance of communication companies. In this sense it represents a platform for processing strong messages of change and ideas for the growth of the country, aimed at policy makers, businesses, consumers and, above all, communication companies.

Italy, between 2014 and 2017, has accumulated a strong delay **in terms of growth of the Gross Domestic Product (GDP)** against the main global peer countries: 5.5 percentage points distance ourselves from US, 5.2 from the OECD average and 4.5 from the main European countries.

As will be explored in the development of this Position Paper, looking at Italian productivity, we notice that for almost twenty years it is subject to a progressive stagnation, which has triggered a slowdown in the effective and potential growth rate of the country's economy.

The reasons are many. In fact, in addition to the classic components able to explain GDP growth (labor productivity and capital productivity), exists, what we call “**System Energy**” namely the contribution to growth in terms of positive spillovers deriving from good managerial practices, digitalization, regulation and quality of the economic environment. These are the dimensions of performance that, in our approach, slow down the growth of Italy: we have not yet reached a level of digital maturity adequate to fully exploit the potential of our country (digital energies); the labor market does not facilitate generational change and sees **Millennials and Generation Z** in greater difficulty (talents' energies); there is a dimensional problem that limits the potential of the competitive fabric and the same also affects the quality of management, which is penalizing if compared with the results obtained by the main European peers (size and managerial energy)¹.

Starting from these general considerations, during the course of this year, the Advisory Board focused primarily on digital and talents' energies and, in particular, set itself the goal of **analyzing and understanding the characteristics of the new generations**, with the aim of giving back to the world of institutions and businesses a picture of what is and will be their market, but also and above all the “beating heart” of the country in terms of management and workforce.

¹ - The in-depth analysis of the dynamics just mentioned can be found in chapter 4 of this paper.

Millennials and Generation Z (the ones born between 1985 and 2009), overall, make up the **Post Millennials** generation, on which today the business community and the media focus a lot of attention. Globally, the generation of Post Millennials accounts for 40% of the total population and it is estimated that in Italy, by 2050, it will weigh more than 70% of the population.

These generations – to which correspond a series of characteristics in terms of tastes, preferences, experiences and processes of consumption - are up to the task of becoming the engine and protagonist of the development of Italy. The generations that have long held the fortunes of the country, however, are up to understand how (with which tools and methodologies) to facilitate greater participation of Post Millennials in the world of work and consumption, with the goal of increasing the overall attractiveness of the country, in a global competitive context.

The Advisory Board 2018 dealt with these and other issues, detailed in the following Position Paper.

From these reflections clearly emerge the characteristics and needs of those generations that are present and will be the future of Italy and that directly and indirectly affect the communication sector.

Furthermore, the initiative - through the **Why Italy is definitely alive & kicking** pamphlet and the Final Forum - continues to give voice to some of the most interesting case studies of Italian entrepreneurship, excellence and success, with the aim of showing international markets how our country is able to produce value, reinvent markets, build new business models, offer successful products and services.

In the six previous editions, the Advisory Board wanted to celebrate different excellences and examples of entrepreneurship and innovation, shown below.



Figure 1.1. Why Italy is definitely alive and kicking: the past years' best cases. Source: elaboration The European House – Ambrosetti, 2018.

Thanks to these companies, Italy “challenges” some clichés about their real competitive capabilities, often fueled by positioning in the main international rankings that are not particularly promising² and demonstrates, with concrete cases, that in our country it is still possible to do business.

In this year's Pamphlet³ we chose to tell the story of 10 other successful companies, dividing them into two groups that define the ‘Reason Why’ and the leitmotif of our story:

- **Best Case:** to enhance some distinctive features of the way of doing business in Italy, bringing out some companies that have distinguished themselves for particular levels of competitiveness and orientation towards innovation;
- **Investimenti Diretti Esteri (IDE):** to analyze some cases of acquisitions that contribute to improving the image of Italy in the world.

The successful cases selected this year with the contribution of the Advisory Board are: Scavolini; Total; Interpump Group; Enel X; Conad; IMA; Propeller; Kiton; ISA; STMicroelectronics.

SELECTION CRITERIA

- 1 Best Cases** Valorization of some **enhancement of distinctive features of the way of doing business in Italy**, highlighting some companies that have distinguished themselves for particular levels of competitiveness, orientation towards innovation and internationalization, also through acquisitions.
- 2 Foreign Direct Investments** Focus on the phenomenon of **FDI towards our country** to analyze cases of acquisitions / productive investments that contribute to improving the image of Italy abroad.

SELECTED COMPANIES



Figure 1.2. Why Italy is definitely alive and kicking: the criteria of choice and the Best Cases of 2018. Source: elaboration The European House - Ambrosetti, 2018.

These companies are not necessarily the best and most innovative in their sector, nor are they the only successful cases, but their strategic and investment choices bear witness to the quality of Italian “know how”.

Thanks to these stories, in 2018, we can continue to communicate an Italy that, despite everything, is undoubtedly alive and kicking.

2 - Our country is 8th in the world by GDP, 4th for added value produced by the manufacturing industry and 9th for export, as well as being the 1st European country by number of references per researcher and the 1st country in the world by number of publications scientific studies for researchers in the last decade. On the other hand, in many international rankings, it occupies rearward positions: for example it is 43th in the 2017-2018 Global Competitiveness Index, 46th in the 2018 Ease of Doing Business, 52nd in the 2017 World Press Freedom Index (behind Costa Rica, Namibia and Uruguay) and 60th in the Corruption Perceptions Index 2016 (behind Rwanda, Botswana and Ghana). For further information, refer to the “Global Attractiveness Index: the true thermometer of the attractiveness of a country”, The European House - Ambrosetti, 2018 (www.ambrosetti.eu/global-attractiveness-index).

3 - For further information, refer to the Pamphlet “Why Italy is definitely alive and kicking”, 2018, available at www.ambrosetti.eu.

1.3. 2018 INITIATIVE'S ACTIVITIES

This year initiative has been divided into three meetings of discussion and analysis, a high profile and international forum (Milan, 16 November 2018) and some one-to-one meetings with national and international experts on the topics covered.



Figure 1.3. 2018 activities of the WPP / The European House – Ambrosetti Advisory Board.
Source: elaboration The European House – Ambrosetti, 2018.

This year the working group has identified **three priority themes for reflection**, which were deepened in the three meetings of the Advisory Board and which represented the starting point for the elaboration of an overall and exhaustive vision not only of the Italian socio-economic situation, but also of the role that the different actors (policy makers, companies, operators in the communication sector, etc.) can play in reviving the country, through a more careful and realistic activity of understanding the Millennials and the Generation Z.

The themes were dealt with across the three meetings and benefited not only from the contribution of all the Advisors of the initiative, but also from some more specific external contributors:

- **“The era of Millennials: buying behavior and new business models”**
(Milan, 4th April), with external contributions of Massimo Beduschi (CEO, GroupM) and Federico Capeci (CEO, Italy Kantar Insights).
- **“The role of the cultural and creative industry and of young people for the future of the country”**
(Milan, 11th June) with external contributions of Massimo Beduschi (CEO, GroupM) and Federico Capeci (CEO, Italy Kantar Insights).
- **“Millennials and skills: which recipe for the country?”**
(Milan, 3rd October) with external contributions of Massimo Beduschi (CEO, GroupM), Federico Capeci (CEO, Italy Kantar Insights) and Giuseppe Stigliano (Executive Director Europe, AKQA).

The main results of the initiative are presented and discussed at the seventh edition of the Forum **“The role of communication for the society of tomorrow - Generating value and cultural change”**, held in Milan on the 16th of November 2018. The Forum, entirely dedicated to Millennials, it has now established itself as a recurring appointment, to discuss strategic issues for the future of the country, thus consolidating a point of reference for all the major operators in the world of communication in Italy.



A SNAPSHOT OF MILLENNIALS IN ITALY AND EUROPE

2.1. BABY BOOMERS, GENERATION X, MILLENNIALS, GENERATION Z: FOUR GENERATIONS COMPARED

At this moment in time there are individuals from different generations who are cohabiting our planet. Each generation brings with it its own historical, cultural and experiential baggage that allows it to **uniquely interpret the reality** in which it is immersed and forge original relationships, as well as express unprecedented modes of consumption. Identifying the key characteristics of each generation makes it possible to understand the universe of individuals who every day interact and move around within complex social-economic circles.

	Silent Generation	Baby Boomers	Generation X	Millennials	Generation Z	Generation Alpha
Year of birth	Before 1945	Mid 1940s Mid 1960s	Mid 1960s Mid 1980s	Mid 1980s End 1990s	2000 2009	Since 2010
Reference age	75 years and over	50-74 years	35-49 years	20-34 years	10-19 years	Below 10 years

Figure 2.1. Segmentation of the population by age.
Source: The European House – Ambrosetti elaboration based on Kantar data and a number of other sources, 2018.

Individuals born since 2010 belong to “Generation Alpha” and they are preceded by “Generation Z” that includes those born between 2000 and 2009. All individuals born between 1985 and 2000 are referred to as “Millennials”, whereas those born between the mid-1960s and 1980s belong to the so-called “Generation X”. Finally, it is possible to identify those born between the mid-1940s and the mid-1960s as “Baby Boomers”, preceded by the “Silent Generation” of individuals born before 1945.

An examination of the **European context** reveals how, out of a total of almost 739 million people, on average 30% are Post-Millennials, with slightly higher percentages in Eastern and Northern European countries. The previous generations make up 11%, whereas the later generations account for 59%. The graphic below provides a generational snapshot of Italy, compared with the other main European peer-groups: the United Kingdom, Germany and France.

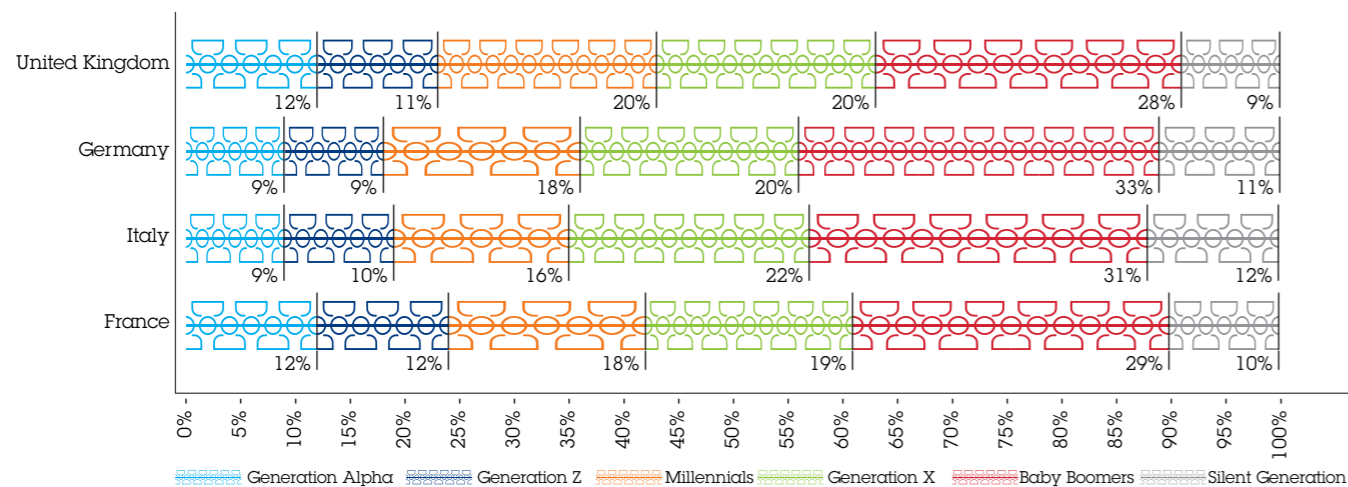


Figure 2.2. Breakdown of the population by age bracket and geographical area (percent), 2017. Source: The European House – Ambrosetti elaboration of UN data, 2018.

The generation of individuals born since 2010, the so-called “Generation Alpha”, is today under the age of 10 and represents between 9% and 12% of the population. This is followed by “Generation Z” (aged 10-19) with similar percentages. As already stated, Millennials (aged 20-34) represent roughly 20% of the total population, with slightly lower percentages in Italy, which is on a par with “Generation X” (aged 35-49), that shows a slightly higher percentage in Italy compared to the other European countries examined. Finally, there are the “Baby Boomers” (aged 50-74) that make up the largest section of the population, 30% on average, followed by the “Silent Generation” (aged 75 and over).

A look at the international scenario reveals how the less-economically developed geographical areas have a higher percentage of 10 to 34-year-olds, compared to more developed areas, with percentage levels of 46% in Africa and 42% in Latin America and the Caribbean.

Geographical Area	Total population (thousands)	Previous gener. (percent)	Post-Millennials (percent)	Post-Millennials (thousands)	Later gener. (percent)
World	7,349,469	18%	40%	2,961,888	42%
- Africa	1,186,177	29%	46%	546,249	25%
- Europe	738,442	11%	30%	221,192	59%
- Eastern Europe	292,944	11%	32%	93,014	57%
- Northern Europe	102,357	12%	31%	31,826	57%
- Southern Europe	152,347	10%	27%	41,047	63%
- Western Europe	190,793	10%	29%	55,304	61%
- Latin America and Caribbean	634,384	17%	42%	268,972	41%
- North America	357,838	12%	34%	120,151	54%
- Oceania	39,331	16%	37%	14,555	47%

Figure 2.3. Breakdown of the population by age bracket and geographical area (thousands and percent), 2017. Source: The European House – Ambrosetti elaboration of UN data, 2018.

Millennials and Generation Z collectively make up the **generation of Post-Millennials** upon whom the business community and media currently focus a great deal of attention. Many fashion houses choose them as endorsers and target them for their advertising campaigns, publishers and marketing companies dedicate websites and publications to them, and for many organizations they are the most representative reference sample for defining new marketing strategies.

On a global level, the generation of Post-Millennials makes up **40% of the total population** with advanced economies, along with China, showing rates that are below the global average. This is the largest generation ever and it is worth considering that by the year 2020 it will represent at least 50% of the world's workforce.

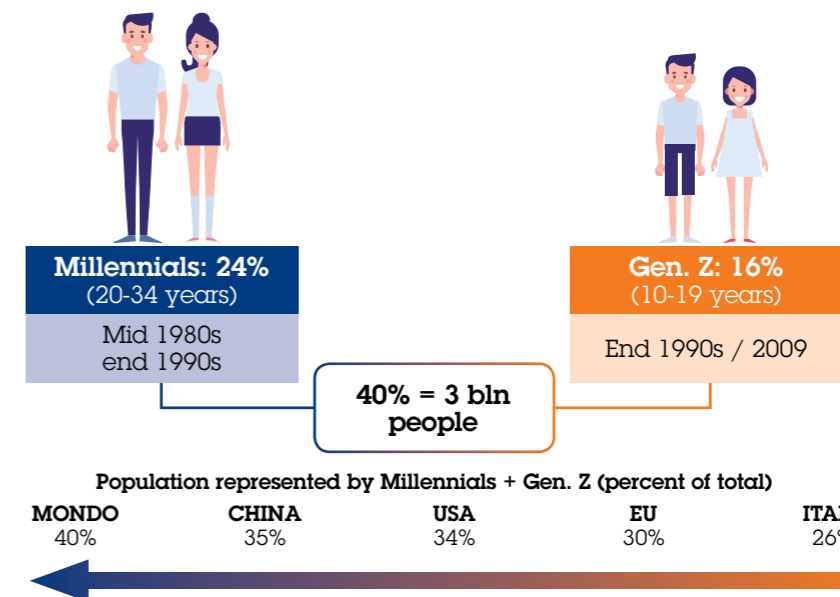


Figure 2.4. Percentage of the population represented by Millennials and Generation Z, world, China, USA, EU and Italy (percent), 2017. Source: The European House – Ambrosetti elaboration of Kantar and GroupM data, 2018.

As previously stated, belonging to a given generation is reflected in the sharing of a series of characteristics when it comes to tastes, preferences, experiences and consumer practices.

In our understanding, therefore, the concept of generation does not refer to an age bracket (a criterion for subdividing the population characterized by a high level of variety among the individuals belonging to each category), but rather, to a span of years within which individuals were born who share a **specific vision of the future and buying habits**—acquired following disruptive technological, social and/or economic events—that distinguish them from past and future generations.

Identifying the specific characteristics which define the generation of Post-Millennials therefore represents a very important **competitive factor** for businesses that intend equipping themselves with the capability of establishing and managing a relationship with their clients. The composition of this group, in fact, is changing rapidly, together with the critical factors for success that guarantee a correct positioning and market presence.

If consumers born before the 1980s still represent **65% of the total in Italy**, the global average today stands at 42%, with the new generations reaching increasingly greater numbers in terms of presences in the labor and consumer market.

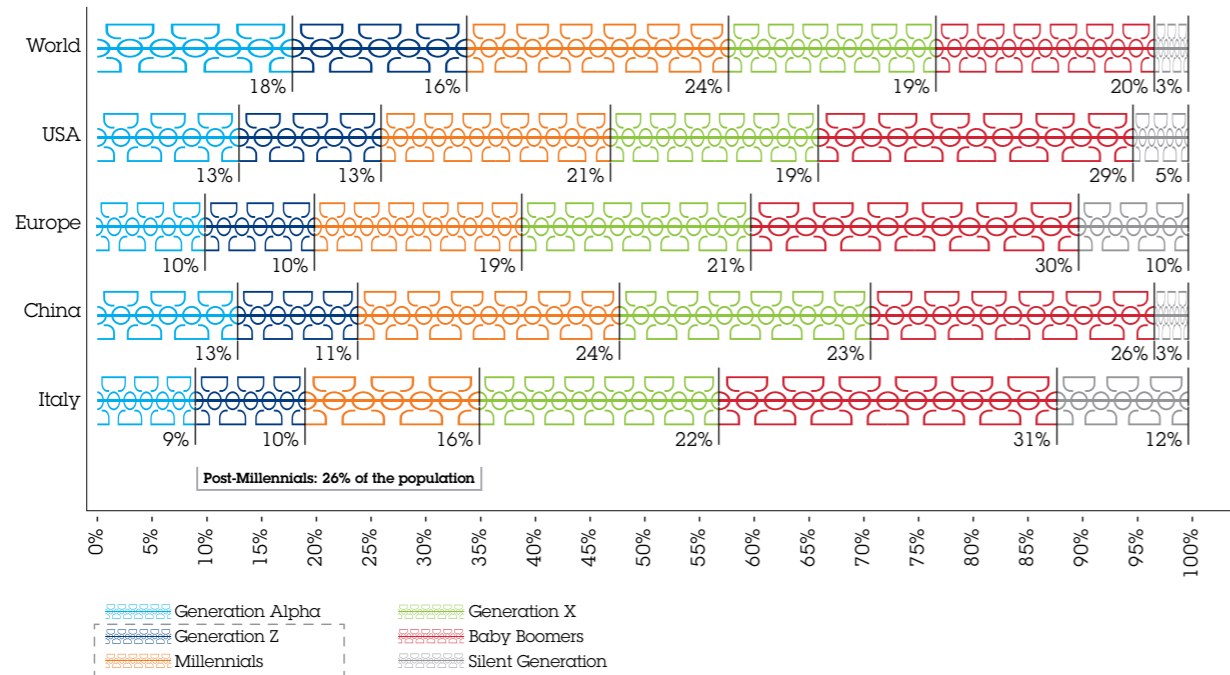


Figure 2.5. Generational break-down of the population (percent), 2016. Source: The European House – Ambrosetti elaboration of Kantar data, 2018.

This means that **all businesses are already deeply affected by the dynamics of consumption and behavior of the younger generations**, that it is estimated will also make up more than 70% of the population in Italy by 2050.

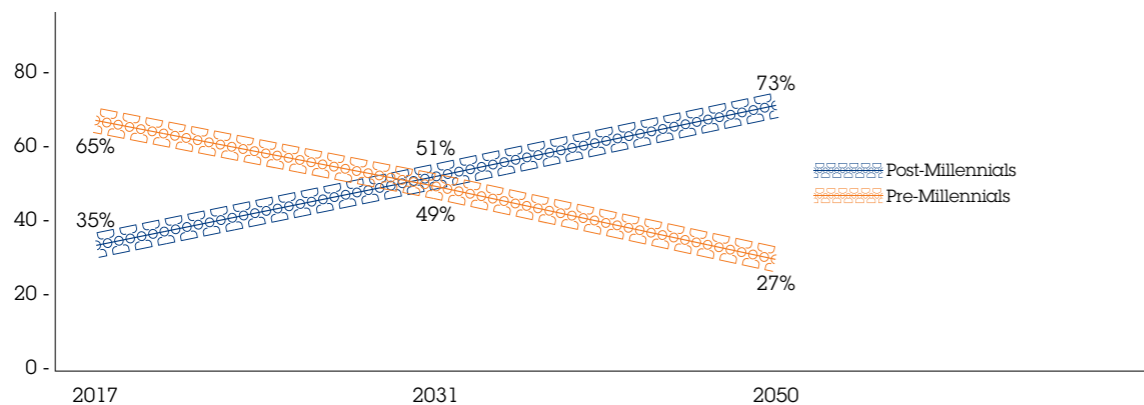


Figure 2.6. Evolution of the population belonging to the Post-Millennials, Italy (percent), 2017-2031-2050. Source: The European House – Ambrosetti elaboration of data from Federico Capeci, author of “Post Millennial Marketing”, 2018.

A closer look at the Italian Millennials (which represent the age bracket of the Post-Millennials group for which data is currently available¹), reveals that **approximately 60% of them are currently aged between 25 and 34**, that they are equally divided in terms of gender and that they reside above all in the north of Italy (42%), followed by the south and the Italian islands (39%) and the central part of the country (19%). Moreover, they experience **situations and life moments that are profoundly different** from each other. Whereas 17% of young people aged between 25 and 34 are married, **83% are single** and of these, **63% still live with their parents**. A look at the level of education among Millennials reveals yet another polarity. On the one hand **27% hold a degree**, whereas the other 26% of young people gave up studying when in primary or secondary school.

