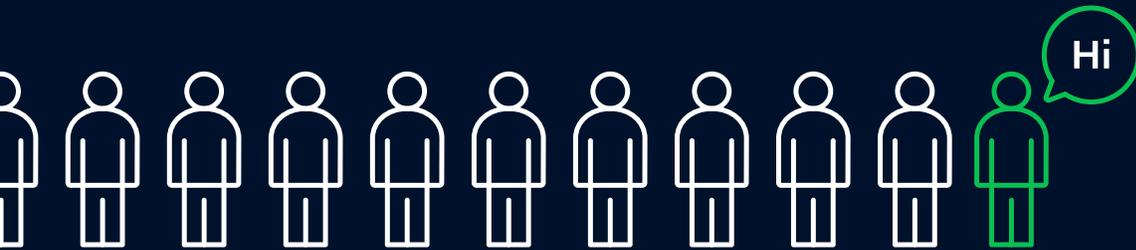


Evolving retail series

Meet your future power shopper: Gen Z



adyen

Introducing the future power shopper

The world has been hyper-focused on how Millennials are changing our economy, especially in retail. Now between ages 23 and 37, Millennials are in the midst of their professional careers and have a steady income, making them a key shopping demographic. But there's another group poised to cause the next big shift in how we shop (and buy): Generation Z.

Adyen recently commissioned a survey of 2,010 U.S. consumers between the ages of 18-55, to understand the shopping habits, expectations and hopes (and fears) of this up-and-coming generational group. We know brick-and-mortar isn't dead, but what do retailers need to know to appeal to Gen Z shoppers now and in the future?

Born between the mid-1990s and mid-2000s, the oldest Gen Zer is around 22 years old. That defines this up-and-coming generation as today's teenagers, with a firm grip on future purchasing power. But that doesn't mean Gen Zers aren't influencing consumer spending today. At 32 percent, Gen Z makes up the second-largest age demographic of tastemakers — the group of early adopters identified in our first Evolving Retail white paper earlier this year. According to a 2017 National Retail Federation report, more than 70 percent of Gen Zers said they influence their family's spending, including clothes and shoes (60

percent) and electronic devices (61 percent). Additionally, Gen Z has its own spending power — \$44 billion worth to be exact. That's a lot of purchasing power for a generation of teenagers. By tailoring experiences to Gen Z, retailers are not only influencing their current spending, but also building shopping models that will be relevant for years to come.

To get to know the future power shopper, retailers should start by understanding how they shop and how that is influenced by social media and real life experiences. Ernst & Young called Gen Z "Millennials on steroids." To start, it's a generation that is even more frugal and price-conscious than its immediate predecessors. More than half of Gen Zers still count on allowance for spending money, and nearly 20 percent work full-time, so the frugal habits we see now and desire to stretch their dollars through discounts, coupons and rewards programs are indicative of how this generation will spend as it grows up.



59%



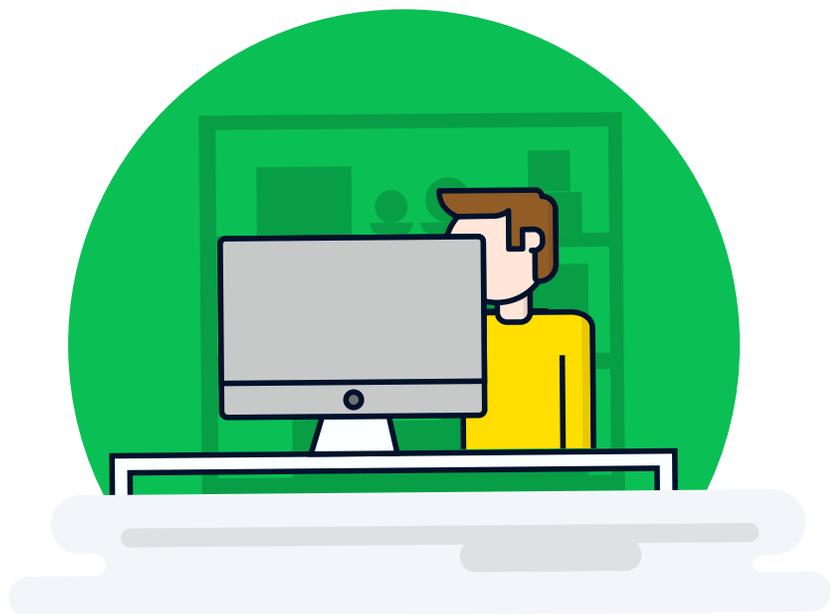
of Gen Zers count on an allowance for their spending money

