



# Gen Z and the Future of Retail

Artificial intelligence and social media promise to transform every aspect of the shopping experience, both online and in person. At the center of this transformation is Gen Z, a demographic which will both drive and embrace the most significant retail developments of tomorrow. Retailers who capture the interest and loyalty of Gen Z hold the potential to build years, even decades of engagement.

**Gen Z shoppers are savvy consumers. The better you understand the intricacies of this demographic, the better equipped you'll be to respond to their needs as retail shoppers—not only as loyal customers, but also as passionate brand advocates.**

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# Chapter 1:

## Who is Gen Z?

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As the generation after the Millennials, Gen Z represents the latest generation to reach adolescence and adulthood. While exact definitions vary, most researchers agree that the members of this generation were born during the late 90s and early 2000s.

### Shaped by Transformative Events

Experts at the [Pew Research Center](#) officially mark the cutoff between Millennials and Gen Z as 1996. While no abrupt changes in the birth rate mark this shift (as was the case for the line drawn between Baby Boomers and Gen X), a single event may determine whether a young person can be considered a Millennial or Gen Zer: September 11<sup>th</sup>. The youngest Millennials are just barely able to recall this tragedy, but most members of Gen Z were either toddlers or not yet born at that time.

Another factor in the definition of Gen Z is the role of the economy in their childhood and early adulthood. The oldest members of this generation began to reach adulthood during the period of economic growth following the Great Recession, while younger Gen Zers will come of age during the uncertainty of COVID-19 and its aftermath.

Millennials, meanwhile, grew up under the mostly stable economy of the 80s and 90s. Despite weathering brief recessions in the early 90s and again after the dot-com bubble burst, they did not experience economic calamity until they entered the workforce during the start of the Great Recession and in its immediate aftermath.



## A Diverse Population

Gen Z differs from previous generations in its diverse makeup. While each American generation has proven increasingly diverse in terms of race and ethnicity, this trend takes on a new dimension with Gen Z.

As of 2018, Hispanics accounted for 25 percent of those between the ages of 16 and 21. Among this age group, just 52 percent referred to themselves as non-Hispanic Caucasian. This represents a notable shift from the 61 percent of young Millennials who identified as non-Hispanic Caucasians in 2002.

The diversity of Gen Z is even more evident in urban areas, where two-thirds of post-Millennials claim status as ethnic or racial minorities. Geographic differences are also evident in the latest demographic shifts, with minority representation especially significant on the West Coast.

# Chapter 2:

## What Does Gen Z Value?

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While birth dates and shared experiences play a critical role in shaping generational groups, values are also essential. This is especially true for Gen Z.

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According to researchers from [McKinsey & Company](#), the things upon which Gen Z places value boil down to a core idea of the “search for truth.”

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Specific values vary from one person to the next, but in general, Gen Zers cite the following as top areas of passion:

### Diversity

Given the unprecedented makeup of Gen Z, it should come as no surprise that this generation values diversity. They want to be exposed to different perspectives and interact with people from all walks of life. They’re also acutely aware of the inequities that hold so many communities back. As such, it’s easy to see why, in a [survey from Yubo](#), 90 percent of Gen Z respondents claimed to support the Black Lives Matter movement.

### Digital Communication

Gen X mastered computers, Millennials conquered the internet, and now, Gen Z has taken over social media and mobile technology. While many Millennials made it to adolescence without smartphones, most Gen Z kids were adept users long before they arrived at middle school.

Because they’ve never known a world without smartphones or social media, Gen Z places great importance on their ability to communicate online. They dedicate a significant portion of their time to screens, and, while many are concerned about this reality, they feel unwilling or unable to break away. They also feel that, when properly used, technological lines of communication can drive both personal and societal transformation.



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Gen Zers are smartphone and social media natives who were adept users long before they reached middle school.

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## Personal Branding

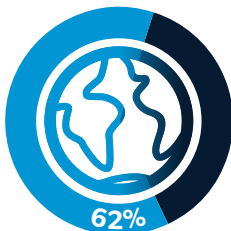
Social media may be nearly ubiquitous across generations these days, but preferred platforms and how they're used largely depends on age. Once the domain of college students, Facebook is now spurned by many young adults in favor of Instagram and TikTok. Both platforms tend to reward users with a deep-seated understanding of their personal brand—and how it can be called upon to develop an engaged following.

The need for a branded identity drives almost every aspect of Gen Zers' behavior online. It can also be seen in the causes with which they identify and the everyday purchases they make. If a particular product or store fails to ring true to their perceived personal brand, these emerging consumers are less likely to invest—even when the price is right or the item appears to be of sound quality.

## Eco-Friendly Living

There's a reason Hydro Flask and Patagonia appeal to Gen Z athletes and outdoorsy types—and it's not just because these brands have mastered Instagram marketing. Young people are worried about climate change and other environmental issues. They're determined to make a difference. Just as important, however, is getting the word out.

Greta Thunberg serves as a compelling face of this generation, but she's just one of many to make significant decisions based on their environmental impact.



The First Insight 2019 report on *The State of Consumer Spending* shows that 62 percent of Gen Z shoppers prefer to support sustainable brands.