1 - Italy's Generation Z is currently made up, in the main, of individuals who have still not reached legal age, for whom published figures concerning behavior and purchasing choices are not available.

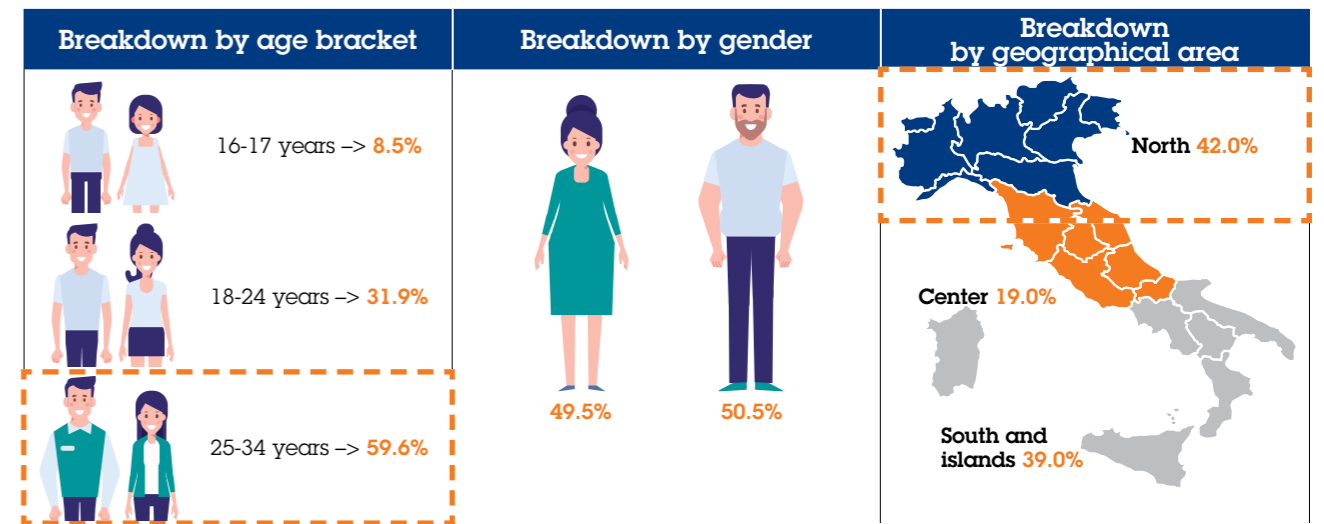


Figure 2.7. Breakdown of Millennials by age bracket, gender and geographical area, Italy (percent), 2016. Source: The European House – Ambrosetti elaboration of Istat and Assogestioni data, 2018.

When one looks at the economic context, however, what emerges is the fact that **89% of families that include a Millennial are living in absolute poverty** whereas **12% live in conditions of relative poverty**.

2.2. THE DISTINCTIVE CHARACTERISTICS OF MILLENNIALS

In 2013, the weekly magazine, Time, defined Millennials as “lazy, superficial and narcissistic” (the “Me, Me, Me Generation”). To understand them fully it is essential to make an intergenerational comparison with regard to the different value sets that characterize Baby Boomers, Generation X and all those born after the mid-1980s (Millennials, Generation Z and Generation Alpha).

To a certain extent, these value sets can be traced back to the historical pathways experienced by the different generations. From this standpoint, Millennials are a generation with specific characteristics that have their origin in a **value set that cannot be overlapped with those of previous generations**, given that they are the result of one of more events that have determined a clear break with the past, the first of these being the economic crisis and the 4.0 Revolution.

Baby Boomers	Generation X	Millennials + Generation Z
Idealism	Skepticism	Pragmatism
Optimism	Suspension of Judgment	Realism
Tomorrow	Today	Always
Beginning	Achievement	Initiative
Set a Goal	Follow a Direction	Seek the Conditions
Do	Be	Know
Us	Me	Others
Make the Difference	Be different	Join the Difference

Figure 2.8. Distinctive characteristics of Baby Boomers, Gen X, Post-Millennials and Generation Z, Italy, 2017. Source: The European House – Ambrosetti elaboration of data from Federico Capeci, author of “Millennial Marketing”, 2018.

As do other analyses on younger populations, the Time article provides a picture of this new class of consumers and workers which is not exhaustive. In the case of Millennials, in fact, **the attention to 'others', the tendency to share and willingness to receive and search for information** are some of the more characteristic behaviors and this can also be found if one delves deeper into their purchasing and consumer preferences.

Millennials prefer **sharing rather than owning** and if there is one characteristic that sets them apart from previous generations it is, in fact, the disinterest for—and in certain cases rejection of—the 'status symbols' of the past (such as owning one's own home and car). To quote a few more examples, Millennials listen to music on platforms like Spotify (where it is possible to share preferences and tastes with others), shop on Amazon, use car and bike sharing services and choose Airbnb when traveling (the on-line portal that allows people to stay, for short periods, in the homes of private individuals who offer a room or even an entire property).

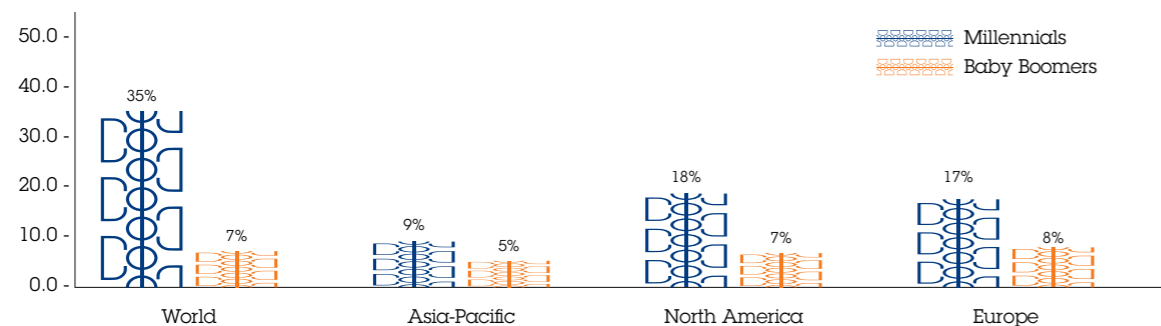


Figure 2.9. Percentage of Millennials and Baby Boomers willing to use shared products or services (percent), 2017. Source: The European House – Ambrosetti elaboration of The Millennial Survey, COOP and Nielsen data, 2018.

The younger generations, moreover, are mindful of the **environment** and **sustainability** issues:

- 76% are influenced by issues that have to do with the environment when making purchasing decisions (as opposed to 66% of Baby Boomers);
- 43% read the labels to check out the social and/or environmental impact of products (as opposed to 34% of Baby Boomers);
- 51% are prepared to pay a premium price for brands considered sustainable (as opposed to 47% of Baby Boomers);
- 85% of Millennials take an interest in the method of production (as opposed to 67% of Baby Boomers).

This type of trend indicates a greater attention to the consequence of their consumption on others, but also on the environment, which is an increasingly significant tendency compared to what was seen with past generations.

Even the **tendency to want to be informed** before making a consumer choice appears to be growing. In fact, 80% of Millennials wants detailed information about a product before buying it (as opposed to 63% of Baby Boomers) and 85% take an interest in the product's method of production (67% of Baby Boomers).

The gathering of this information is also possible as a result of the potential of the new technological and digital tools they have at their disposal, which allow them to access a huge number of sources with no space or time restrictions.

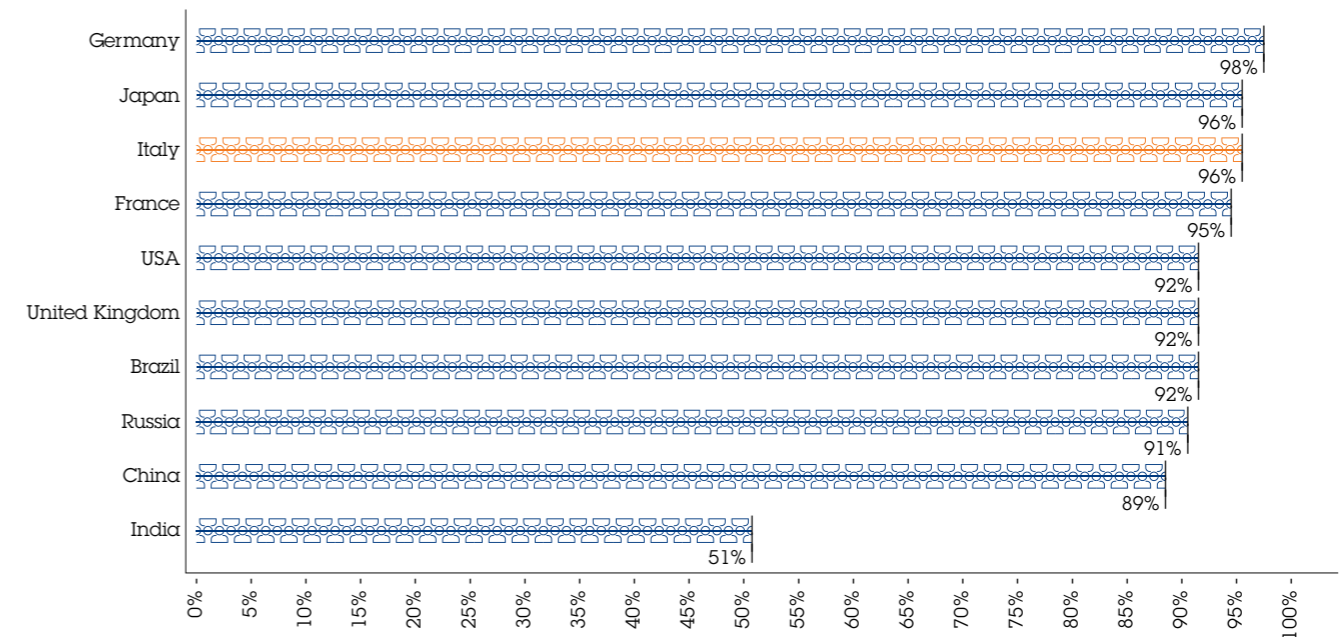


Figure 2.10. Millennials who connect to the Internet in some countries (percent), 2017. Source: The European House – Ambrosetti elaboration of Google Consumer Barometer, Kantar data, 2018.

Born into the digital age, Millennials have access to a **multiplicity of means of communication and assessment** and attribute to each of these a different level of credibility, with differences in the values if one compares the attitudes of Italians with those of the rest of the world (underscoring the fact that, in the near future, such variances could reasonably cancel themselves out).

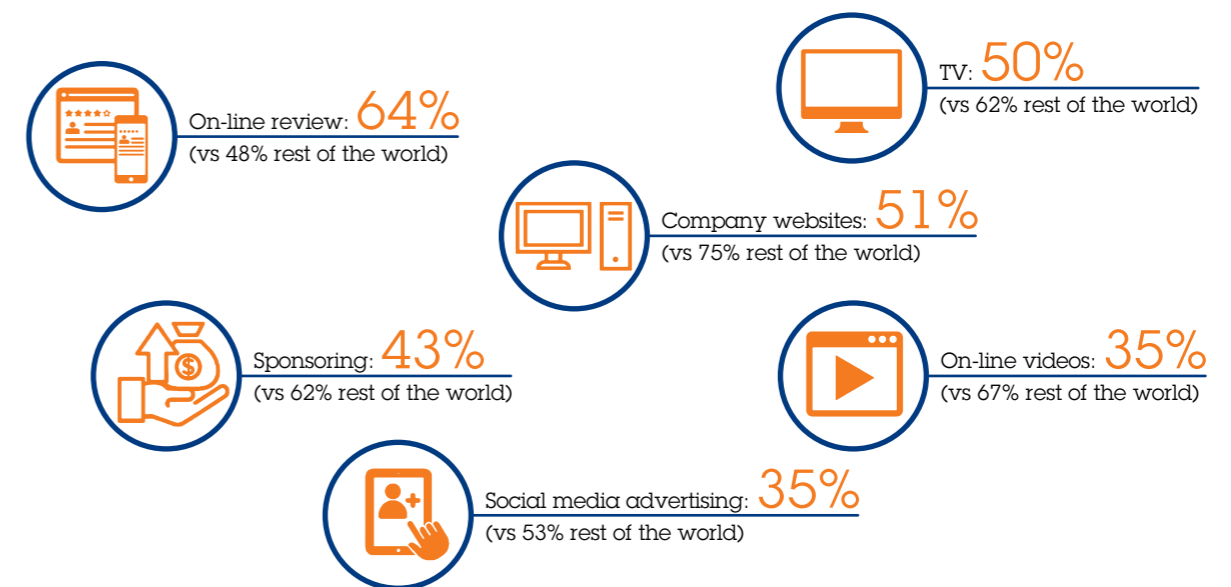


Figure 2.11. Italian Millennials who consider a particular means of communication reliable, Italy and the rest of the world (percent), 2017. Source: The European House – Ambrosetti elaboration of COOP, Nielsen and Assogestioni data, 2018.

In terms of fruition of the different means of communication, also the hierarchy among the media is changing and for some time now it is no longer a new phenomenon, but is directly correlated to the generational shift underway. All those born after the 1980s reach very high levels of daily media penetration using desktops and mobiles (up to 66.5%) and the mobile channel has the greatest reach.

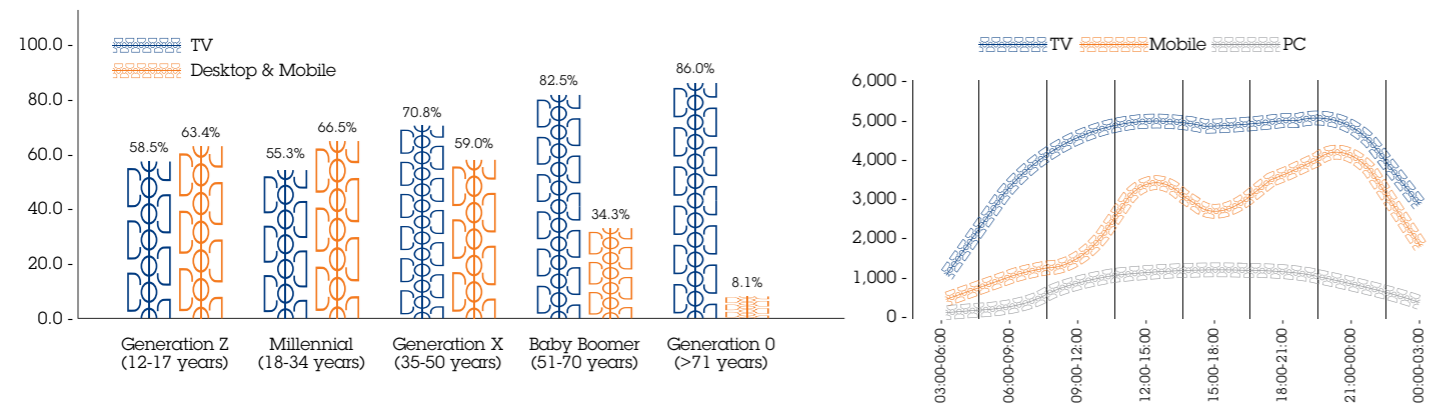


Figure 2.12. Comparison of penetration, percent (left), and reach with Millennials of the main media channels, thousands by time slot (right), 2016. Source: The European House – Ambrosetti elaboration of GroupM data, 2018.

A trend that needs to be highlighted which affects all industries, and particularly the creativity and culture sector,² is the one linked to the way Millennials interpret the world and which is erroneously referred to as “nostalgia for the past”. Increasingly, in all forms of entertainment, a massive return to elements more or less revisited (re-boots) from the past can be seen. If one takes the example of the return of the Star Wars saga to cinemas (to quote just one of many examples), the success of TV series that hinge on the iconic things left to us by the '80s (the Netflix series Stranger Things for example), or even the return to fashion, in more or less niche environments, of music genres from past historic periods or methods of playing music that combines the new and the old.

With regard to this last point, a recent study by ICM Research shows how almost 35% of those purchasing vinyl records are aged between 25 and 34. Moreover, many of them do not own a vinyl record player. A desire for material collecting, therefore, that is often generated by a modern and dematerialized mode of musical consumption. 45% of those purchasing vinyl first hear the album via a music streaming service. What can be seen in these types of behavior is more a desire to return to the physical dimension, rather than simply a nostalgia for the past (especially considering that the young people about whom we speak have not even experienced that past).

The same type of trend, but one that is the opposite of what we are commonly led to believe, can be found in the world of publishing. A study by the University of Alabama on the habits of students aged 18 to 25 has revealed that some 73% of Millennials read one magazine a month, only 4% read the digital versions on tablets and 27% read magazines on social networks and related sites.

The expectation, finally, is that there will be a major revolution involving the film world. Only 18.6% of Millennials go to the cinema more than once a month to see a film and 81.4% only go once or less. The 2018 Cinema Report by the Fondazione Ente dello Spettacolo, highlights how the major driver that attracts young people towards cinemas is the offer of a more affordable price (46.4% of Millennials interviewed in the Youth Report gave this answer) followed by, among others, features such as the existence of concessions for young people (16.6%), more leisure time available (11.1%) and the proximity of cinemas to where

they live (10.5). The type of cinema that is preferred has also shifted towards a type of usage that is more centered on other services. Given the same programming, 66.3% of Millennials favor a multiplex packed with services, as opposed to a small family-type environment. Staying in the world of films, the genre of movie most enjoyed by younger members of the population are: comedy (21.5% of the preferences), thrillers (17.5%), fantasy (14.5%) and adventure (11.8%). 34.1% of young people, moreover, favor TV series to movies, and 35.4% of those questioned expressed no particular preference for either of the formats.

Speaking of the future of films, what has been noted is the urgency to find the right means with which to attract young people, including from the standpoint of the future. If for 53% of them the cinema will retain its function and appeal even in the future, 47% thought it more likely that they would watch movies privately on-line and on hi-tech devices. An excellent signal comes from specific sub-segments in the cluster of Millennials: belief in the future of cinemas remains above all with the youngest (55.8% of under 25s as opposed to 51.5% of over 25s) and the graduates (58.2% as opposed to 53.4% of those with high-school diplomas and 47.5% of those with lesser educational qualifications).

The cultural and creative industry and Millennials: a new paradigm for creating value

For Italy's cultural and creative industry to express its full potential and ensure it delivers sustainable performances, even in the future, it has no choice but to come to grips with that grouping that will one day constitute the highest percentage of the population: the Millennials.

In 2016, the cultural and creative industry generated value added of €89.3 billion, almost 6% of Italy's GDP, with a level of employment that was slightly over 6.0% of the country's workforce. The impacts of the cultural and creative industry appear even more significant when considering the sector's trend between 2015 and 2016, which saw value added and employment increase by +1.8% and +1.5% respectively, against an Italian economy that, as a whole, recorded +1.5% in GDP and +1.3% in employment.

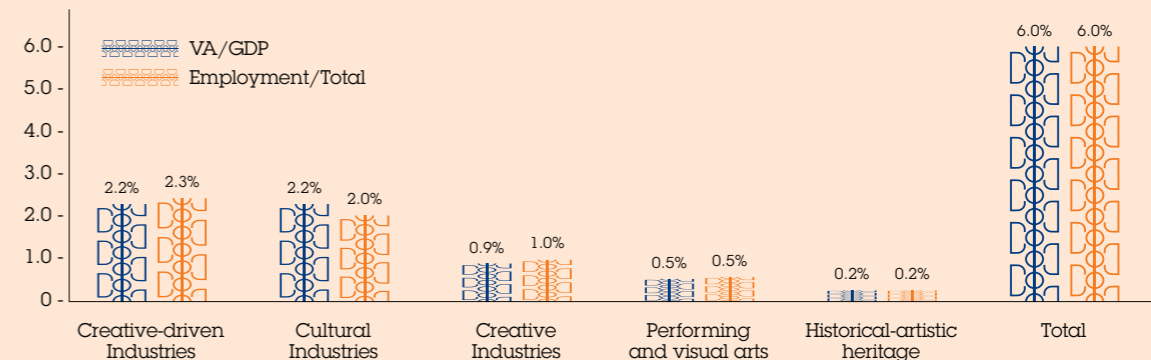


Figure 2.13. Contribution to GDP and national employment of the creative and cultural industry, Italy (percent), 2016. Source: The European House – Ambrosetti elaboration of Fondazione Symbola and Unioncamere data, 2018.

A look at the aggregates that make up the cultural and creative industry as a whole shows how the cultural industries (film, music, radio, TV, video games and software, publishing and media) are those that have the greatest impact on the country's economic performance, with a contribution to the cultural and creative system of 37.1% in terms of value added and 32.9% in terms of employment.

2 - The cultural and creative sector includes the creative industries (architecture, design and communication), the cultural industries (movies, music, radio, TV, video games and software, publishing and media), the promotion of the historical-artistic heritage (museums, libraries, archives and monuments), the performing and visual arts (live shows and visual arts) and the creative-driven industries (all those economic activities not strictly attributable to the cultural dimension but characterized by synergies with the sector). Source: ISTAT and Unioncamere, 2018.

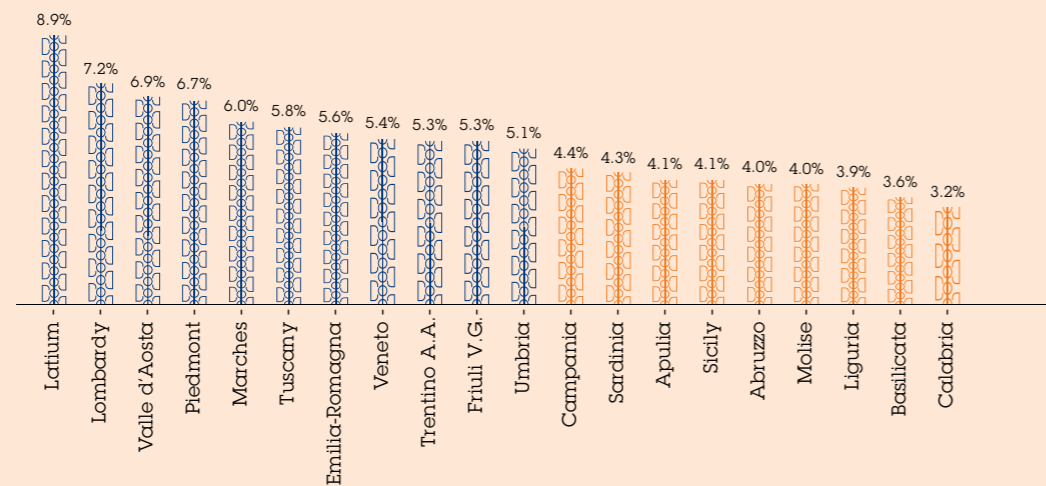


Figure 2.14. Value added of the cultural and creative productive system in Italian regions (percent of the economy), 2016. Source: The European House – Ambrosetti elaboration of Fondazione Symbola and Unioncamere data, 2018.