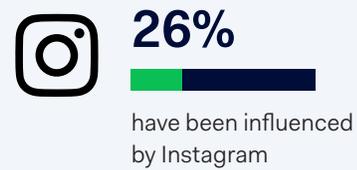
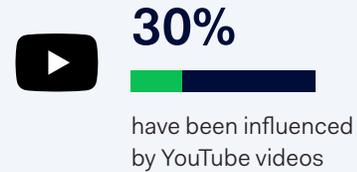
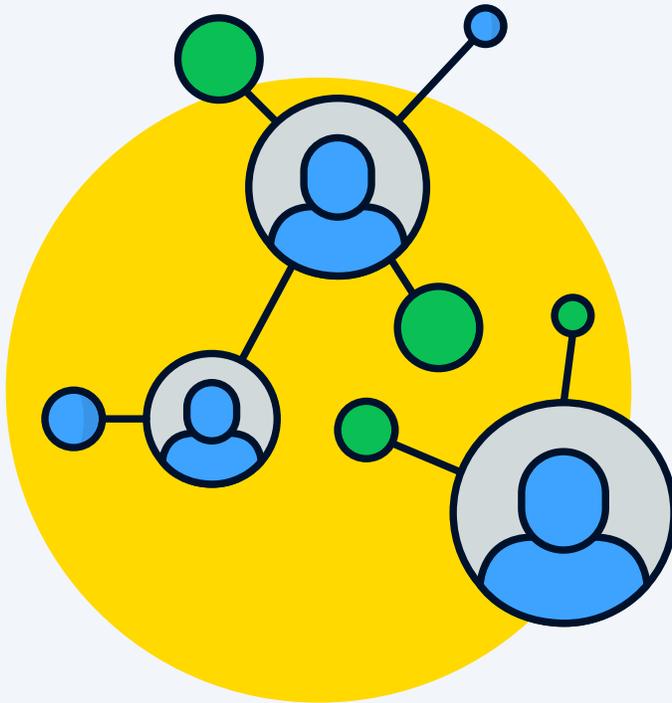


20%



of Gen Zers work full-time





Social media

Speaking of growing up, Gen Z has grown up entirely in the digital age. They know the internet only as a high-speed connection and never had to endure dial-up modems; their idea of a phone has always been mobile. As they have come of age in this connected world, 3 out of 4 Gen Zers spend most of their free time online, and to many, social media is deeply engrained in everyday life.

This is important to retailers for a few reasons. First, what Gen Z sees on social media impacts purchasing decisions. Even more than Millennials, Gen Zers have been influenced and have purchased a product because of YouTube videos (30 percent vs. 22 percent of Millennials) and Instagram (26 percent vs. 22 percent of Millennials). Gen Z (41 percent) and Millennials (44 percent) are both influenced by Facebook ads.

This phenomenon indicates that different social media platforms also attract varying crowds. Whereas social media was once seen as “the newest tool,” it’s now a channel that retailers can’t afford to ignore.

Shopping expectations

As the future power shopper, Gen Z brings a new expectation for the retail experience. They expect retailers to demonstrate that they’re trustworthy. And it pays to gain their trust now for brand loyalty in the future. Similar to Millennials, Gen Zers also want to be heard. Sixty percent of Gen Zers think it’s important for brands to value their opinion, and when they do give feedback, they are twice as likely to provide positive feedback than complaints. Roughly half of Gen Zers also expect high quality, eco-friendly and socially responsible products.

Beyond their altruistic tendencies, this new generation expects the online and in-store experience to work together. Forty-eight percent of Gen Zers expect to be able to return or exchange items bought online in the store, and 33 percent expect to be able to buy online and pick up in-store. Gen Z’s expectations from retailers have also taken a cue from Millennials. Whereas 63 percent of Millennials have ordered items online to be picked up in-store, Gen Z has followed suit, with 54 percent saying they’ve shopped this way.