## Taking Action

Whether they're passionate about sustainability, social justice, or other matters, the young people of Gen Z are determined to make a difference. They don't believe in standing to the side and letting history play out; they want to have a voice.

This is evident in a YPulse *Views on America* report, in which 55 percent of respondents between the ages of 13 and 18 claimed to have participated in Black Lives Matter protests or awareness-raising efforts. Similarly, they prefer companies that also make an active effort to support the causes they find compelling.

## Chapter 3:

# Gen Z's Approach to Shopping and Retail

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At one time, retailers could build a dedicated following simply by offering lower prices than the competition. All that has changed with the rise of Gen Z—they prioritize convenience, social proof, and authenticity. That's not to say that this generation will overlook a good deal. These shoppers simply factor more than price alone into their purchasing decisions.

Gen Z's expectations may be lofty, but for retailers that manage to capture their attention, the rewards are well worth the effort. The following trends are especially worth examining, as they promise to upend many aspects of the retail industry we'd previously taken for granted.

### Research First, Buy Later

Impulse shopping is on its way out. With Gen Z, the process of buying even seemingly minor products is not nearly as simple as it might seem to the average Baby Boomer, Gen X, or even Millennial customer. In the eyes of young shoppers, each purchase warrants thorough research.



Online reviews and thorough research drive purchase decisions.

While young consumers take the recommendations of their favorite influencers to heart, they also seek insight in the form of customer ratings. **Data from PowerReviews** reveals that over 95 percent of Gen Z consumers validate their decisions with help from online reviews. Many will scour dozens of entries on rating sites prior to deciding which products to buy or which services to invest in.

### Prioritizing Convenience

Despite their willingness to spend hours researching products, Gen Z also wants the shopping process to be as streamlined and convenient as possible. With research suggesting a brief **attention span of just 8 seconds**, it's more important than ever that retailers provide exactly what young shoppers want, when they want it.

This can take many forms, including several highlighted in the **IBM report *What Do Gen Z Shoppers Really Want?*** Store proximity, product availability, and pickup or delivery options were chief areas of concern in this study. Nearly half of the respondents claimed that, when shopping, they viewed the ability to quickly find the products they need as more important than anything else.



## Social Media Shopping

With Gen Z, convenience and social proof are essential. When these qualities join forces, young consumers won't be far behind. Hence, the popularity of social media solutions such as Instagram Shopping, which delivers a seamless experience by allowing users to shop items directly from photos and videos. Likewise, TikTok is experimenting with shopping features that could grant the platform a future as a social commerce powerhouse.

No explanation of Gen Z's blend of social media shopping would be complete without referencing the strength of influencers—these powerful accounts captivate the attention of young social media users. Their branded campaigns are useful not only for building awareness and goodwill, but also for inspiring users to purchase specific products featured in branded posts.

# Chapter 4:

## Gen Z's Attitudes Towards Technology in Retail

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No generation has been defined by technology quite like Gen Z. Today's youth have never known a time without easy access to the internet and mobile devices. As digital natives in the truest sense, they hold high expectations regarding the role modern technology can play in work, school, relationships, and of course, consumer behavior.

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Brands and retailers must blend in-store and digital interactions to meet the demands of digital natives.

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### A Love of Digital Shopping

While many areas of the economy traditionally bolstered by young people are struggling, retailers that made the most of the quick shift to digital saw significant gains. The [IBM 2020 U.S. Retail Index](#) suggests that the pandemic accelerated the rise of digital retail by at least five years. Gen Z has embraced this development. While brick-and-mortar experiences remain important, a significant minority express a preference for online shopping.

### Blending Tech and the Real World

Gen Z consumers integrate virtual and real-world activities to form a seamless experience. They expect the brands they follow to do the same. Most see the value of in-person experiences but prefer when these are amplified by advanced tech, including everything from the Internet of Things to machine learning.



The value of blending digital and in-person interactions can be seen in modern event and experiential marketing. Brand ambassadors, for example, bring a relatable face to companies during activation events, but can also facilitate follow-up efforts by encouraging attendees to explore branded apps or check out information provided through QR codes.

Target, which is hugely popular with Gen Z, demonstrates how digital solutions can shape in-store shopping behaviors. The retailer's app draws on beacon technology to provide an array of helpful location-based features.

Weekly ads, for example, are tied to local stores, as are options for accessing a particular location's guest WiFi. Those who use Target's app also benefit from tightened integrations between special offers and shopping lists. Essentially, the store's beacon solutions act as a GPS for each visitor's shopping cart.

Perhaps most importantly, Target doesn't work against Gen Z's tendency to look up reviews on the spot. On the contrary, they use this preference to seal the deal. **Target spokesperson Eddie Baeb** explains that guests enjoy the ability to "access product information, including descriptions, guest reviews and ratings" from the convenience of the app. This inspires confidence in their purchases, which is key to prompting conversions among today's research-oriented consumers.

## Augmented Reality: Bringing In-Person Shopping Online

Augmented reality (AR) provides yet another opportunity for amplifying retail experiences through the power of technology. With AR, however, the greatest opportunity lies not in the ability to bring technology into a physical location, but rather, to replicate the benefits of in-store shopping online.