The strong spin-offs created by the metropolitan areas in relation to the cultural and creative industry means that the impact of the value added to the local economy is greater in the regions in which Italy's large cities are based. In first place is Latium (8.9%) followed by Lombardy (7.2%), the Valle d'Aosta (6.9%), Piedmont (6.7%) and the Marche (6.0%), the only regions to have recorded an impact equal to or greater than 6.0%, in terms of value added.

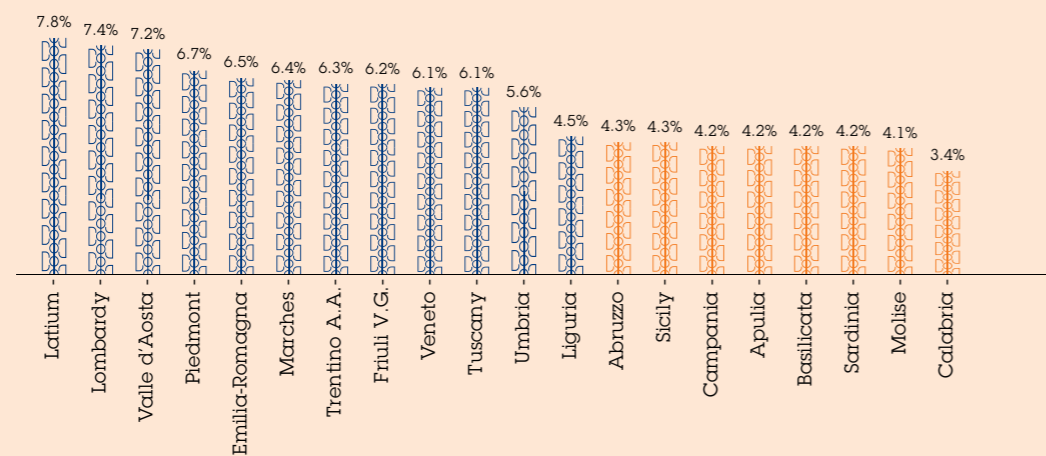


Figure 2.15. Employment in the cultural and productive system in Italian regions (percent of the economy), 2016. Source: The European House – Ambrosetti elaboration of Fondazione Symbola and Unioncamere data, 2018.

Looking at the regional results, it could be inferred that the wealth of the territories is closely correlated with cultural and creative specialization, since the north-south dichotomy that can be observed for the entire economy can also be found with reference to this sector.

Moreover, when looking at the economic impacts, it is very important to bear in mind that, alongside all the other sectors, the cultural and creative industry activates an extended supply chain, both up and downstream, with the generation of value added and employment that can therefore be traced indirectly to it. In particular, in terms of value added, the multiplier for the cultural and creative industry stands at 1.78% (for each euro of value added created by it, 1.78 are produced along the supply chain), with the creative industries (architecture, design and communications) and the creative-driven activities occupying first place among the sector aggregates, in terms of the capacity to generate indirect impact, with a multiplier of 2.20.

	Multiplier
Creative and creative-driven industries	2.20
Historical-artistic heritage	2.09
Cultural industries	1.29
Performing and visual arts	1.21
Total	1.78

Figure 2.16. Multiplier of the value added of the sector aggregates of the cultural and creative industry, 2016. Source: The European House – Ambrosetti elaboration of Fondazione Symbola and Unioncamere data, 2018.

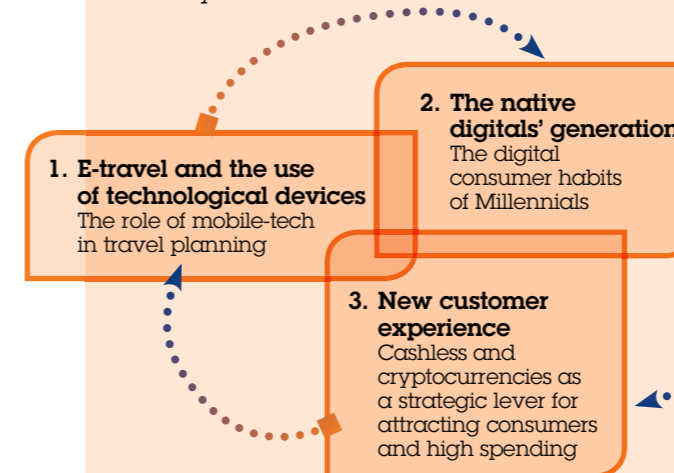
In addition, the indirect impact of the cultural and creative industry on the Italian economy generates €160 billion of value added (10.7% of GDP). The overall impact to be taken into account is €250 billion of value added (approximately €90 billion of direct impact plus €160 billion from the "activation" of the supply chain—indirect impact), the equivalent of 14.49% of GDP for 2017.



Figure 2.17. Direct and indirect impact of value added of the cultural and creative industries on the Italian economy (billions of €), 2016. Source: The European House – Ambrosetti elaboration of Fondazione Symbola and Unioncamere data, 2018.

The performance of the Italian cultural and creative industry represents a lever for the Italian economic system as a whole. So much so, in fact, that it generates increases in tourism expenditure in the country (€30.4 billion, or 37.9% of the entire tourism expenditure recorded in Italy is directly correlated to it) and supports the Italy 'brand' internationally.

There is a close relationship between economy and culture and, in a country such as Italy, the impact can be highly significant. Culture creates growth thanks to the spin-offs that derive from it and in this regard, it is worth thinking about, for example, the combinations of tourism-culture and culture-technology and the emergence of new professions in the cultural sector. Artistic assets are not only important in terms of the immaterial benefits they bring to society and each individual, which can be expressed in terms of personal enrichment on a cultural, spiritual and social level. They are also, and above all, an important tool for relaunching Italy's economy onto the world stage, through their capacity of expressing the concept of the country's 'brand'.



For the industry to be in a position to express its own potential, it is necessary, first and foremost, to favor the application of digital technologies to tourism and cultural heritage and promote public-private partnership and greater cooperation, in this area, between regions. Even the tourism and cultural sector is, in fact, experiencing a period of "digital disruption", driven by technological innovation but also by the tastes of consumers, first among these, those of the Millennials.

Figure 2.18. Main trends affecting the tourism and cultural sector. Source: The European House – Ambrosetti elaboration based on a number of sources, 2018.

Source: The European House – Ambrosetti elaboration based on a number of sources, 2018.

2.3. SPECIAL CHARACTERISTICS AND MODES OF EXPRESSION OF YOUNG FEMALE MILLENNIALS

There are more than 5 million female Millennials in Italy—8% of the population. On a macro level, they exhibit a number of special characteristics: 25% of them are graduates, 19% of them stopped studying at school leaving age, 1 in 4 is married, while 57% are still living with their parents.³

Questioned about their own **benchmark values**, young Italian women placed the greatest importance on their personality rather than appearance, which they nevertheless still considered to be extremely important. More than half of the female Millennials viewed their relationship with themselves as positive and fulfilling, while 23% of them still judged it negatively.

“**Being oneself**” and “**freedom**” were the concepts most frequently associated with self-expression by female Millennials. Moreover, “self-expression” for them means not having to modify their own behavior in order to comply with social rules.

Casting our net wider still in an effort to grasp the subtleties of female Millennials, it is possible to identify **eight different modes of self-expression**, on the basis of four main analyses guidelines that can be summed in two combinations: self-social and think-do.

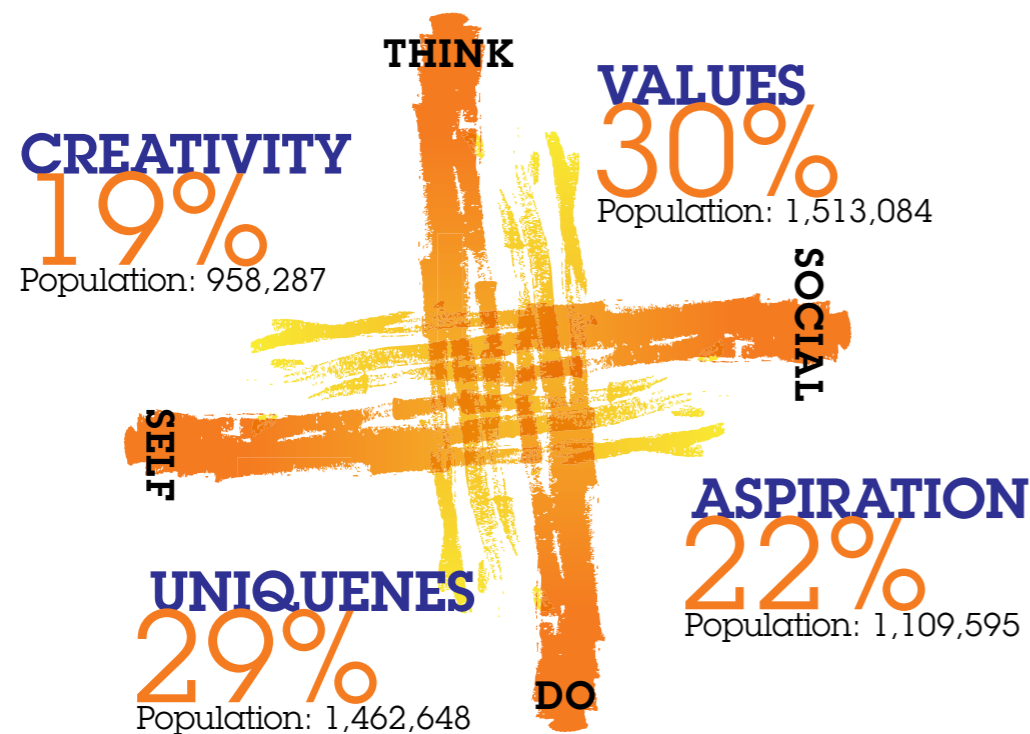


Figure 2.19. Types of self-expression of female Millennials.
Source: market research entitled *Self-expression per le Millennials italiane (Self-expression for Italian female Millennials)* by Kantar for KIKO, 2018.

³ - From the market research entitled *Self-expression per le Millennials italiane (Self-expression for female Italian Millennials)* by Kantar for KIKO. Source: ISTAT, 2017.

Creative female Millennials (19% of the total) include the following types of women:

- **Free** (7% of the total). They have a strong, creative and idealistic personality. University students, single, living in central Italy. They wear light makeup every day and buy makeup products from different types of stores, above all from specialist outlets. When it comes to their makeup they listen, in the main, to the advice of friends and makeup artists. The social cause they support the most is the fight against gender violence. Their most representative book is *Little Women* by L. M. Alcott, the brand with which they feel the greatest affinity is Dove and the celebrity they most identify with is Bebe Vio.
- **Open** (12% of the total). Cerebral, open-minded, open to change and overcoming their own limits. Women of this type are usually graduates, are in full-time employment and live in a city in the north-east of Italy with their husbands or partners. Having read different tips in specialized magazines and listened to shop assistants, they choose and buy makeup products on-line that are suitable for wearing as light makeup in the morning. Their social commitment is towards causes such as the redistribution of wealth, support for developing countries and refugees. Their most representative book is *The Hunger Games* by S. Collins, the brand with which they feel the greatest affinity is Zalando and the celebrity they most identify with is Bebe Vio.

Value-based female Millennials (30% of the total) include the following types of women:

- **Ambitious** (13% of the total). These are women who are fulfilled and successful, dedicated to achieving their own goals and very sure of themselves. They are business women, have a degree and live in the south of Italy with their husbands and children. They listen to their adolescent daughters' valuable advice on the world of makeup and try to make celebrity secrets their own. They wear elaborate makeup for every day and usually buy the makeup products required to achieve this from a perfumery. Equal opportunity matters to them, and gender discrimination must be fought and eliminated. Their most representative book is *My Brilliant Friend* by E. Ferrante, the brand with which they feel the greatest affinity is L'Oréal and the celebrity they most identify with is Clio MakeUp.
- **Independent** (17% of the total). Direct and sincere, they do not allow themselves to be conditioned and tend to challenge convention. They are married, have children, live in southern Italy and are in full-time employment. They only wear makeup on special occasions and buy their products from a pharmacy or perfumery on the advice of shop assistants. Their social commitment is towards fighting violence against women and supporting anti gender-violence movements. Their most representative book is *Gone with the Wind* by M. Mitchell, the brand with which they feel the greatest affinity is Nike and the celebrity they most identify with is Selvaggia Lucarelli.

Unique female Millennials (29% of the total) include the following types of women:

- **Different** (11% of the total). They are different, rebellious and creative. In full-time employment, they live in the south of Italy and have achieved a Master's degree after university. For their more intricate makeup they prefer to buy well-known products on-line, based on the most famous YouTuber tutorials. They are conscious of the environment and for this reason support causes associated with this issue. Their most representative book is *The Catcher in the Rye* by J. D. Salinger, the brand with which they feel the greatest affinity is Nespresso and the celebrity they most identify with is Samantha Cristoforetti.

- **Egocentric** (18% of the total). Wise and prepared to overcome their limits, they accept change and are capable of transforming their own flaws into virtues. They have a degree, live in central Italy and are in full-time employment. They wear light makeup which they buy from a perfumery and specialist stores. They heed the advice given to them by their daughters, who are makeup experts. They are not specifically tied to any one social cause, but support them in general. Their most representative book is *Gone with the Wind* by M. Mitchell, the brand with which they feel the greatest affinity is Motivi and the celebrity they most identify with is Clio MakeUp.

Aspirational female Millennials (22% of the total) include the following types of women:

- **Normal** (11% of the total). They are kind, friendly, thoughtful and generous. Living in the north-east of Italy, they did not attend University and are homemakers. They never wear makeup and if they do it is only for special occasions. They buy their makeup products from supermarkets after having listened carefully to the advice of specialist shop assistants. They are not specifically tied to any one social cause, but support them in general. Their most representative book is *Bridget Jones' Diary* by H. Fielding, the brand with which they feel the greatest affinity is Barilla and the celebrity they most identify with is Cristiana Capotondi.
- **Provocative** (11% of the total). They challenge convention and their own limits. They demonstrate courage and love freedom. They are married, live in the north-west of Italy and are homemakers. They hardly ever wear makeup and the products they do have they purchased at the supermarket or pharmacy. If they are in need of tips about makeup they take their inspiration from YouTubers and celebrities. They are not specifically tied to any one social cause, but support them in general. Their most representative book is *Anna Karenina* by L. Tolstoy, the brand with which they feel the greatest affinity is Ikea and the celebrity they most identify with is Vanessa Paradis.



MILLENNIALS AND CONSUMPTION: WHICH RULES OF ENGAGEMENT?

3.1. MILLENNIALS AND CONSUMPTION: THE FACTS AND FIGURES

The first months of 2018 have highlighted a scenario of stable economic growth for Europe (estimated GDP growth of +2.0% in 2018) and an expected growth rate of 3.7% for the world economy.¹

Despite a return to growth, following the crisis of the last decade, Millennials from the most developed economies expressed less confidence in the economic stability of their respective countries. In 2017, a **gap of 23 percentage points** existed between Millennials in developed countries and those in emerging economies (34% vs. 57%), when it came to having confidence in an improvement in their own country's economic conditions.

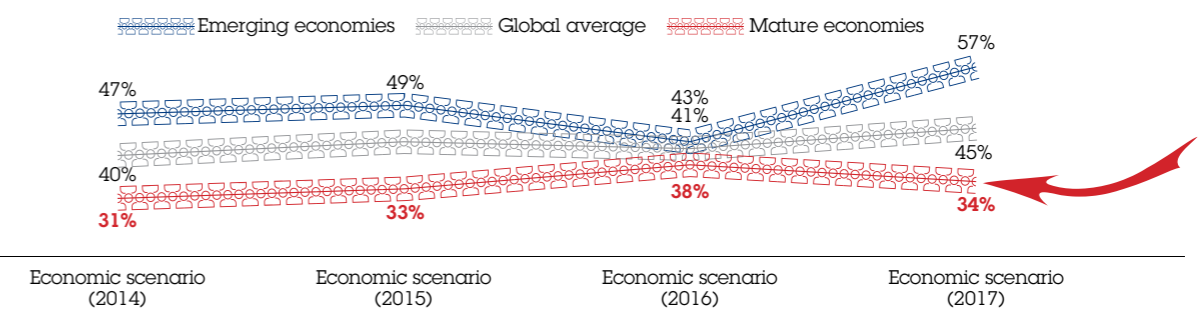


Figure 3.1. Millennials who have confidence in an improvement of their country's economic conditions, world (percent), 2017.
Source: The European House – Ambrosetti elaboration based on The Millennial Survey data, 2018.

This more pronounced “lack of confidence” about their own economic future was also reflected in the issues that were indicated as sources of major concern: more than 40% of Millennials worry about **social and economic inequalities** (current and future), while over 30% worry about their own **future career**.

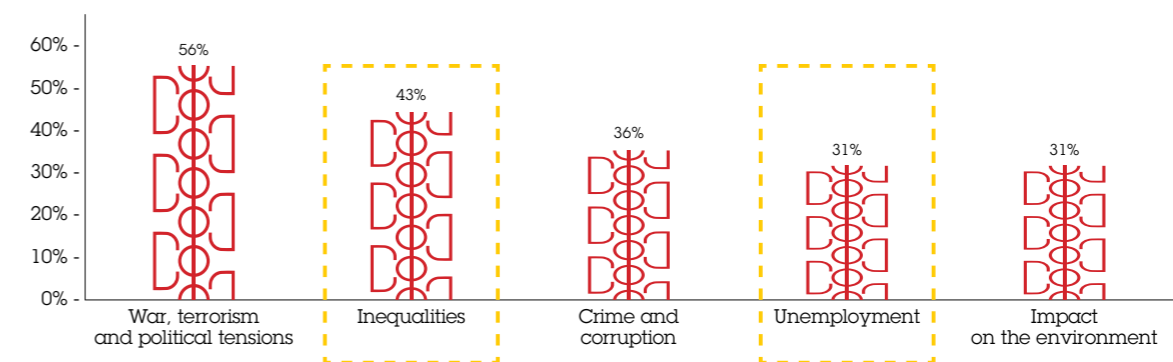


Figure 3.2. Millennials who personally worry about particular issues, mature economies (percent), 2017.
Source: The European House – Ambrosetti elaboration based on The Millennial Survey data, 2018.

Focusing in particular on Italy, it is possible to identify the roots of this lack of confidence, that is characteristic of Millennials, by analyzing the **socio-economic conditions of the younger generations**.

Among the major European countries, Italy is, in fact, the economy with the lowest employment rate, which stands at 58% (against Germany's 75.3%, the United Kingdom's 74.1%, France's 64.8% and Spain's 61.1%).²

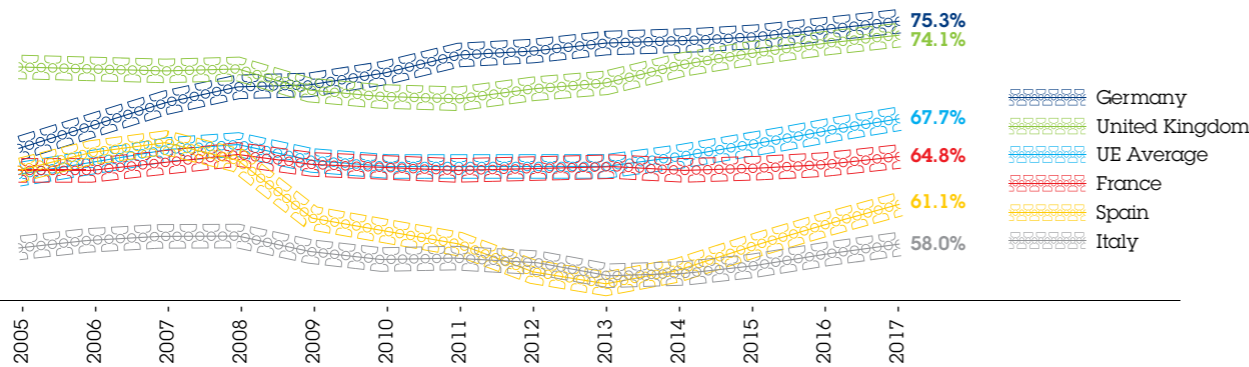


Figure 3.3. Employment rate in major European countries (percent), 2005-2017. Source: The European House – Ambrosetti elaboration of OECD data, 2018.

If we look more specifically at the **conditions of young people in Italy**, we can see how, in this country, not only are there fewer young people,³ but at the same time the number of NEETs (people aged 15 to 34 who neither study nor work) is increasing: it now accounts for **25.5% of the population**.⁴

Moreover, according to the latest ISTAT study, if one looks at the distribution by social class, what can be seen is a higher occurrence of NEETs within the more disadvantaged groups (34.6% of NEETs come from low-income families).⁵

There is, therefore, a significant **problem with training and participation in the labor market** for young people, which leaves them “poorer” than previous generations. The phenomenon of missed economic independence is, in fact, a widespread one that inevitably influences the average age at which individuals leave the family home which, in Italy, is 4 years older than the European average (30.1 years of age in 2017 against the European average of 26.1 years).⁶

To date, one young person in two considers financial help from parents essential for starting up a family. Almost one in two considers it impossible to save anything, given their own incomes. One in three does not believe they will ever earn a salary equal to that of their parents.⁷

The picture that emerges is one that has to be taken into serious consideration in any analysis and proposal aimed at **relaunching consumption levels** in Italy, that, despite the slight growth recorded in recent years (CAGR Q4-2014/Q4-2017 of +1.5%), are still significantly behind pre-crisis values.