Now that we know a bit more about what Gen Z expects in a shopping experience, it’s important to understand how retailers might steer clear of bad interactions.

What the Gen Z shopper doesn't want

Gen Zers are a group that likes to shop and research brands on their own terms. Properly preparing for the future shopper starts before they even walk into a store. Retailers need to eliminate some shopping experiences that are causing barriers to buying and holding back in-store experiences for the Gen Z shopper. Additionally, retailers will be well-served to listen to the technology that this generation understands but doesn't want to see as part of the shopping experience.



66%



would visit a store more if they could check item availability beforehand



Sorry not sorry, help but don't help

Gen Z shoppers are young and tied to their devices, but they don't want to have their hand held. The future power shopper is perfectly capable of researching his or her own product info, thank you very much. Gen Z would much rather do their own research or listen to friends and family for recommendations — only 7 percent wanted sales associates readily available to make recommendations while shopping in-store. For Gen Z, the most popular way to research new brands and products is by going to a specific store's website (49 percent), word-of-mouth (45 percent) and searching megastore apps (43 percent). Though social media plays a crucial role in influencing Gen Z's purchasing decisions — 26 percent of Gen Z have been swayed into a purchase by an Instagram post — the future power shopper still turns to the advice of family and friends (and their own research) over influencers and social media ads.



7%



found having a sales associate to make recommendations as the most appealing reason to shop in-store

While Gen Zers prefer to be hands-on with their research, they do want a real live person to help them complete their purchase — paying with an associate at the register was still ranked first as Gen Z's most preferred checkout experience. As such, retailers should let Gen Zers do the research, but be there at the end to see it through.

Please don't scan my retina

Though using biometric data like scanning a fingerprint or retina is cutting edge security technology, it's still a bit much for shopping, even for Gen Zers. While 23 percent of them thought this technology was possible for shopping in 2-5 years, when asked about future shopping experiences, 35 percent of Gen Z shoppers said they did not want this feature to be part of their future.



35%

said they don't want biometrics to be part of their future shopping experience



46%

of Gen Z are using chat apps to communicate with brands



41%

of Millennials said they're using this feature

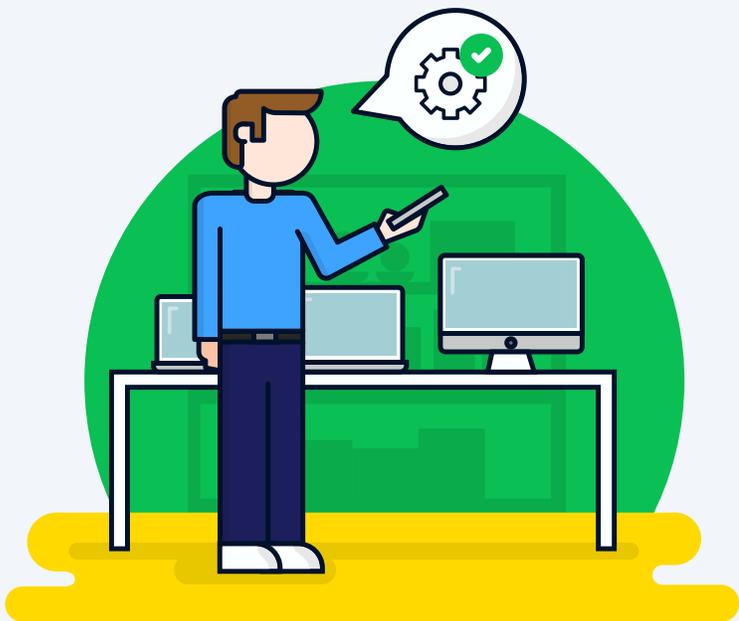
Jury is still out on messaging in-app purchases

Gen Z is inherently digitally savvy. When they use devices, 73 percent are using them to text and chat. The Gen Z shopper can be influenced on social media, but they haven't fully embraced chatbots and chat apps to communicate with brands. Still, compared to Millennials, more Gen Zers have used chat apps to communicate with brands (46

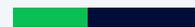
percent vs. 41 percent). This upward trajectory can be attributed to Gen Z's immersion with technology. Yet there is still hesitancy from both Gen Z and Millennials to make purchases from a messaging app. Only a little over a quarter (26 percent) of Gen Zers and 29 percent of Millennials are willing to purchase from a messaging app.