**AR is already hugely popular on apps such as Snapchat, with parent company Snap claiming that 70 percent of users experiment with AR on a daily basis. Brands such as Adidas and Sally Beauty have leveraged this fascination to improve engagement among Snapchat's user base, which skews young.**

Beyond social media, many brands incorporate AR within dedicated apps designed to address chief complaints about shopping online. For example: digital shoppers often struggle to visualize the products they'd like to purchase. AR gives them a better idea of how these items might fit into their current lives.

Demonstrating a keen sense of the tech-infused conveniences that fascinate Gen Z, Nike provides this opportunity with its scanning app, which can determine the exact shape and size of users' feet and use that information to recommend the best products for that person. Similarly, apps from IKEA and other furniture retailers allow users to see exactly what major investments will look like in their homes.

## Chapter 5:

# 5 Things Brands Can Do to Remain Relevant

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The prospect of appealing to today's demanding young customers can feel daunting.

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In reality, however, Gen Z's retail demands are simple: they want transparency and convenience above all else.

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While these qualities are often best delivered through tech solutions such as mobile apps and influencer campaigns, a variety of simple efforts can drive sales among young consumers. When in doubt, prioritize the following goals:

### 1 Be Authentic

No single catchphrase, hashtag, or influencer is guaranteed to captivate Gen Zers. In fact, used in the wrong context, phrasing that seems trendy can actually turn these customers away. Retail initiatives can only succeed when they ring true to the ideals that set each brand apart.

In survey after survey, young people highlight authenticity as a top consideration when making purchasing decisions. Even when they don't necessarily agree with a brand's message or appreciate its aesthetic, they'll often get on board when they view marketing initiatives as genuine.

The retailer Hot Topic demonstrates how a brand that remains true to its ideals can ultimately attract young shoppers outside its purported customer base. Over the years, the retailer has developed an image as an alternative store for the punk and emo crowds. A [survey from YPulse](#) suggests that Gen Z shoppers regard Hot Topic as the top retail location for landing unique styles. From its wide range of tough-to-find products to the quirky looks and personalities of its associates, every detail is designed to ensure that the brand lives out its promise of promoting individuality.

### 2 Build Relationships with Influencers

The rise of the Instagram influencer reflects Gen Z's quest for authentic role models. They appreciate both people and brands who know what they stand for and aren't afraid to share their passion.

Data from [Kantar](#) reveals that 70 percent of Gen Z social media users follow at least one influencer on platforms such as Instagram or YouTube. They're not only more likely to follow influencers—they're also far more inclined to act on recommendations from their favorite online personalities.

While just 26 percent of the general population admits to making purchases based on influencer suggestions, 44 percent of Gen Zers have done so.

### 3 Take a Stand

There's more to authenticity than product development and influencer selection. To come across as truly genuine, brands may need to make their stance known, even when doing so may risk alienating certain consumers.

This reality is best exemplified by Gen Z retail darling Nike, which has made its mark by using former NFL athlete and current activist Colin Kaepernick as one of its most prominent spokespeople.

Kaepernick's decision to take a knee during the national anthem may have been controversial, but it also inspired the youth to whom Nike caters. It should come as no surprise, then, that the *True to 7* sneaker—featuring Kaepernick's signature logo—sold out almost as soon as it was released.

Campaigns like this, while risky, exemplify Nike's core values. This may drive some consumers away, but it has prompted a loyal following among others, propelling Nike to the top of [Piper Jaffray's teen shopping survey](#) year after year.

### 4 Support Charitable Causes

Gen Z takes philanthropy seriously. Young customers are more likely to provide financial support to the causes they hold dear than their counterparts from other generations. Insights from [QGiv's Generational Giving report](#) show that one-third of Gen Zers regard charitable giving as a crucial component of their legacy.

Not only do Gen Zers hold high expectations for their own philanthropic activity, they demand a lot from their favorite brands.

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They want businesses to back up their purported values by investing in the causes they hold dear. In many cases, this means dedicating a portion of proceeds to charities young people regard as deserving and compelling.

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Brands such as TOMS and Warby Parker exemplify the power of giving back.

## 5 Encourage Feedback

While customers of all ages look to online reviews for reassurance, young shoppers are especially unwilling to take a risk on new products or services without first confirming that these are trusted by others. Given this emphasis on social proof, a lack of online reviews can be a real liability in retail.

Interestingly, while most members of Gen Z read reviews, many fewer bother to leave them. While [research from Social Media Link](#) shows that over one-quarter leave reviews every time, many others simply forget to share feedback. Most, however, will happily provide insight upon request.

Don't hesitate to connect with those who leave ratings, as the right response can strengthen an already positive reception from glowing reviews or mitigate the effects of negative feedback.

## Conclusion

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Retail will need to adapt as Gen Z's purchasing power increases. This unique group of shoppers will demand everything from product reviews to social activism. Companies that rise to the occasion can expect a loyal and highly engaged following that makes the industry more dynamic, civic-minded, and downright rewarding.



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