2 - In 2017 the trend in Italy's rate of employment was slightly positive. In the fourth quarter it showed a slight cyclical growth (+0.1%), explained, first and foremost, by a rise in the number of employees with temporary contracts (+2.0%), whereas the number of those with full-time contracts was falling (-0.2%), as were the self-employed (-0.4%). The level of employment rose to 58.1% and there was also an increase in youth employment. Source: ISTAT, 2018.

3 - In 2017 only 458,151 children have been registered with the city clerk's office, marking an historically new low since Italy's unification.

4 - Additional in-depth information about NEETs and the involvement of young people in the labor market is available in Chapter 4 of this report.

5 - Source: ISTAT data, 2018.

6 - Source: Eurostat data, 2018.

7 - Source: Assogestioni data, 2018.

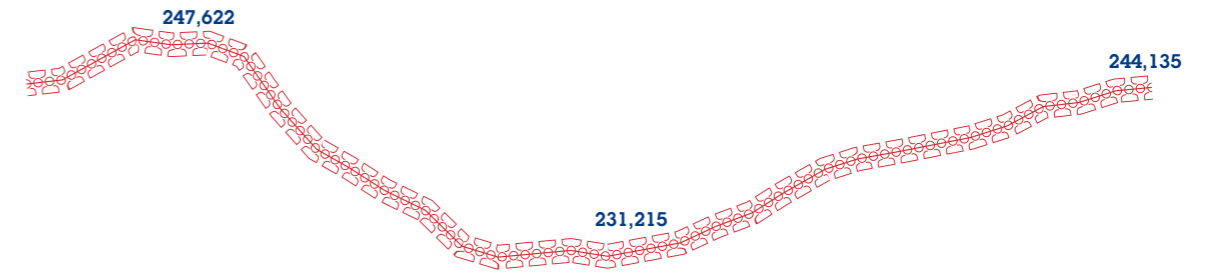


Figure 3.4. Final consumption expenditure in Italy (millions of euros--values linked to base year 2010), Q1.2010-Q4.2017. Source: The European House – Ambrosetti elaboration of ISTAT data, 2018.

The process of digitalization, currently under way around the world, is transferring new characteristics to the purchasing process compared to the past, dematerializing the boundaries and methods of using products and services, with Millennials leading the way in this change. The percentage of Millennials who state they have used on-line services with home delivery in Italy during the last year is 66%, to which should be added 13% of individuals who say they would like to use them, compared to 46% of real users among Baby Boomers, and 7% of potential users (totaling 79% vs. 53%).

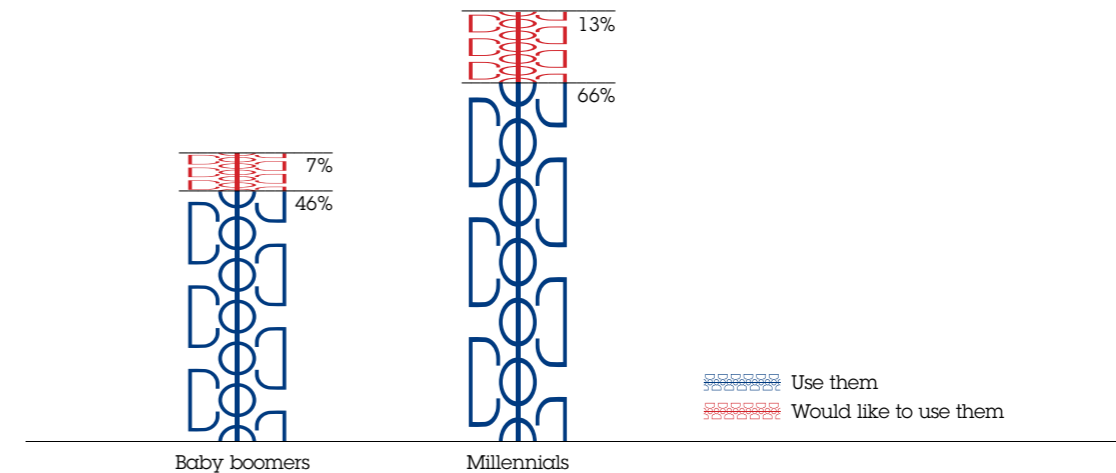


Figure 3.5. Millennials and Baby Boomers who state they used products with on-line ordering and home delivery in Italy during the last year (percent), 2017. Source: The European House – Ambrosetti elaboration of Nielsen and Assogestioni data, 2018.

Within the Italian scenario, the new **digital consumer-actor** can be described, as an individual who spends almost 20% of his or her day on-line, and to do so he or she, in the main, uses a computer (48%), followed by a cellphone (41%) and a tablet (11%). Italian Millennials and Generation Z accentuate these characteristics, in some cases modifying the traits a little. They spend on average 5.4 hours a day on-line, favoring the use of cellphones (47%), followed by the computer (44%) and a tablet (9%).

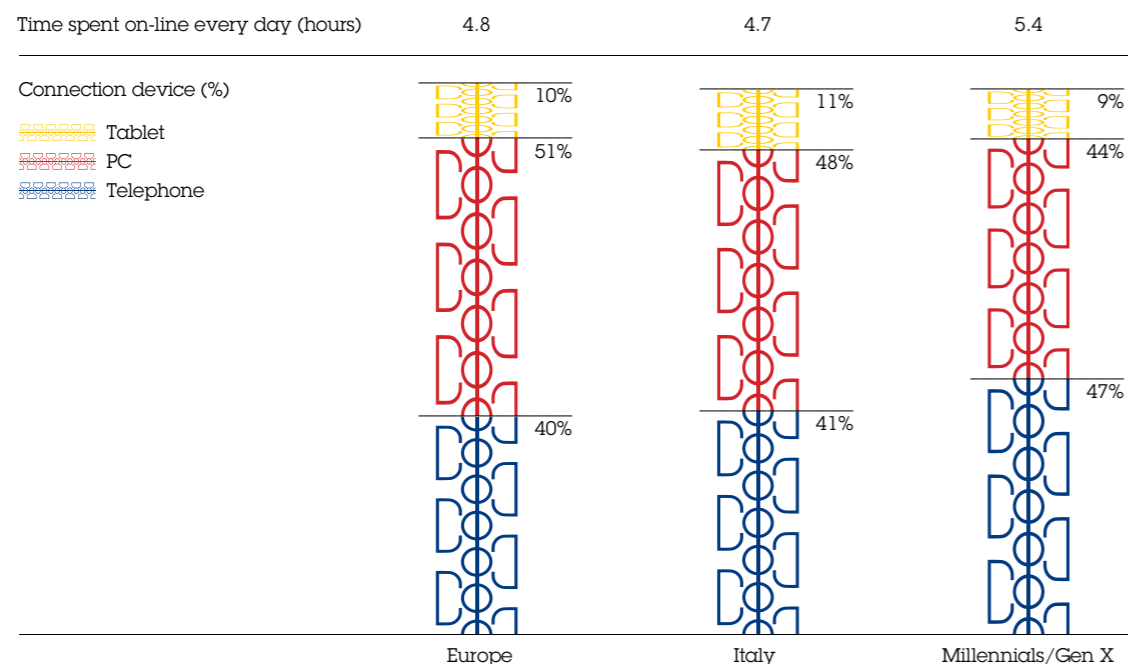


Figure 3.6. Time spent on-line every day and type of device used in Europe, in Italy and by Millennials and Generation X (hours and percent), 2017. Source: The European House – Ambrosetti elaboration of Connected Life data from Kantar, 2018.

Among the main activities that the younger generations carry out on-line are the sending of e-mails (92% vs. 93% average for Italy), messaging (92% vs. 84% average for Italy), using social networks (88% vs. 81% average for Italy), reading articles (82% vs. 79% average for Italy) and watching videos on free platforms (77% vs. 68% average for Italy).

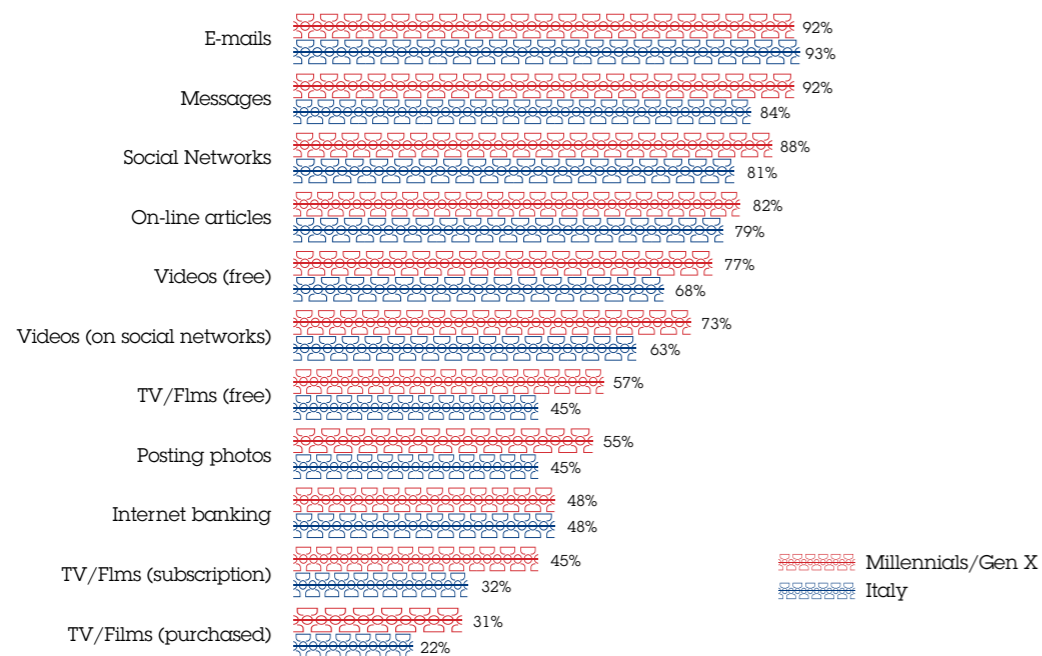


Figure 3.7. Types of on-line services used weekly in Italy and by Millennials and Generation X (percent), 2017. Source: The European House – Ambrosetti elaboration of Connected Life data from Kantar, 2018.

Social networks represent the tool that has most transformed traditional communications patterns between individuals and between an individual and a company. The figure below offers a snapshot of social network usage in Italy and focuses in particular on Millennials and Generation Z. In Italy, on average, one individual is registered on 3.2 social platforms and the number rises to 4.1 when we pinpoint the younger generations.

Social Network	Italy	Generation Z/Millennials
Facebook	81%	89%
YouTube	70%	80%
Instagram	36%	53%
Twitter	24%	30%
Shazam	14%	24%
Pinterest	14%	17%
Snapchat	9%	16%
LinkedIn	14%	16%
Badoo	8%	12%
Tumblr	6%	11%
Tinder	6%	10%

Figure 3.8. Weekly use of social networks in Italy and by Millennials and Generation Z (percent), 2017. Source: The European House – Ambrosetti elaboration of Connected Life data from Kantar, 2018.

The digital mass media represent, therefore, the information areas through which to channel content that increasingly conditions the way individuals view the world and molds the way they relate to each other, make their purchases and interpret reality, in an even more clear-cut way among the younger generations. While television usage by Italians aged between 35 and 64 stands at 25.2%, it only represents 19.2% of the media fruition by the younger segments of the population. Conversely, the Internet and social networks are used by 31.2% and 27.4% of 18- to 34-year-olds respectively, as opposed to 29.7% and 28.7% of 35- to 64-year-olds. It is interesting to note how the younger age brackets use what are considered traditional mediums more than the generations that precede them. In particular, radio (6% vs. 4.4%), books (4.1% vs. 2.6%) and film (4.1% vs. 2%).

	18-34 years	of which: 18-29 years	35-64 years	65 years and over	Total
Television	19.2	22.0	25.2	48.9	28.7
Internet	31.2	30.8	29.7	13.6	26.7
Social Network	27.4	23.8	28.7	20.1	26.6
Newspapers	8.0	7.0	7.5	10.5	8.2
Radio	6.0	7.0	4.4	3.4	4.6
Books	4.1	4.8	2.6	3.1	3.0
Cinema	4.1	4.6	2.0	0.5	2.1

Figure 3.9. The most influential media in Italy today for forming the collective imagination, by age bracket (percent), 2017. Source: The European House – Ambrosetti elaboration of Censis-Conad data, 2018.

What is more, digital channels increasingly represent the preferential means of purchasing for consumers, with the highest levels recorded in countries such as Norway (71%), Luxembourg (68%) and Sweden (66%), and lower levels in other countries like Hungary (15%), Greece (17%) and the Ukraine (38%). Italy is positioned mid-way between the most exemplary countries and those in which digital is still not a dominant standard for purchases (48%).

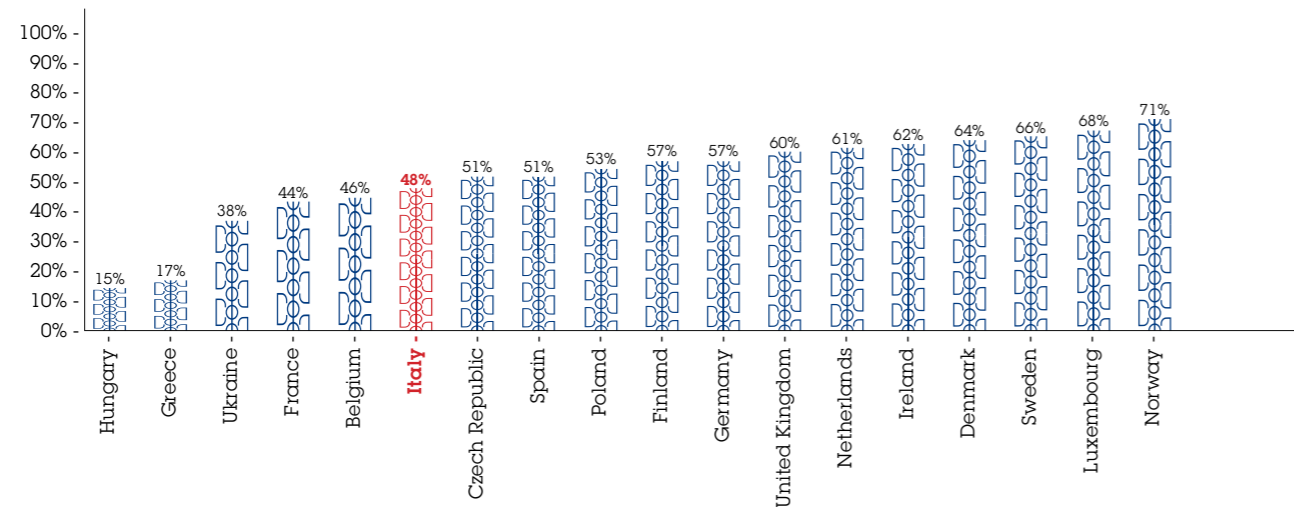


Figure 3.10. Dissemination of on-line purchases in some countries (percent), 2017. Source: The European House – Ambrosetti elaboration of Connected Life data from Kantar, 2018.

The dissemination of the virtual methods of purchasing can vary significantly from product to product. In particular, there are some categories that are more geared towards being bought from an on-line store, such as music, and then there are others that come up against **major obstacles to virtual purchasing**, for example food products.

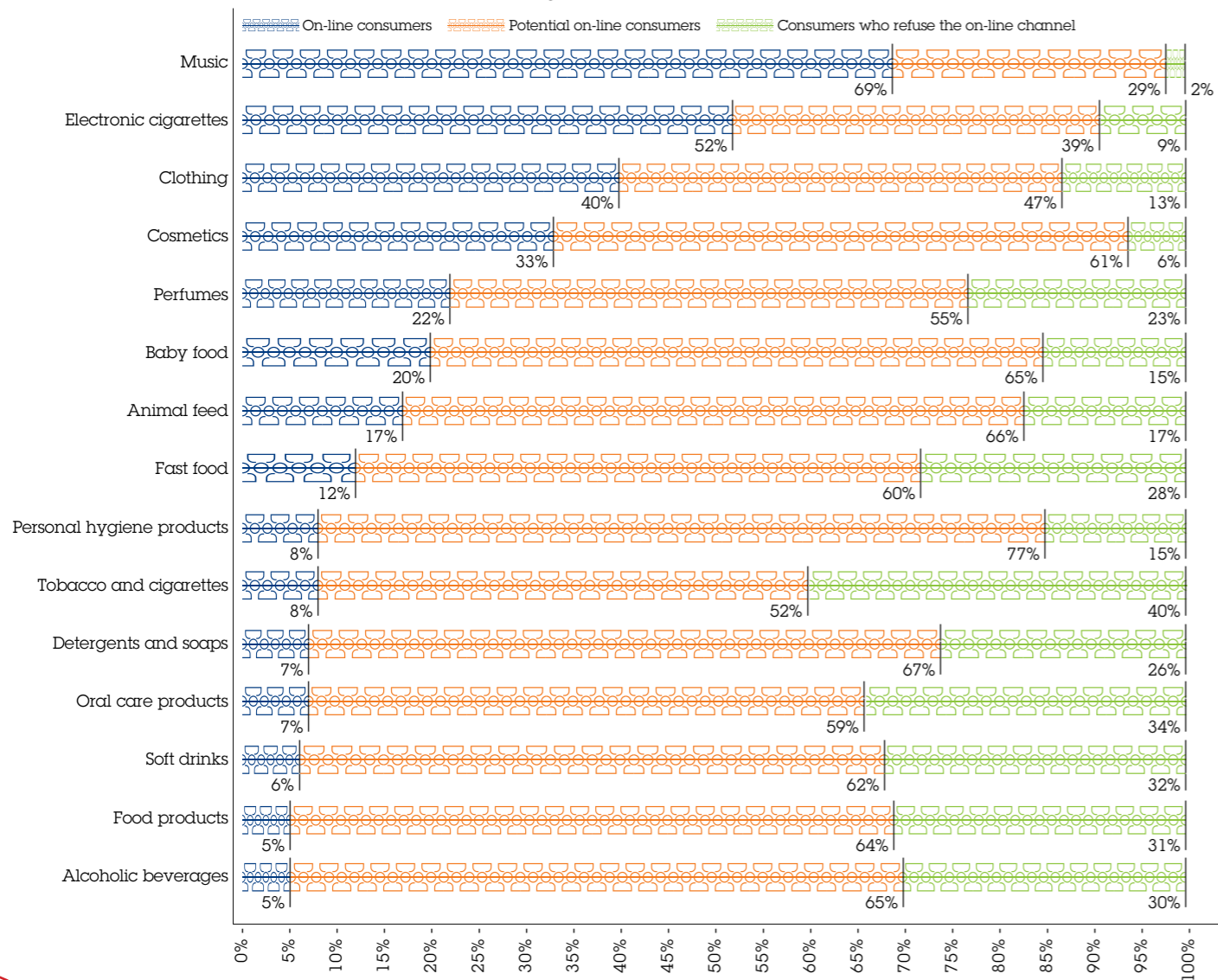


Figure 3.11. Dissemination of on-line purchases in Italy by product type (percent), 2017. Source: The European House – Ambrosetti elaboration of Connected Life data from Kantar, 2018.

The digital consumer in the Food & Beverage sector

Such an extreme change in the habits and behavior that will soon also affect Italy—precisely as it has done the rest of the world—launches an important challenge for the food sector and large-scale retail distribution. Since the latter, in particular, is the direct interface with the consumer, it will need to transform itself and evolve so that it can succeed in **responding to the needs of new consumers** that, as we have already seen in the course of the chapter, differ greatly to those of the past.

This evidence is also confirmed by adopting a different perspective and looking at the penetration of Food & Grocery into e-commerce for the major countries. The next graphic shows Italy at the bottom of the table, even using the number of web shoppers as an indicator.

	Web shoppers (mln)	Spending per web shopper (Euro/year)
UK	10.1	1,215
France	5.8	1,850
USA	20.3	890
Germany	6.8	365
Italy	1.6	500

Figure 3.12. Individuals who have purchased food products on-line in the preceding 12 months (percent, millions and euro/year), 2017. Source: The European House – Ambrosetti elaboration of Osservatorio eCommerce B2C data, 2018.

Although on-line purchases of food products and beverages are very low in absolute value, they are showing **interesting growth trends**. Consumer spending on food and beverages in the period 2008 to 2017 grew at an annual rate of 0.7%, whereas on-line purchases grew at a decidedly more sustained level of 36% per annum.

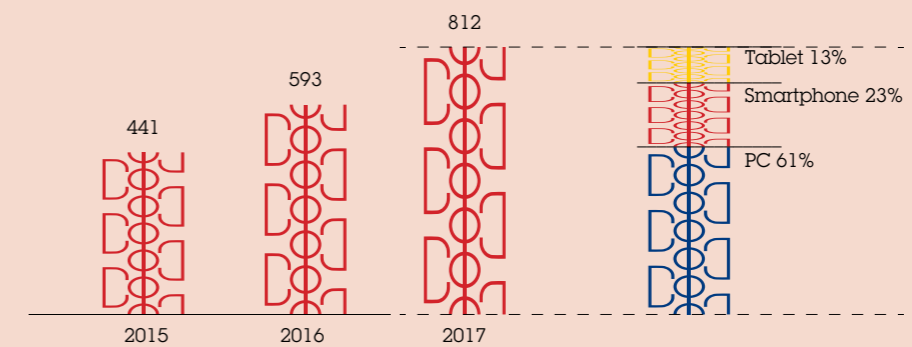


Figure 3.13. E-commerce market for Food & Grocery by device (millions of euros and percent), 2017. Source: The European House – Ambrosetti elaboration of COOP data, 2018.