What the Gen Z shopper does want

While today's purchasing power is with Millennials, tomorrow's power shopper is setting the trend for how retailers should plan for the future. With easy access to virtually anything they can think of, Gen Zers crave efficiency. For Gen Zers, if their preferred shopping experiences were implemented, 50 percent of them would shop more overall. So how can retailers meet the needs of Gen Z?



39%



hope "just walk out" stores will happen in the next 12 months



50%



of Gen Zers would shop more overall if their preferred shopping experience was implemented

Give me one reason to stay here

If the future power shopper is going to spend money in a store, they want to make sure they're making the most of their trip. For Gen Z shoppers, 66 percent would visit a store more if they could check if an item they wanted was in stock beforehand. And once they're in the store, the Gen Z shopper

would opt to pick up the items they need and have the store automatically charge their account. More than a quarter (39 percent) of Gen Z shoppers hope that this "just walk out" technology is ubiquitous in the next 12 months.

Show me the money, or at least let me look before I buy

Savvy retailers are already embracing showrooming (i.e., providing physical space for consumers to examine products and then buy these items online), but Gen Z shopping preferences should provide even more urgency to do so. Approximately 1 in 3 Gen Zers want showrooms to be commonplace within the next 12 months, a reflection of their need for a purpose to go into a store and the blended retail experience they desire. The problem is that Gen Zers and Millennials don't have confidence in retailers' ability to get with the trend anytime soon. Only 22 percent expect showrooms to happen in the next 2 to 5 years. But retailers that cater to these preferences will reap the dividends: showrooms represent a massive opportunity that has the potential to drive 50 percent more shopping.

Make augmented reality and virtual reality a reality

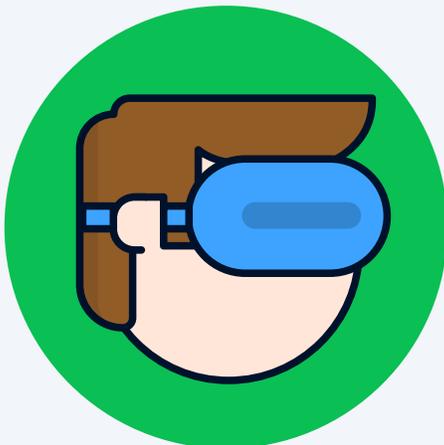
Retailers are starting to use AR and VR to change the way consumers interact with products — both inside and outside stores. Gen Z shoppers have latched on to the possibilities of AR, with 44 percent wanting this technology to come to fruition within the next 12 months. From using augmented reality to see how a dress would fit, or how furniture would look in a home, to using virtual reality to see what your concert would look like in person, AR and VR are perfectly poised to be a normal part of the shopping experience — eventually. Twenty-eight percent don't expect it to happen for another 2 to 5 years, but retailers would be well-served to prove Gen Z wrong and make AR and VR a reality sooner rather than later.



50%



Gen Z shoppers say showrooms could drive 50 percent more shopping



44%



want AR/VR to come to fruition within the next 12 months

Conclusion

Gen Z shoppers were born with mobile phones and wi-fi. They're accustomed to technology permeating every part of their life. At the end of the day, retailers who understand and adapt to these preferences as this up-and-coming generation matures will be rewarded with loyal, connected, deep-pocketed customers for generations to come.



Methodology

In February 2017, Adyen commissioned a survey with a national sample of 2,010 U.S. consumers between the ages of 18-55, to understand perceptions of shopping and payment experiences currently and in the future. The 12-minute online survey was implemented by Morar Consulting. Survey fieldwork was carried out between February 20-25. Sampling variation of survey results is 2.2 percent.

Meet Adyen

Adyen is the payments platform of choice for the world's leading companies. The only provider of a modern end-to-end infrastructure connecting directly to Visa, MasterCard, and consumers' globally preferred payment methods, Adyen delivers frictionless payments across online, mobile, and in-store. With offices all around the world, Adyen serves more than 4,500 businesses, including 8 of the 10 largest U.S. Internet companies. Customers include Facebook, Uber, Netflix, Spotify, L'Oreal and Burberry.



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