A **clustering by age** of consumers of on-line food products reveals how the segment most likely to purchase these products is that of people aged between 35 and 44 (28%), followed by the segment of population aged between 25 and 34 (22%).

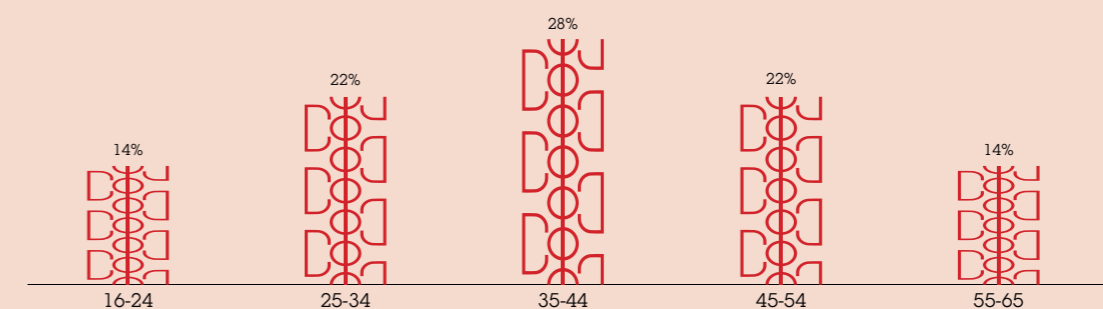


Figure 3.14. Percentage of people in Italy who buy food products on-line (percent), 2017. Source: The European House – Ambrosetti elaboration of Connected Life data from Kantar, 2018.

In future, the **major drivers** capable of **incentivizing or discouraging the purchase** of food products will involve infrastructure level and the services and products offered to the consumer. In particular, increased confidence in on-line payment systems (infrastructure), the possibility of saving time and of benefiting from a speedier and more efficient delivery service (service), together with free product delivery (product offer) will be important variables capable of determining the growth of e-commerce in the Food & Beverage sector.

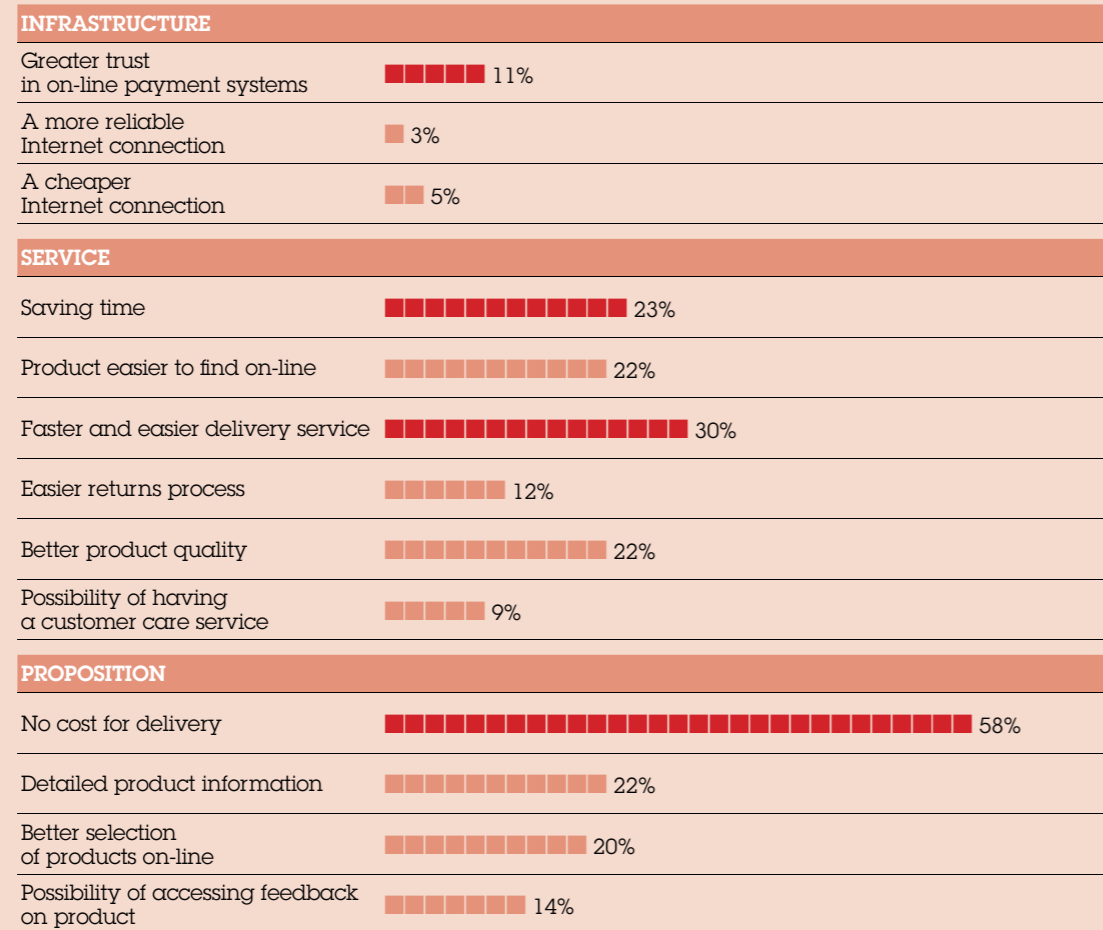


Figure 3.15: Major drivers for the growth of e-commerce in Italy in the food sector (percent), 2017. Source: The European House – Ambrosetti elaboration of Connected Life data from Kantar, 2018.

Source: The European House – Ambrosetti elaboration based on a number of sources, 2018.

The snapshot that emerges when putting together the data and the information presented here, goes in a very clear direction which invites companies and retail chain stores to equip themselves to offer services that can satisfy the needs and preferences of new consumers and guarantee a **customer experience** that is in-line with their expectations. Millennials, in particular, expect to be able to interact with companies in a personalized and relevant way, that is to say to receive messages that specifically match their profile and that are suitable for the time of day and their habits.

3.2. HOW THE METHODS OF ENGAGEMENT ARE CHANGING FOR MILLENNIALS IN THE AGE OF DIGITALIZATION

As previously stated, the phenomenon of digitalization is profoundly and irreversibly changing the way in which individuals become informed, communicate, interact, choose and purchase. This process enables the emergence of a new multifaceted individual who plays a variety of roles: private individual, worker, consumer.

Millennials represent an **important driver within the sector** because they contribute to shaping purchasing behaviors and constitute an indispensable slice of consumers. On a global level, Post-Millennials (Millennials and Generation X) represent 40% of the world's population, whereas in Italy the figure stands at around 26%.⁸

As already stated in Chapter 2 of this report, identifying the specific characteristics that define the generation of Post-Millennials represents a **really important competitive factor for businesses** that intend equipping themselves with the capability of establishing and managing a relationship with their clients. Their composition, in fact, is changing rapidly, together with the critical factors for success that guarantee correct positioning and market presence. Therefore, faced with this process of change, companies must also undergo a transformation to take into account the **new needs and preferences of the individual**.

The Brand:	Baby Boomers	Generation X	Millennials
Provides...	Gratification	Independence	Experimentation
Makes it possible to...	Invent	Undertake	Create
Favors...	Performance	Aspiration	Connection
Stimulates...	Wish	Exaggeration	Awareness
Represents...	Opportunity	Identity	Growth
Promises...	Career	Role	Development and training

Figure 3.16. Expectations of the different generations with regard to the brand. Source: The European House – Ambrosetti elaboration of data from Federico Capeci, author of "Post Millennial Marketing", 2018.

The **perception and expectations** that consumers develop with regard to brands therefore differ, depending on the value structures and meaning that the era in which they live has transferred to them.

As previously stated, belonging to a given generation is reflected in the sharing of a series of characteristics when it comes to tastes, preferences, experiences and consumer practices.

In our understanding, therefore, the concept of generation does not refer to an age bracket (a criterion for subdividing the population characterized by a high level of variety among the individuals belonging to each category), but rather, to a span of years within which individuals were born who share a **specific vision of the future and buying habits**—acquired following disruptive technological, social and/or economic events—that distinguish them from past and future generations.

8 - For more information, refer to Chapter 1 of this report.

	Birth period	Current age	Socio-cultural event of reference	Keywords	Brand Purpose
Generation Alpha	Since 2010	Below 9 years	Internet Of Things, AI and Asia's power	#nolimits #wellbeing #feeling	amplification
Generation Z	2000-2009	9-18 years	Economic crisis and mobile life	#pragmatism #instantaneousness #incidere	experimentation
Millennials	Mid 1980s End 1990s	19-33 years	Social media boom and Twin Towers	#sense #sharing #disruption	vision
Generation X	Mid 1960s Mid 1980s	34-53 years	Consumerism and Media Boom	#image #belonging #obtain	desire
Baby Boomers	Mid 1940s Mid 1960s	54-73 years	Italian miracle and protests of 1968	#positivity #do #change	opportunities
Silent Generation	Before 1945	74 years and over	Word War II	#values #continuity #community	solidity

Figure 3.17. Expectations of the different generations with regard to the brand.
Source: The European House – Ambrosetti elaboration of data from Federico Capeci, CEO at Kantar Italia and author of “Post Millennial Marketing”, 2018.

Contemporary consumers have at their disposal, to a far greater extent than in the past, a large variety of information channels and are touched on a daily basis by a **continuum of content** from which they can derive information about different brands.

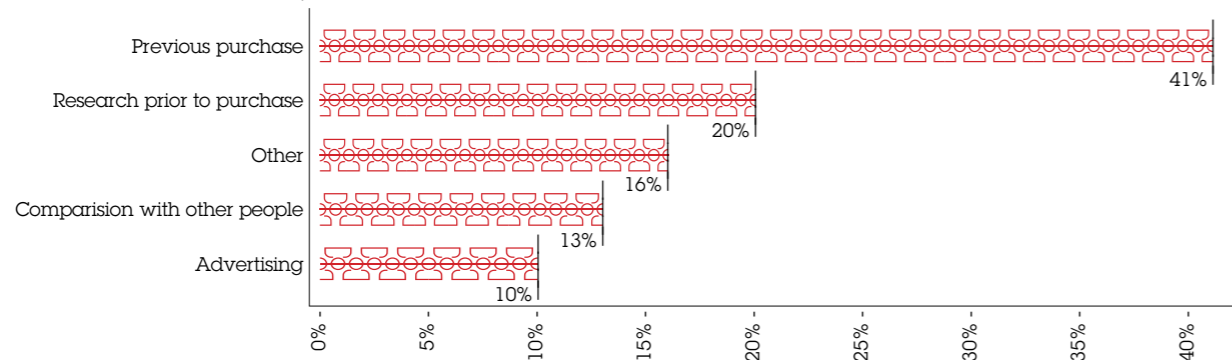


Figure 3.18. Reply to the question “How did you find out about the product that you subsequently purchased?”, Italy, 2014/15.
Source: The European House – Ambrosetti elaboration of The Consumer Barometer Survey data, 2018.

The traditional medium par excellence, i.e., advertising, was only mentioned as relevant for obtaining information on a product subsequently purchased by 10% of those questioned. More than 40% of consumers surveyed considered previous purchases decisive, often accompanied by some research prior to the purchase (20%). Today, a brand has to interact with an informed, mindful consumer who attributes a **high value to the experience**.

In addition, consumers questioned as part of the “The Consumer Barometer Survey” said that the moments prior to the purchase were generally key for searching for news about products. Moreover, 20% of those questioned said the search for in-store products represented the most frequent activity in the process of looking for information on the products purchased.

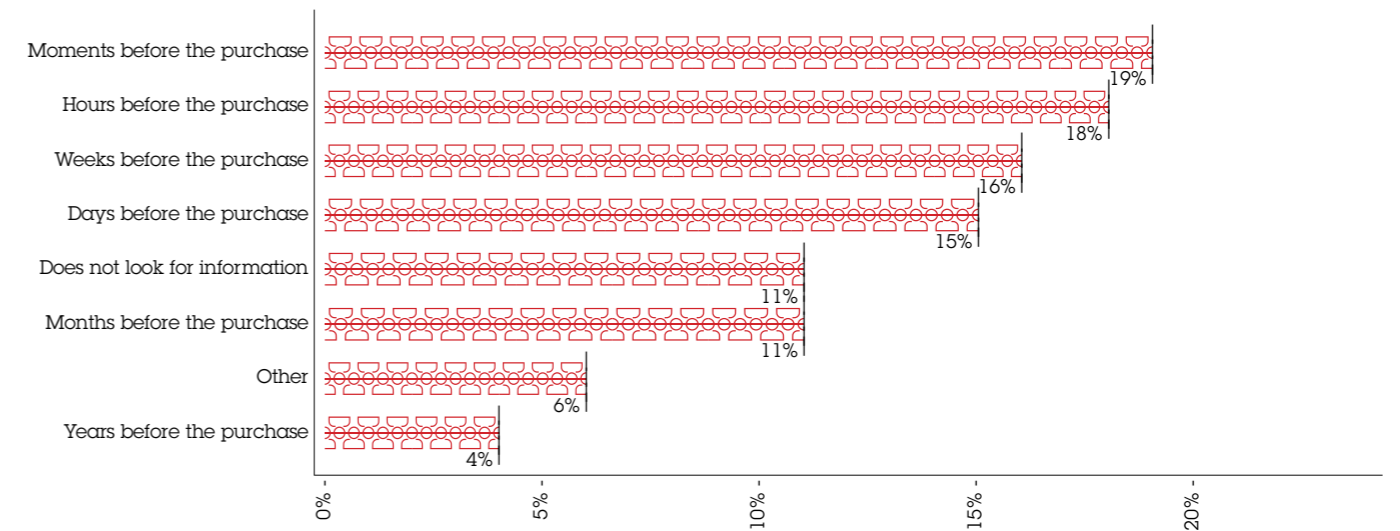


Figure 3.19. Reply to the question “When do you start looking on-line for products purchased?”, Italy, 2014/2015.
Source: The European House – Ambrosetti elaboration of The Consumer Barometer Survey data, 2018.

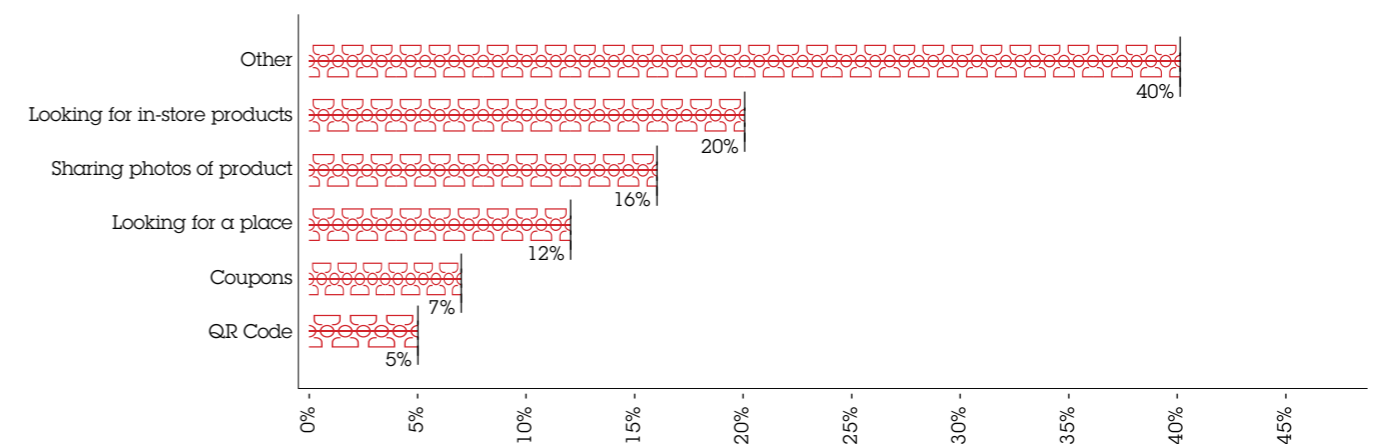


Figure 3.20. Reply to the question “What do you do with your smartphone when you are looking for information on products purchased?”, Italy, 2014/2015.
Source: The European House – Ambrosetti elaboration of The Consumer Barometer Survey data, 2018.

Retail 4.0: Adapting to the new digital scenario

As examined in the preceding paragraph, Italy's entrepreneurial fabric is **lagging behind** when it comes to offering consumers e-commerce services: only 13% of businesses have started to use the on-line sales channel, as opposed to a European average of 20%.

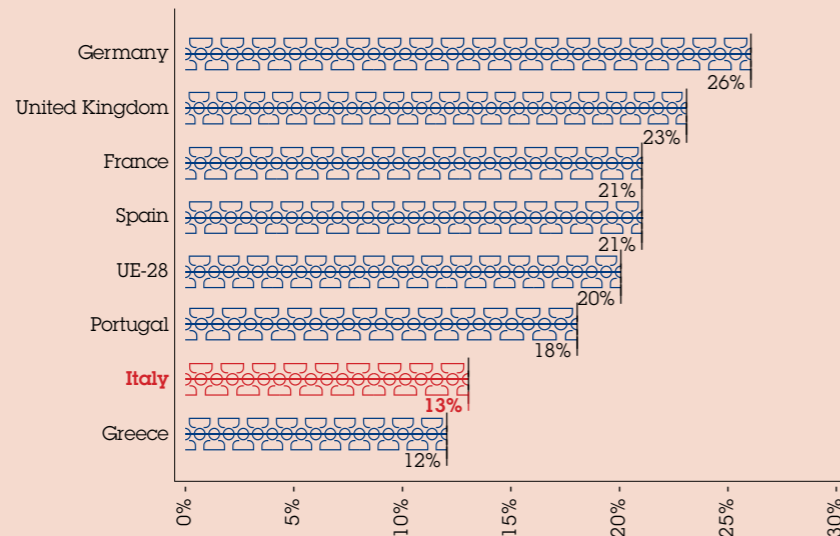


Figure 3.21. Businesses that sold on-line in the previous year (percent), 2017.
Source: The European House – Ambrosetti elaboration of Eurostat data, 2018.

As a consequence, retailers are being asked to consider how digital can influence the store/consumer relationship, taking into account this important variable.

A marketing strategy that is geared towards the **digital consumer-actor** cannot disregard the creation of a new paradigm for building brand value and loyalty, by satisfying people's fundamental and daily needs. A relationship strategy can be successful if it develops demand among people, brings the brand to the client's local area and establishes a dialog with clients in their places of reference. The critical factors for success are to be found in the construction and efficient channeling of a sign identity and in the creation of a **continuous value** bond with consumers.

There are some rules that need to be followed in order to accept the process of transformation that is under way and approach the new digital consumer:

1. **Be invisible:** conceal the technological complexities from the eyes of consumers;
2. **Be seamless:** adopt a strategy of coordination and rationalization of omnichannels;
3. **Be a destination:** sell experiences, become a destination;
4. **Be loyal:** build and channel value platforms;
5. **Be personal:** pursue product and service customization through an intelligent interpretation of facts and figures;
6. **Be a curator:** become a curator of the offer range, focus on quality rather than quantity;
7. **Be human:** being human within the context of service, as regards the method used to approach the consumer, and of society by contributing to social and community progress through one's own business and sustainability, monitoring and reducing the impact of one's own business on society and on the surrounding environment;
8. **Be boundless:** go beyond the traditional boundaries of the point of sale;
9. **Be exponential:** open oneself up to the logic of creative contamination and open innovation;
10. **Be brave:** pursue change and innovation having a certain amount of courage.

Source: The European House – Ambrosetti elaboration based on data from P. Kotler and G. Stigliano, authors of "Retail 4.0", 2018.

From the characteristics described in Chapter 2 and in the previous paragraph, it emerges that the approach of brands must inevitably change if they are to remain competitive, based on the different value set through which Millennials interpret their own experiences. A summary of these values offered by Kantar⁹ organizes them using the acronym **STYLE**:

- **S.ocial:** collaboration, networking and sharing;
- **T.ransparency:** dialog, assessment and trust;
- **Y.es, now!:** responsiveness, volatility and instantaneousness;
- **L.iberty:** accessibility, variety, infidelity;
- **E.xperience:** immersion, personalization and experience.

A brand must know how to interact properly with the target it wants to reach or with which it wants to create a relationship. With reference to Millennials, this means: being open to being assessed, compared and co-created; being able to react in real time to every new trend; providing customers with alternatives; and generating content designed to be shared.

The specific value set of Millennials not only impacts on the different methods of purchasing and consumption but also on "**organizational life**", with the emergence of new and unprecedented approaches to work and management to which businesses must increasingly adapt.

The company, in fact, can be viewed as an **ensemble of networks of relationships between individuals and groups** both within it and outside of it. Networks are formed based on primary ties (age brackets, type of educational study, friendships and family ties), above all at certain moments of an organizational life (beginnings, openings, start-ups) and they extend beyond roles, functions and procedures.

9 - Source: Federico Capeci, CEO at Kantar Italia and author of "Post Millennial Marketing", 2018.

MILLENNIALS AND SKILLS: WHAT BLUEPRINT FOR THE COUNTRY?

4.1. MILLENNIALS AND WORK: DRIVING FORCES FOR THE COUNTRY'S FUTURE COMPETITIVENESS

In the last two decades Italy has, on average, **grown less** than other European countries. Between 2014 and 2017 it built up a gap of 5.5 percentage points compared to the USA, 5.2 compared to the OECD average and 4.5 compared to other major European countries. The future outlook does not appear to suggest a turnaround. The European Commission's recent economic forecasts confirm that, even within a context of widespread growth across all of the European Union, the predicted growth rate for the Italian economy, both for 2018 and 2019, will be **the lowest in the EU**. This trend results in a continual widening of the gap in competitiveness and attractiveness between Italy and its competitors.

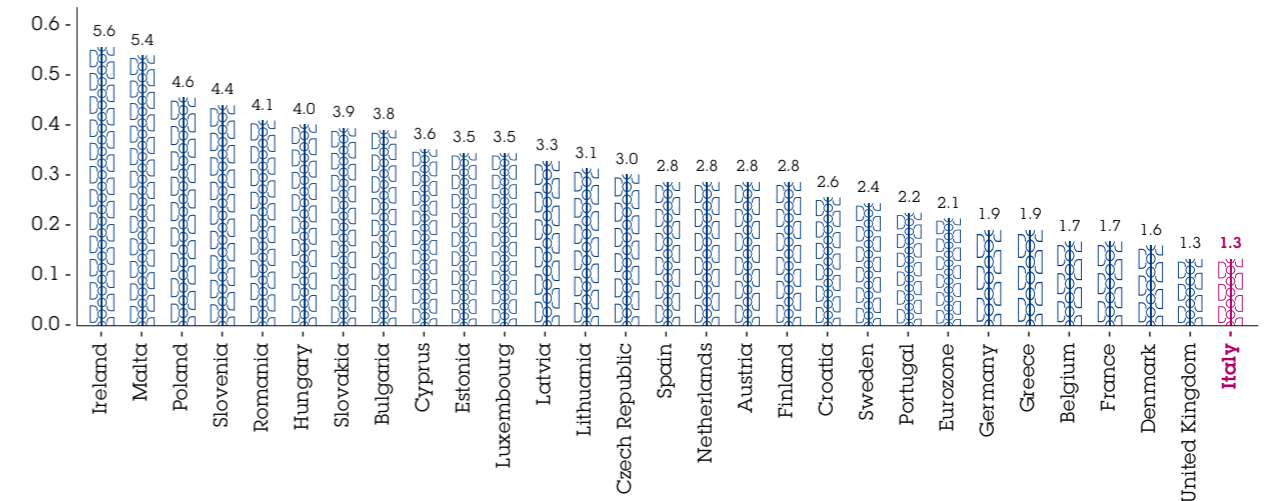


Figure 4.1. GDP growth rate (estimate), 2018
Source: The European House – Ambrosetti elaboration of European Commission data, 2018.

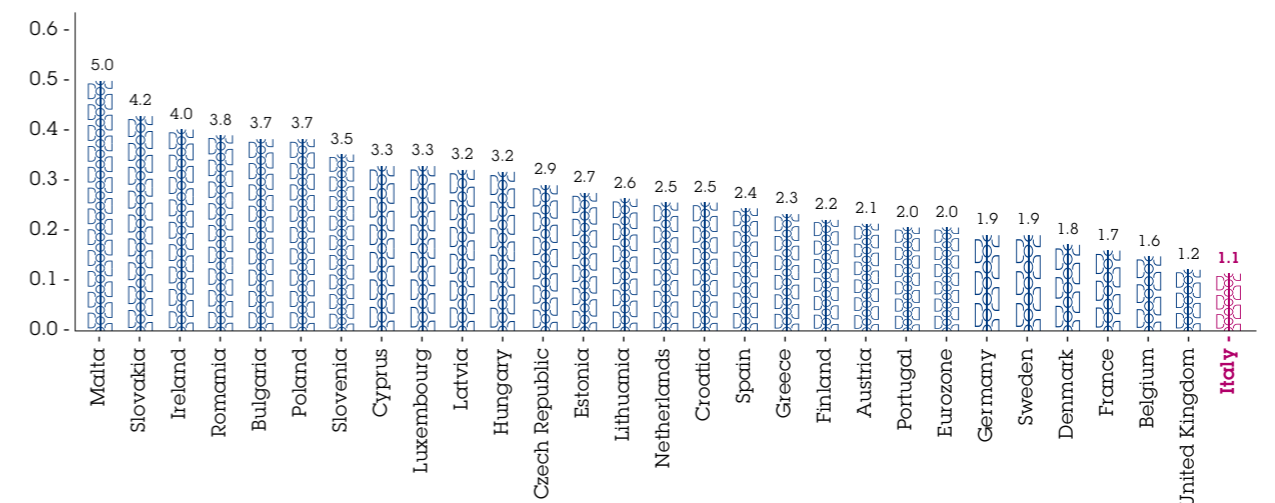


Figure 4.2. GDP growth rate (estimate), 2019
Source: The European House – Ambrosetti elaboration of European Commission data, 2018.

Italian productivity, generally expressed as value added to labor, has, for almost twenty years, been subject to **progressive stagnation**, as illustrated in the graphic below.

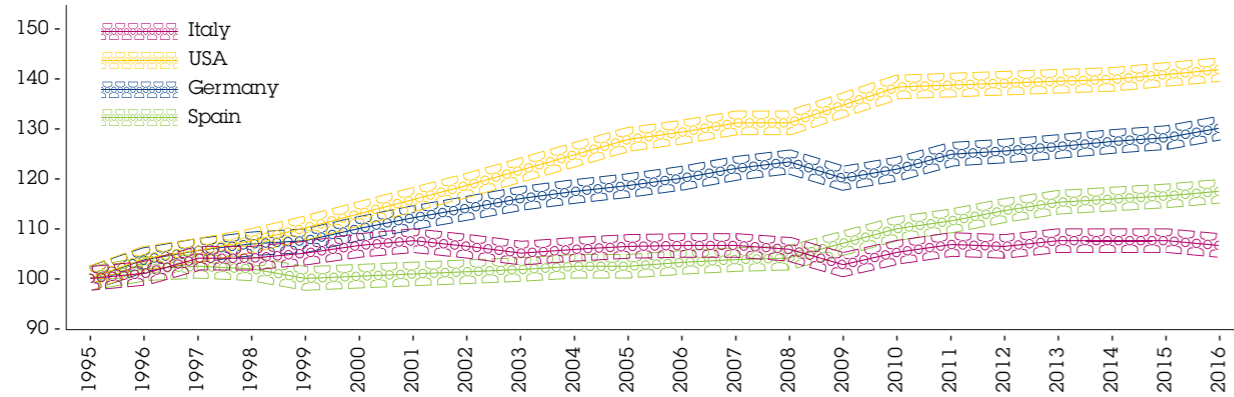


Figure 4.3. Productivity (added value per hour worked, year index, 1995=100), 1995-2016. Source: The European House – Ambrosetti elaboration of World Bank data, 2018.

GDP growth is closely dependent on productivity. In fact, the productivity growth rate in Italy has fallen significantly since the late 1990s, triggering a slowdown in the economy's actual and potential growth rate.

Economic growth can be explained by the growth in the efficacy of the work factor, the rise in the efficacy of the capital factor, and by a residual component. This residual component can be defined as **“system energy”** (expressed in the literature as multi-factor productivity – MFP), that indicates the contribution to growth in terms of positive spillovers¹ arising out of managerial methods, digitalization, the regulatory framework and the economic climate.

This residual component is fundamental to explaining the growth gap that Italy has had over the last 20 years in comparison to the main competitor countries.

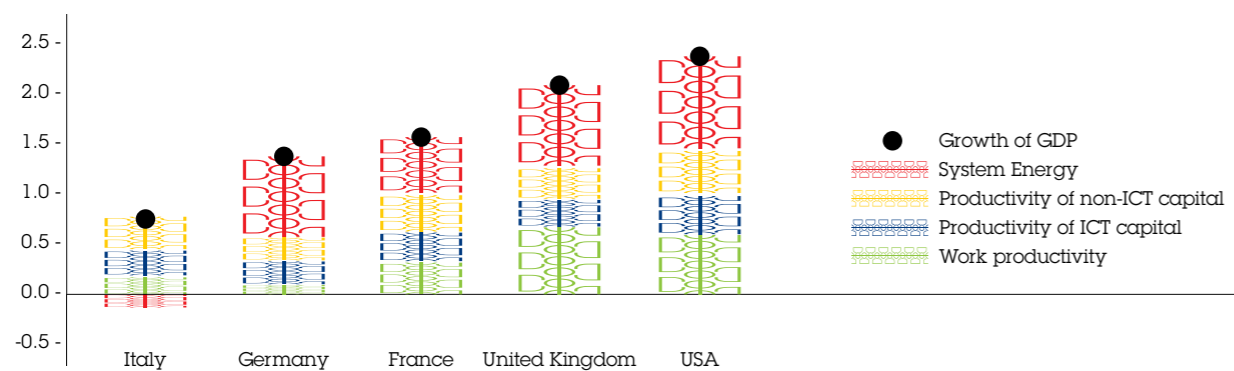


Figure 4.4. Contribution of the different components of the factors' efficacy to average annual growth of GDP (percent), 1995-2016. Source: The European House – Ambrosetti elaboration of OECD data, 2018.

Figure 4.4 clarifies the important role that system energy plays in the economic growth process. The GDP growth rate (rhombus) can be broken down into four elements: efficacy of the work factor, efficacy of the ICT capital, efficacy of the non-ICT capital and system energy.

As can be seen in the graphic, in terms of contribution to the growth of GDP, the efficacy of Italian labor and capital is superior to that of Germany, and it is not dissimilar (a variance of 0.2 percentage points) from that of France. The average GDP growth rate is, however, lower (0.75 percentage points compared to Germany, and almost 1 percentage point compared to France) because Italy's system energy is negative. This means that not only has it not incentivized growth, but it has, in fact, acted as a brake. System energy is a key component for growth, as it accounts for 59% of Germany's growth, 36% of France's, 38% of that of the United Kingdom and 39% of the USA's. In the United States the contribution of system energy alone (0.92 percentage points) is greater than Italy's average GDP growth rate.

System energy can be broken down into **four main components**, illustrated in Figure 4.5, that can play a key role in relaunching competitiveness and production in Italian industry.

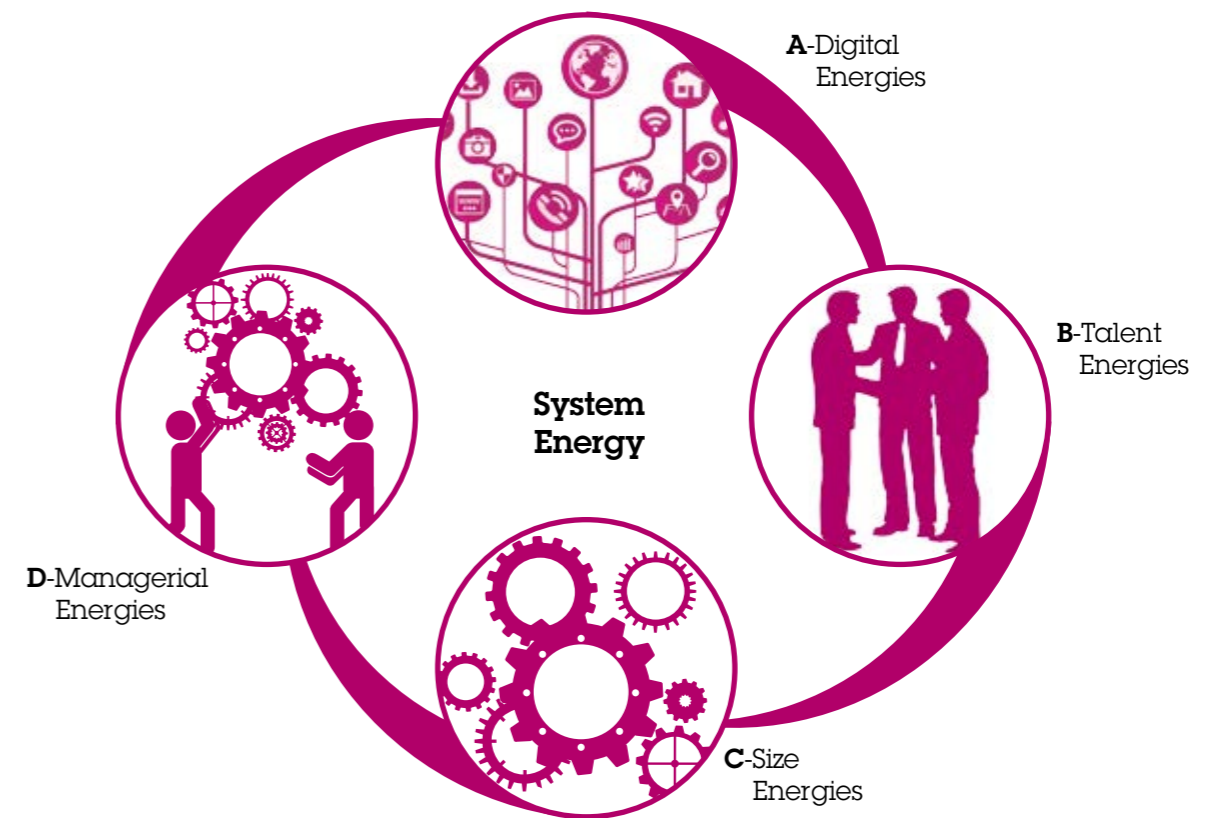


Figure 4.5. System energy components. Source: "Objective: Growth" study by The European House – Ambrosetti, 2018.

While by no means exhaustive, some of the in-depth analyses of the different system energies that are presented below, focus in particular on Digital Energies and Talent Energies, by virtue of the importance they hold as part of the in-depth study process by the WPP Advisory Board/ The European House – Ambrosetti.

1 - Considerations taken from the study entitled Objective: Growth by The European House – Ambrosetti, presented during the 44th TEH-A Forum held at Villa D'Este (Cernobbio).

4.1.1. Digital Energies

Italy has still not reached an adequate level of digital maturity to fully exploit its own potential. In 2017, the level of computer usage in Italy was 21 percentage points lower than the European average (Figure 4.6). Similarly, in 2017, only 44% of Italians had used a smartphone to connect to the Internet in the last 3 months against a European average of 75%.

Even when it comes to businesses, there is still a **resistance to the process of digitalization** that is underway at a global level (Figure 4.7). Only 13% of Italian businesses offered e-commerce services to their consumers, a figure well below the European average of 20% and that of its main competitors, such as Germany (26%), the United Kingdom (23%), and France and Spain (21%).

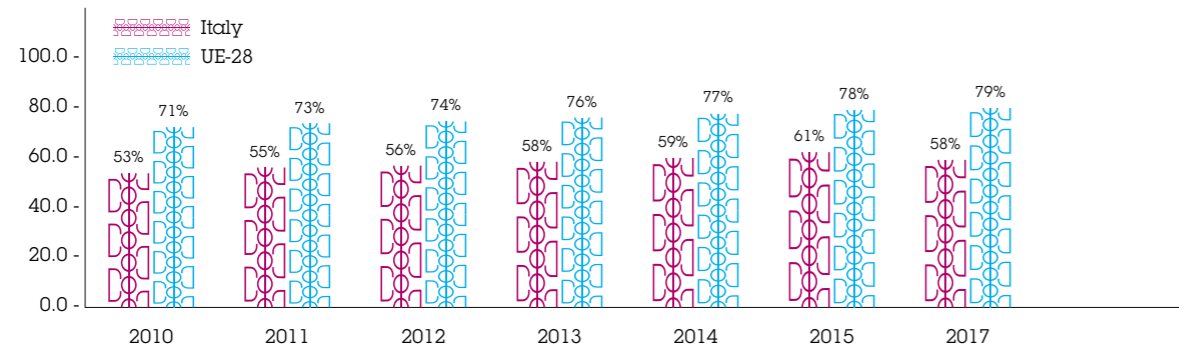


Figure 4.6. Individuals who used a computer within the last 3 months (percent), 2010-2017. Source: The European House – Ambrosetti elaboration of Eurostat data, 2018.

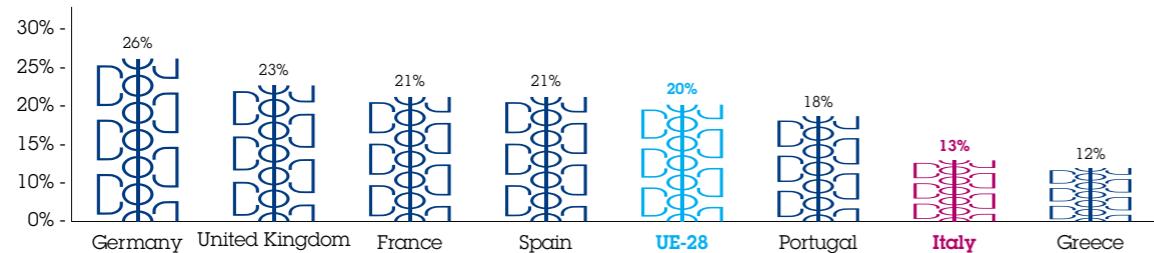


Figure 4.7. Businesses that have sold on-line (percent), 2017. Source: The European House – Ambrosetti elaboration of Eurostat data, 2018.

The Digital Intensity Scoreboard measures the degree to which 12 ICT technologies are adopted in European businesses, dividing them into four intensity clusters.

Almost 90% of Italian businesses work in a production system with low intensity of digital capital, generating less system energy (multi-factor productivity), as can be seen in the next graphic.

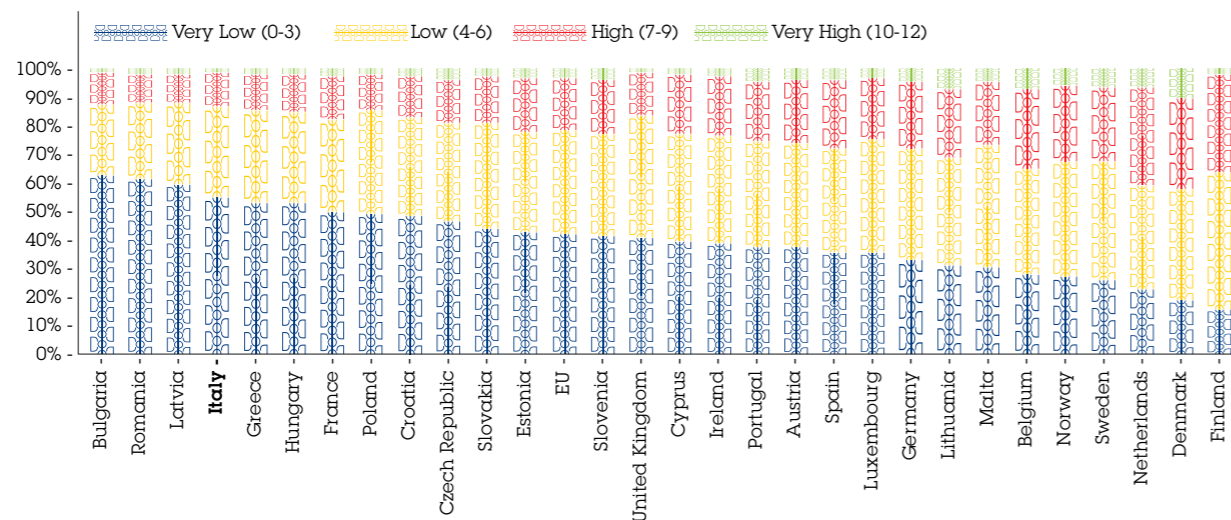


Figure 4.8. European Commission, Digital Intensity Scoreboard in European companies (% of total companies, Levels of technological intensity), 2016. Source: The European House – Ambrosetti elaboration of Eurostat data, 2018.

The Digital Economy: is Italy ready?

The Digital Economy is a challenge that all economic and social systems are being called upon to face. The widespread process of digitalization that is impacting our century opens up unprecedented scenarios filled with opportunities for individuals, businesses and institutions capable of adapting and responding to new stimuli, increasingly shortening their response times. The huge quantity of data that is shared every day calls for the **activation of infrastructures, technology and skills** in order to take full advantage of its potential. In Italy, in 10 years' time, networks will have to convey data flows that will be up to 100 times greater than those of today, driven to a large extent by the spread of the Internet of Things, that will open up **opportunities for innovation** in most economic sectors who show themselves capable of taking up the challenge and equipping themselves with appropriate skills and technologies (e.g., healthcare, safety and security, smart cities, mobility, Industry 4.0 and education).

On March 3, 2015, in line with the Europe 2020 Agenda, the Italian government approved the **Italian ultra-wideband strategy** with which it intends to reach, by the year 2020, 85% of the population, with infrastructures capable of providing services at speeds equal to or greater than 100 Mbps, while at the same time guaranteeing 100% of its citizens access to the Internet at a speed of at least 30 Mbps. As part of this same strategy, the government is promoting the development of ultra-wideband (5G) through the simplification of the regulatory framework, the creation of new drivers for development, the use of tax incentives and a reduction in installation costs. A synergic, across-the-board action with which it intends to make Italy a faster, more agile, less bureaucratic and more modern country.

The year 2017 saw the launch of the **5G testing process** in Italy that involved 5 cities: the metropolitan areas of Milan, Prato, L'Aquila, Bari and Matera ("5 cities for 5G"). The tenders for developing the necessary technological infrastructure for enabling 5G were awarded to Vodafone (Milan), Telecom Italia-Fastweb-Huawei Technologies (Bari and Matera), Open Fiber and Wind Tre (Prato and L'Aquila). 5G represents an enabling technology for cutting-edge services that will profoundly change, for example, the ways individuals live and move around, or the current ways businesses produce. It is a technology that represents major discontinuity with the past, both in terms of speed and latency times and it offers enormous potential in terms of the services that could be developed and will be the driver for growth for Italy's production system.

Milan will become the **biggest and most advanced 5G laboratory in Europe**, with an investment of over €90 million, 80% network coverage by 2018 and more than 41 active projects involving some of the country's most important companies.

Source: The European House – Ambrosetti elaboration based on Vodafone data and a range of sources, 2018.

One central point is the interdependence between physical capital and its management. For example, the modernizing of management software is useless unless accompanied by training courses.

The figure speaks for itself: **almost 90% of Italian businesses did not offer an ICT training course** to their employees (Figure 4.9).

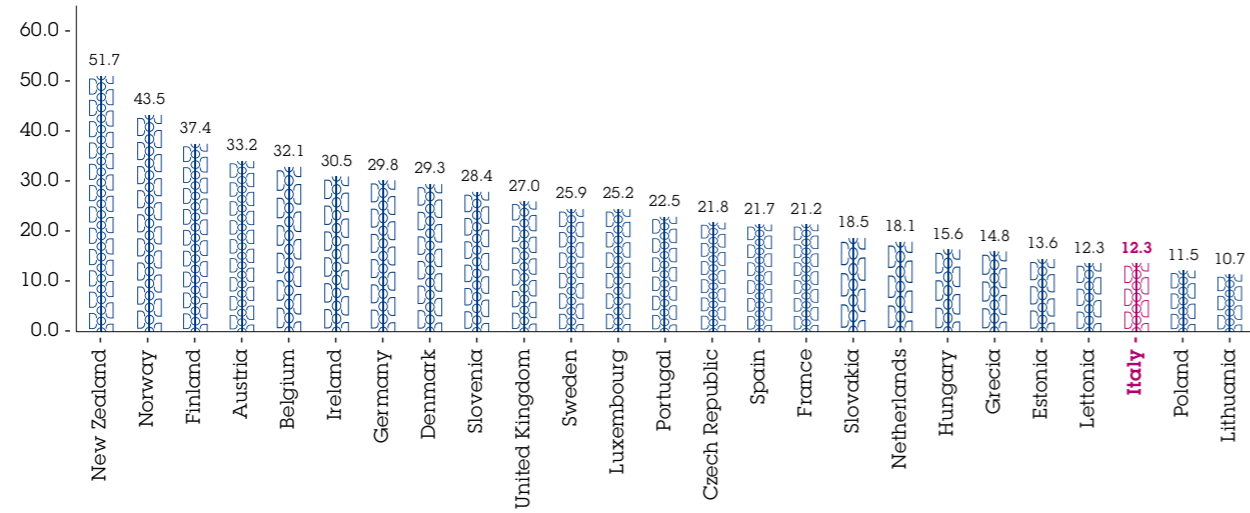


Figure 4.9. Percentage of companies that offered ICT courses to their employees (percent of total), 2016. Source: The European House – Ambrosetti elaboration of OECD data (survey), 2018.

Further examination of the research reveals a **structural deficit precisely in small businesses** that—not just at an Italian level—invest less in ICT training. For each size category, Italian businesses find themselves below the OECD average, as shown in the figure below.

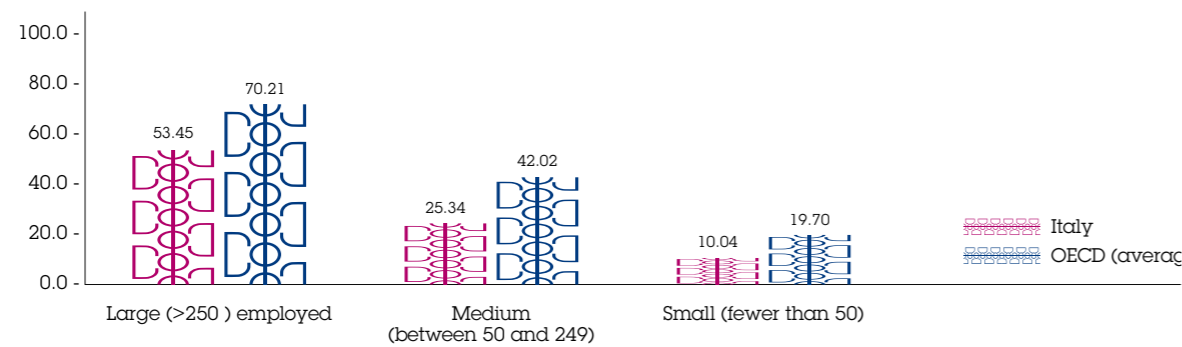


Figure 4.10. Percentage of companies that offered ICT courses to their employees (percentage of total, size class, number of employees), 2016. Source: The European House – Ambrosetti elaboration of OECD data, 2018.

4.1.2. Talent Energies

The labor market does not make **generational turnover** easy and it is the Millennials and Generation Z that have the greatest difficulty.

As Figure 4.11 shows, at a macroeconomic level the number of those working in Italy is at an all-time high,² even though the gap between north and south remains significant, above all when it comes to youth unemployment³ (Figure 4.12).



Figure 4.11. Employment trend in Italy (millions employed and employment rate in %), 2001-2017. Source: The European House – Ambrosetti elaboration of ISTAT data, 2018.

Unemployment rate		Youth unemployment rate	
	2017		2017
Trentino A.A.	4.4	Trentino A.A.	14.4
Veneto	6.3	Veneto	20.9
Lombardy	6.4	Emilia-Romagna	21.3
Emilia-Romagna	6.5	Lombardy	22.9
Friuli V.G.	6.7	Marches	24.2
Valle d'Aosta	7.8	Tuscany	24.5
Tuscany	8.6	Valle d'Aosta	24.8
Piedmont	9.1	Friuli V.G.	25.4
Liguria	9.5	Umbria	30.8
Umbria	10.5	Abruzzo	31.3
Marches	10.6	Piedmont	32.9
Lazio	10.7	Liguria	34.3
Italy	11.2	Italy	34.7
Abruzzo	11.7	Lazio	37.5
Basilicata	12.8	Basilicata	38.1
Molise	14.6	Sardinia	46.8
Sardinia	17.0	Molise	47.3
Apulia	18.8	Apulia	51.4
Campania	20.9	Sicily	52.9
Sicily	21.5	Campania	54.7
Calabria	21.6	Calabria	55.6

Figure 4.12. The rate of unemployment (15-64 years) and rate of youth unemployment (15-24 years), 2017. Source: The European House – Ambrosetti elaboration of ISTAT data, 2018.

What is more, a sizable part of the population under the age of 35 is excluded from education and work, with significant **regional differences** (Sicily 40.9% as opposed to 14.8% in Trentino Alto Adige) and a situation that is worse than that recorded in other European countries, as illustrated in the figure below.

² - All-time high since the ISTAT series came into being.

³ - The level of youth unemployment is calculated by ISTAT as the percentage of unemployed in the workforce, including the 15 to 24 age bracket.

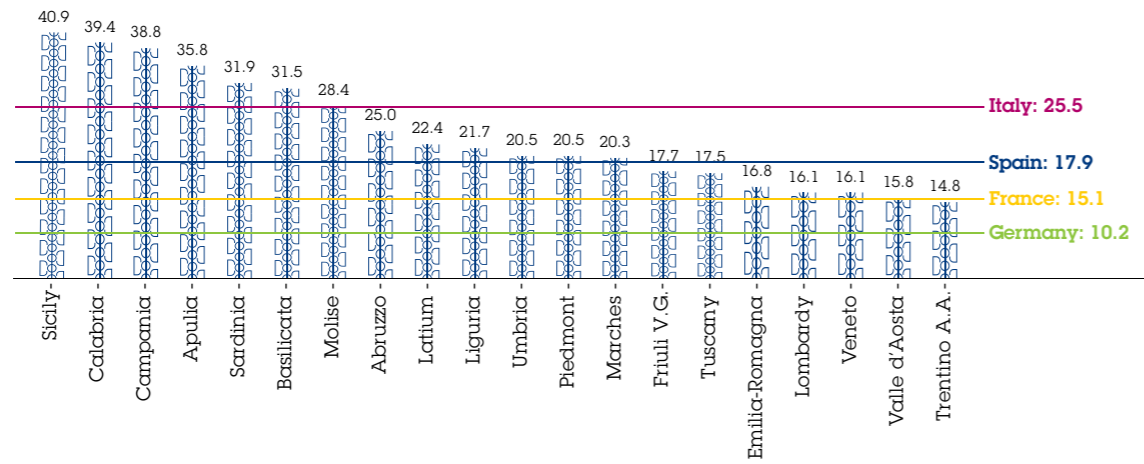


Figure 4.13. Individuals 15 to 34 not studying or working - NEET (percent), 2017. Source: The European House – Ambrosetti elaboration of Eurostat data, 2018.

Women represent another substantial segment of the population that does not actively participate in the labor market. The level of **female employment** in Italy is 14 percentage points lower than the European average and 1.5 times lower than the figure recorded in the most exemplary country, Sweden (Figure 4.14).

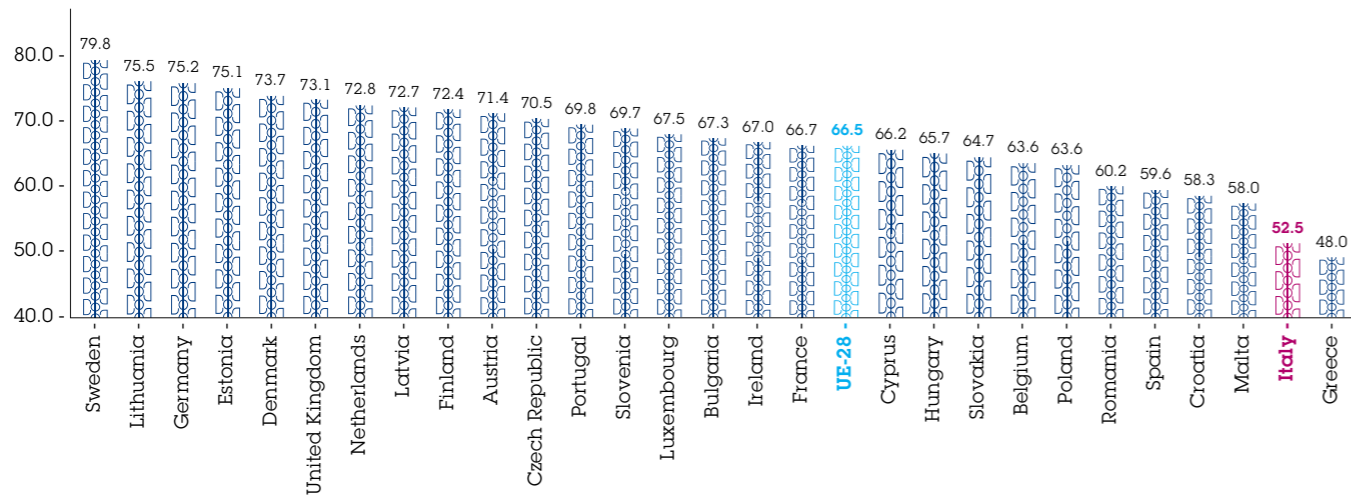


Figure 4.14. The rate of female employment (percentages of the total female population, 20 to 64 years of age), 2016. Source: The European House – Ambrosetti elaboration of Eurostat data, 2018.

Even the percentage of graduates in Italy is less than that of other European countries, with even more worrying results when it comes to **STEM graduates**⁴ and a lower return in terms of employment compared to that recorded in other countries.

In Italy, only 17.7% of the population holds a degree, as opposed to 46% in the United Kingdom, 35.7% in Spain, 34.6% in France and 28.3% in Germany (Figure 4.15).

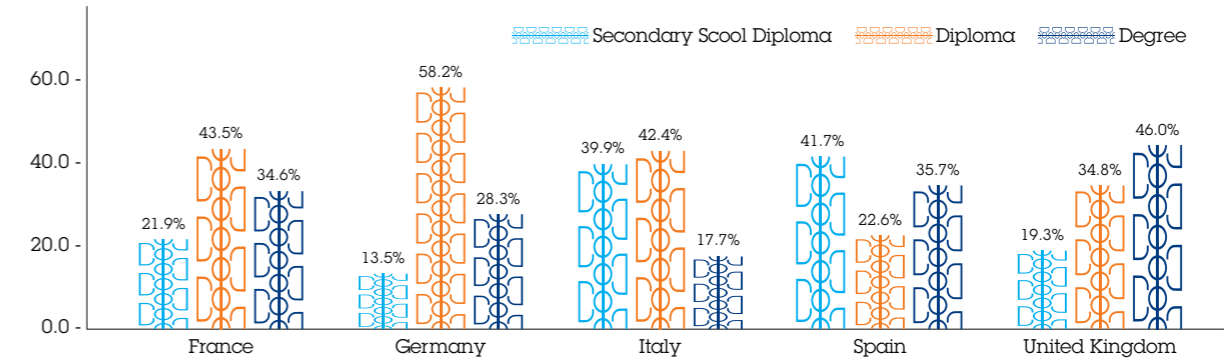


Figure 4.15. Population by educational qualification (percent), 2017. Source: The European House – Ambrosetti elaboration of OECD data, 2018.

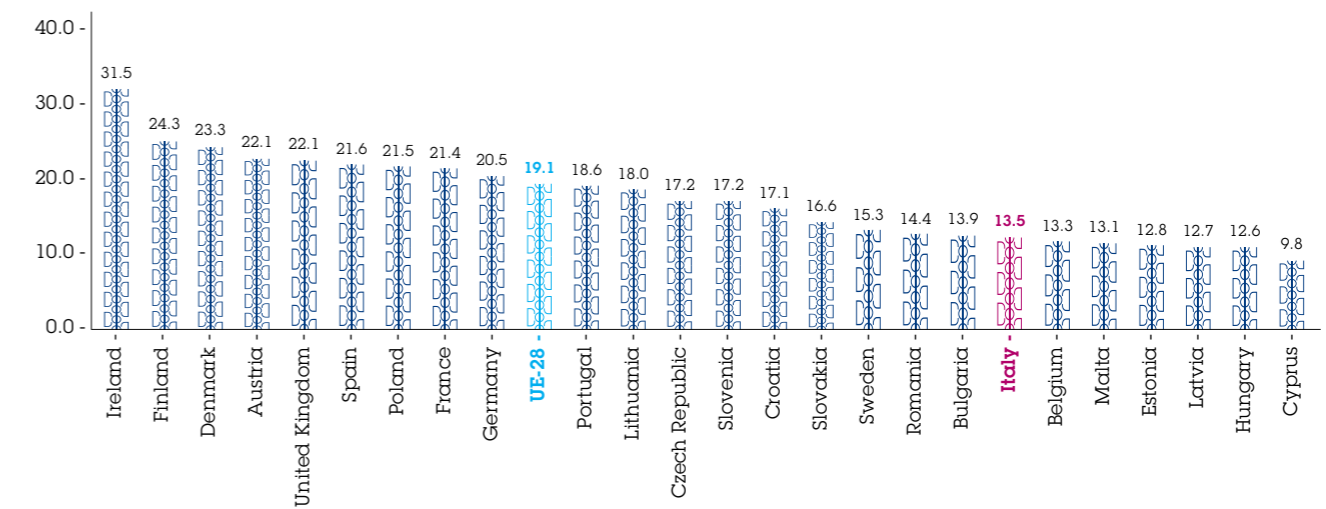


Figure 4.16. STEM graduates (per 1,000 inhabitants aged 20 to 29), 2018. Source: The European House – Ambrosetti elaboration of Eurostat and ISTAT data, 2018.

Alongside the difficulties that the Italian labor market faces in absorbing young new graduates (Figure 4.17), what also needs to be highlighted is a **significant difference in terms of remuneration** for higher education qualifications, when compared with other European countries. Talent reaps little reward: in Italy greater specialization is not acknowledged and repaid as much as in foreign countries (Figure 4.18).

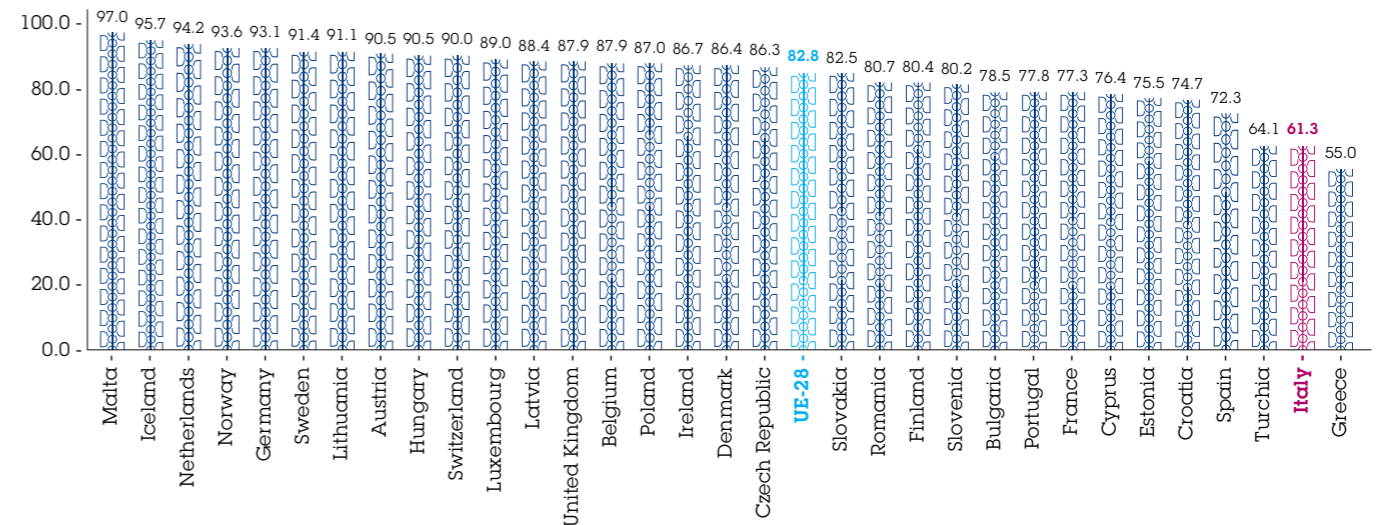


Figure 4.17. New graduates (less than 3 years) in employment (percent), 2005-2016. Source: The European House – Ambrosetti elaboration of Eurostat data, 2018.

4 - STEM = Science, Technology, Engineering and Mathematics.

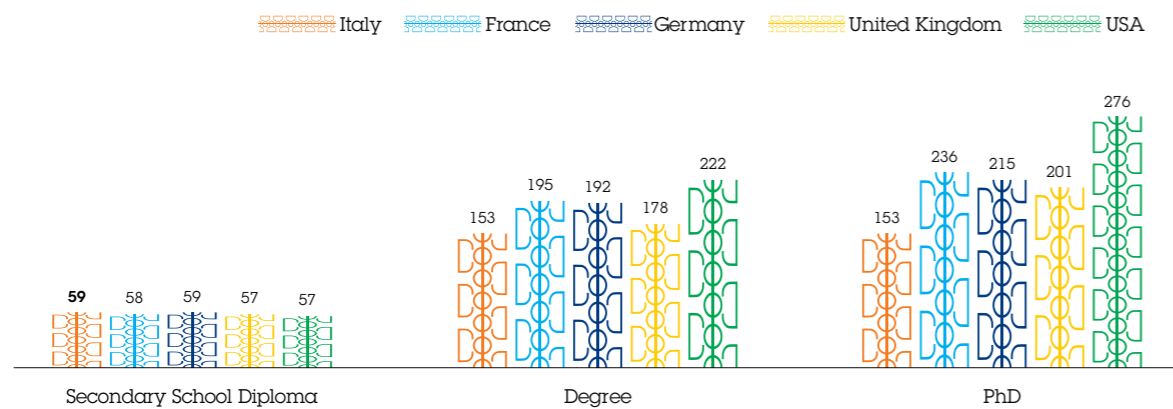


Figure 4.18. Salary by educational qualification (index value, diploma=100), 2017. Source: The European House – Ambrosetti elaboration of OECD data, 2018.

Finally, Italy's spending on education, as a percentage of GDP, is less than that highlighted in other European countries. Taking only universities into account, it can be seen how, when compared to Germany's 1.2%, Spain's 1.3%, France's 1.5% and the United Kingdom's 1.8%, Italy only spends 1% of GDP.

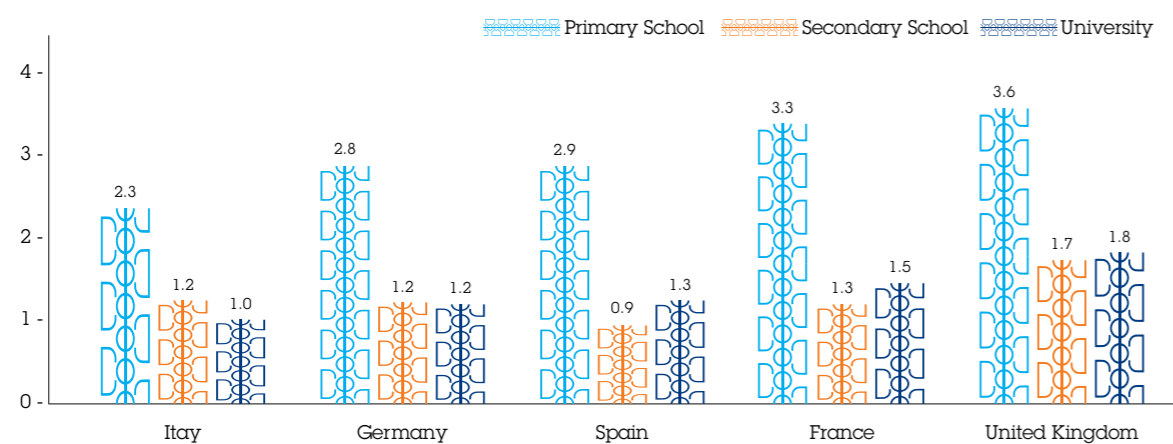


Figure 4.19. Public spending on education (% of GDP), 2014. Source: The European House – Ambrosetti elaboration of OECD data, 2018.

Employment preferences of Millennials

A study produced by Kantar revealed the workplace preferences of Millennials. In particular, 67% of those interviewed and asked to express multiple preferences, stated they preferred an Italian company with an international dimension, followed by 57% who, on the other hand, tended to favor a multinational company with local offices. 39% said they preferred a local firm with headquarters in Italy and a multinational company headquartered outside of Italy. 32% of the preferences expressed favored working in an office of professionals, followed by 29% of the preferences opting for public administration and a preference for becoming self-employed or a freelancer.



Figure 4.20. The workplace preferences of Italian Millennials (percent) 2018. Source: The European House – Ambrosetti elaboration of "#Generazione2.0" by Federico Capeci data, 2014.

In addition, Millennials also expressed their preferences pertaining to the main drivers that guide their choices about jobs. Professional growth based on meritocracy gained the majority of preferences (84%), followed by career opportunity (77%), the possibility of working in a sector with interesting activities (76%), receiving a high salary when entering employment (33%), the opportunity of working for a company that is known by everyone (27%) and finally, working for a well-established company (23%).



Figure 4.21. Drivers for Millennials when choosing a job (percent), 2018. Source: The European House – Ambrosetti elaboration of "#Generazione2.0" by Federico Capeci data, 2014.

In addition:

- more than a third thought they would work beyond the age of 65 (12% believed they would work their entire lives);
- they work more than other generations: 73% more than 40 hours a week (roughly 25% more than 50);
- approximately two thirds consider less than 2 years an "appropriate time" to remain in the same job and roughly a quarter less than 12 months;
- alongside having a secure job for life, Millennials consider it equally important to have the necessary skills to remain competitive on the labor market.

If it is true that 70% of the labor force will be made up of post-Millennials by 2050, knowing the characteristics of the new generations in the workplace—in order to render them more compatible with the generations already present within the company—becomes a strategic issue in which to invest, formulating ad hoc policies at a corporate and nation-wide level.

Source: The European House – Ambrosetti elaboration based on a range of sources, 2018.

4.1.3. Size Energies

Italy has a **size problem** that limits its competitive potential. What is noticeable, in fact, is a direct correlation between the size class of the business and system energy (multi-factor productivity). There may be several explanations for this, the first of which is that as the business grows in size, what is required is a **managerialization process**, in which operating structures, responsibilities and the chain of command are defined (one of the main components of the system energy is, in actual fact, managerialization itself).

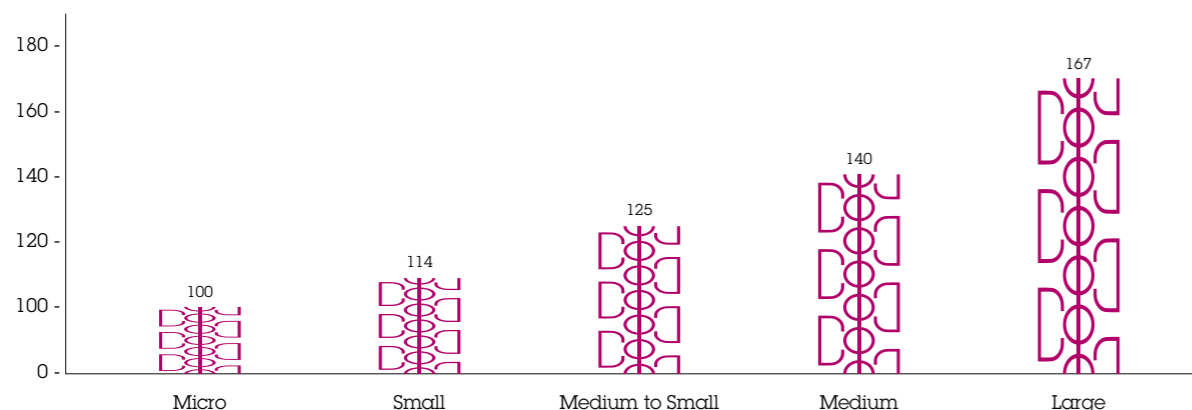


Figure 4.22. System Energy (MFP) by size class (entire European sample) (index value, micro=100), 2016. Source: The European House – Ambrosetti elaboration of AMADEUS data, 2018.

Figure 4.23 shows the efficacy of the work factor, calculated as an hourly added value on the cost of hourly work, by corporate size class.

What can be observed is that Italian businesses operating in the manufacturing sector appear less efficient both for the micro-size category (1 to 9 employees), for small businesses (10 to 19 employees) and for small- to medium-sized ones (20 to 49 employees). Moreover, what also emerges is a positive correlation between the size of the business and work efficiency.

In short, Italy's economic fabric is made up, in the main, of small- to medium-sized businesses which, when compared to their international counterparts, are less productive. There is a significant part of the economic fabric that attains worse performance levels compared to foreign competitor businesses.

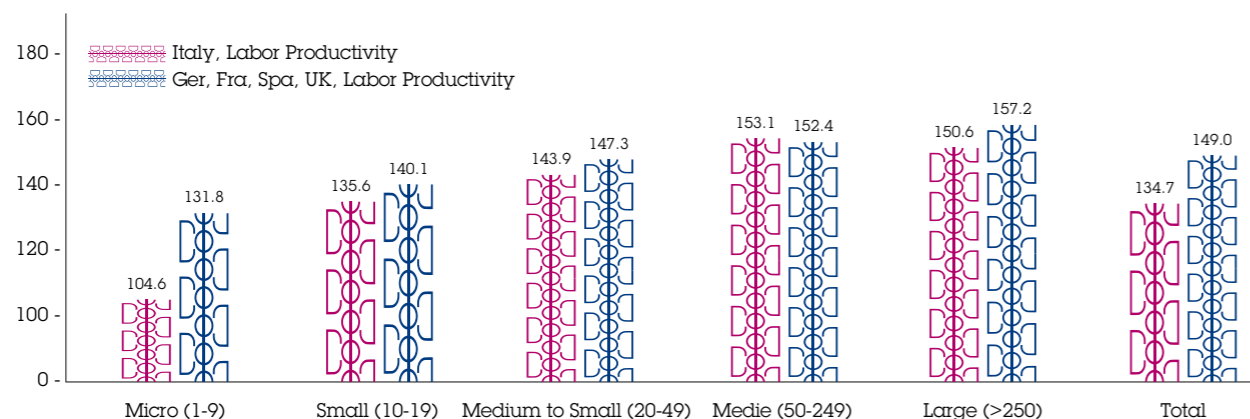


Figure 4.23. Labor productivity by size of business in the manufacturing sector (Hourly added value on the cost of hourly labor). Source: The European House – Ambrosetti elaboration of SBS Eurostat data, 2018.

The figures below show the importance of SMEs in Italy's economic system. Small- to medium-sized businesses are responsible for almost 40% of the added value produced by Italy's entire manufacturing sector (against the 22% average of France, Germany and Spain) and they employ almost 50% of those active in the sector (against the 30% average of France, Germany and Spain).

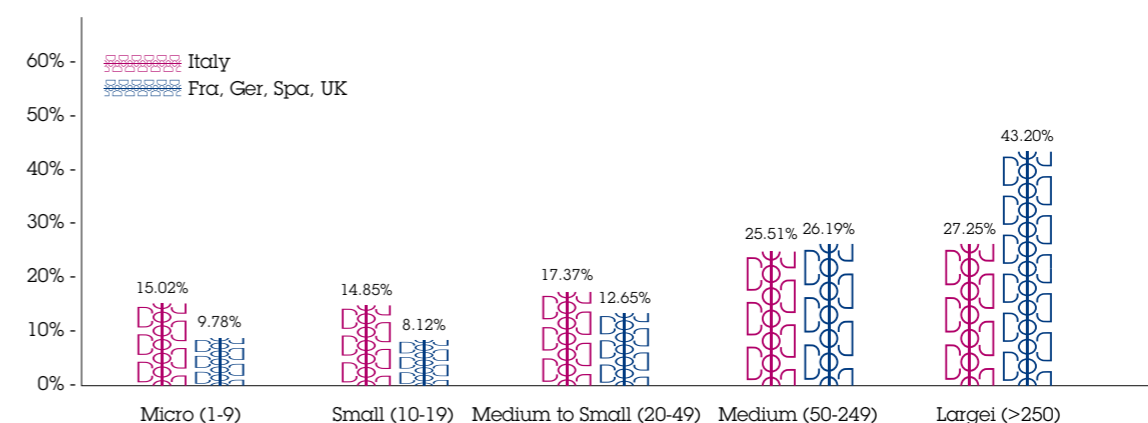
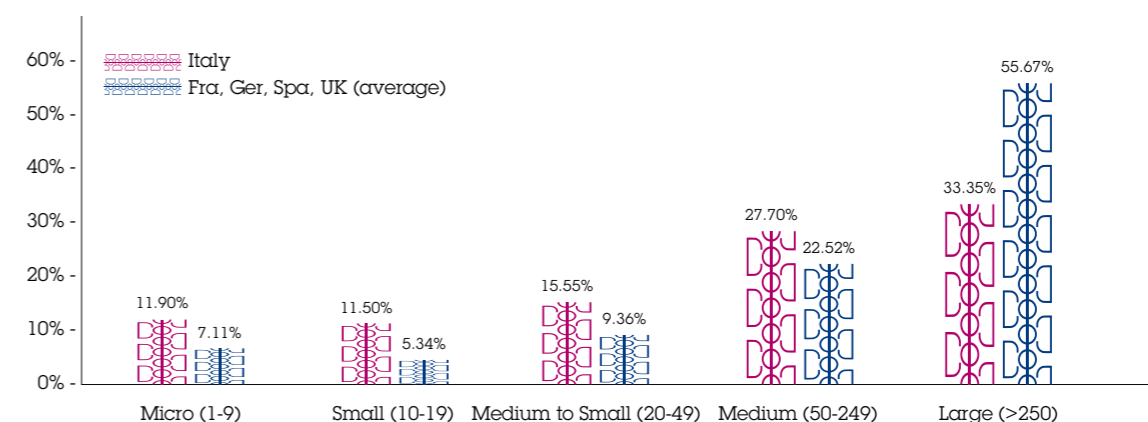


Figure 4.24. Distribution of those employed by size class, manufacturing (percentage of total number employed in the sector), 2014 (above) and added value of businesses by size class, manufacturing (percentage of total added value produced), 2014 (below). Source: The European House – Ambrosetti elaboration of SBS Eurostat data, 2018.

4.1.4. Managerial Energies

The size of a business also influences the quality of management, that appears penalizing when compared with the results achieved by European peer-groups.

As the graphic in Figure 4.25 shows, family businesses in Italy do not distinguish themselves much because of the prevalence of CEOs who represent the controlling family, which appears to be in line with other European countries. The difference would seem to be in the number of family businesses in which the entire management appears to be drawn from the family: almost 70%.

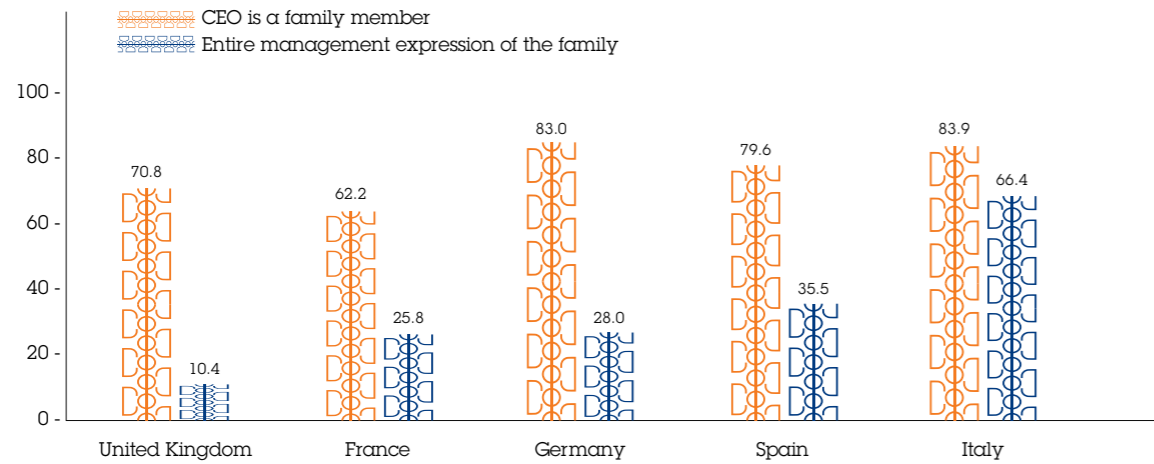


Figure 4.25. Analysis of the management of family businesses (% of total), 2014. Source: The European House – Ambrosetti elaboration of EFIGE and Chicago Booth data, 2018.

The figure in itself certainly does not represent a problem. Italy's economic fabric and the history of Italian business are founded on the small family company, and there are many cases of family businesses that have attained levels of world excellence. The problem emerges when one looks at the average managerial competence of these types of businesses.

From a study conducted by the World Management Survey, it emerges that the gap amassed by Italian businesses results from (or is even due to) a **lower quality of managerial processes**.

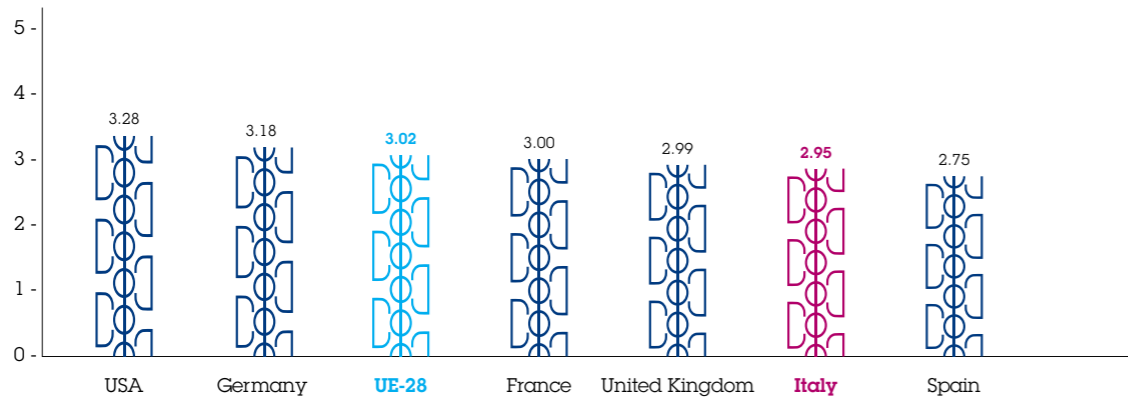


Figure 4.26. World Management Survey, overall score, national average (relative score, 1=minimum, 5=maximum), 2016. Source: The European House – Ambrosetti elaboration of WMS data, 2018.

This gap is widespread across all four of the cornerstones examined in the analysis. Italian businesses are positioned below the average in each of these.

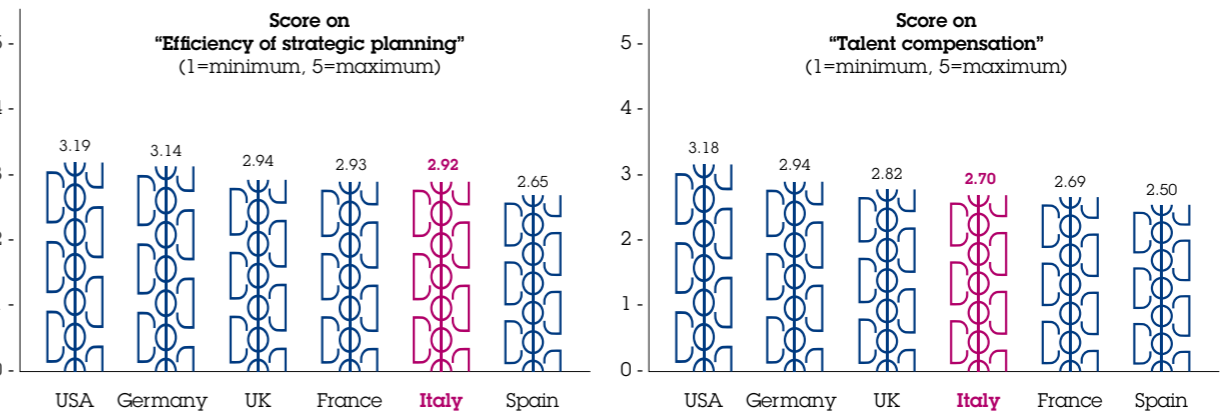
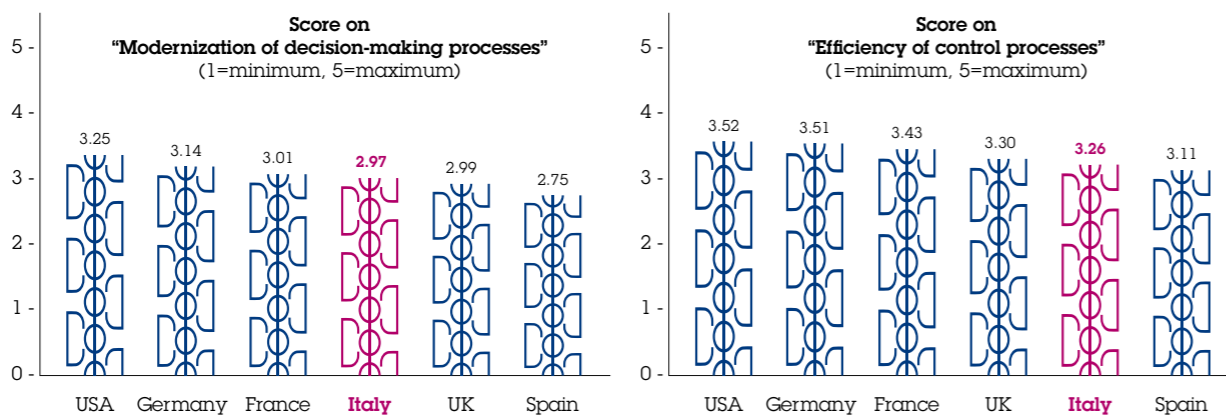


Figure 4.27. World Management Survey, overall score, national average (relative score, 1=minimum, 5=maximum), 2016. Source: The European House – Ambrosetti elaboration of WMS data, 2018.

Family businesses with a family member as their CEO are those that achieve the lowest score. It should be noted that the sample is not limited to Italian businesses, but rather, those located in 35 countries. Poor management of family businesses is a widespread phenomenon. The Italian problem is not so much that it is “worse quality”, but that it is so widespread.

Figure 4.28. A World Management Survey, overall score by type of ownership (relative score, 1=minimum, 5=maximum), 2016. Source: The European House – Ambrosetti elaboration of WMS data, 2018.

4.2. ITALY'S AGENDA FOR PROMOTING AND SUSTAINING THE INSERTION OF MILLENNIALS INTO THE LABOR MARKET

In light of what has been analyzed in the previous paragraphs, it is apparent that Italy possesses a huge potential for development, which to-date it has not been able to exploit in full. On average, in the last two decades, Italy has grown less than other European countries and the European Commission's recent economic forecasts confirm that, even against a backdrop of widespread growth across the entire European Union, the predicted growth rate for the Italian economy, for both 2018 and 2019, will be the lowest in the EU.

The limitations to growth recorded in Italy can be identified in a series of delays that can be traced back to those dimensions we have identified as the “system energy”. Italy is experiencing resistance to the current global process of digitalization, both from the point of view of individuals as well as businesses. The labor market does not facilitate generational turnover and it is the Millennials and the Generation Z that are in the greatest difficulty, with a deep European gap in terms of youth and female employment, and poor recognition of talent. Moreover, Italy has a size problem which limits its competitive potential, since Italy's economic fabric consists, to a disproportionate degree, of small- to medium-sized businesses that are less productive and which, compared to their international counterparts, exhibit poorer economic performance. The size of a business also influences management quality which is a penalizing factor when compared with the results achieved by European peer-groups.

These trends produce a continual widening of the gap in competitiveness and attractiveness between Italy and its competitors. In order to intervene on the gaps identified and to reactivate a positive growth process, businesses and institutions must pursue the following **goals**:

1. Promote **meritocracy** as a criterion for selecting and promoting talent, to the detriment of familism and the logic that disincentivizes merit. In Italy there are many obstacles to the spread of a meritocratic way of thinking, such as: poor social mobility, major inequalities between men and women, the limited attractiveness of talents and an insufficient culture of merit. Such “symptoms” draw a picture of a problem of significant dimension. In order to increase Italy's attractiveness and competitiveness through the promotion of talent, it is necessary to:

- identify education systems that are respectful of every individual, but that are capable of bringing talents to the fore and encouraging the spread and promotion of a culture of meritocracy;
- promote a labor market with transparent access and operating mechanisms.

2. Invest in **human capital**, dedicating more resources to on-going training and updating, in particular among young people and women. The global economy is going through profound changes dictated, for example, by the process of globalization, the arrival, onto the market, of new technologies and the increase in life expectancy in western countries. Human capital plays a key role within the context of sudden changes such as the current one because the development of new skills and the generation of innovation become fundamental in making companies, markets and economic systems competitive and resilient. Investing in human capital means:

- dedicating resources to the training of workers in the public and private sphere and encouraging methods of learning that are on-going and creative;
- guaranteeing a correct work and leisure time balance for workers, in order to guarantee increased levels of productivity and job satisfaction.

3. Promoting **women's access** to the labor market. An aging population and motherhood increasingly represent an obstacle to women being fully integrated into the labor market and they impede the potential of Italy's productive fabric from being exploited in full. Therefore, the new social and economic framework means there is an urgent need to:

- plan and integrate welfare models aimed at lightening the care burden on women, with the aim of encouraging a fairer balance between family and work commitments;

- establish flexible working solutions, on the one hand, that favor the work-family balance and therefore the participation of women, and on the other, the incentivization of a change in the work culture, which is mainly male, the definition of merit and career advancement.

4. Expand work/study projects and **active policies** to encourage the insertion of young people into the labor market and generational turnover. Italy struggles to absorb young people into the labor market. Only 61.3% of new graduates (less than 3 years) are employed, against a European average of 82.8%. In addition, the percentage of young NEETs has reached 25.5%, compared to the nevertheless worrying levels of France (15.1%) and Germany (10.2%). Boosting the crossover between demand and supply on the labor market, above all in favor of the younger generations, means:

- promoting an education system that is coherent and appropriate to the evolving needs of the labor market and is capable of generating skills and quality in the learning process and of promoting talent;
- drawing up active institutional measures and policies aimed at facilitating the generational turnover in companies and the insertion of young people into the labor market.

5. Reducing the gap between the digitalization process as it is currently under way globally and the state-of-the-art in Italy, through boosting **investment in digital technology** and worker training. The process of digitalization that has swept through modern society requires the activation of new paradigms capable of adapting social, economic and labor systems to the new challenges posed by technology and digital. In particular, the need to:

- invest in R&D activities aimed at advancing the production of digital technologies that are capable of increasing a country's competitiveness;
- put in place mechanisms for the continuous updating and advancement of skills in the digital field, with particular attention to issues of cybersecurity.

