

CUSTOMER INSIGHTS AND ONLINE SHOPPING ATTITUDE OF GEN-Z

Petra Jílková – Petra Králová

Abstract

Understanding customer insights based on their buying behavior and tapping into the raw emotions that drive Gen-Z to make a purchase has become essential to ensure the success of the communication campaign. Gen-Z, who are global, social, visual, and technologically active people affected by digital technologies, have become an important market segment with a potential high purchasing power. Gen Z is made up of young people born in the period from 1997 till 2010. This paper aims to analyze the trends in online shopping of Gen Z and compare them with the online shopping trends of the population as a whole. Firstly, the paper presents the digital online shopping trends of the population as a whole. Secondly, the paper focuses on the trends in online shopping of Gen Z and compares the results. In addition to a literature review and an analysis of secondary data, the research methodology also covers research conducted on a sample of Gen Z. The findings include an analysis of the survey, including situational cases and recommendations for an online shopping framework.

Key words: e-Customer Behavior, Generation Z, Generation Alpha, Customer Insight, Online Shopping

JEL Code: M31, O31, O32

Introduction

Rapid development in technology, especially the existence of the internet and social media, has led to a change in behavior within society. The change in each generational group's mindset can shift in a positive or a negative direction. This tendency contributes to the cultural transformation of society. (Dvořáková et al., 2020) In e-commerce marketing or other increasingly competitive, technology-based market segments, customer insights and their online shopping attitudes are essential for creating successful e-commerce strategies. Each year sees an increase in e-commerce sales, which contributes to changes in consumer behavior. (Majchrzak-Lepczyk and Blašková, 2018). According to Dorie and Loranger (2020), there are significant differences between generational groups in terms of multi-channel behavior regarding purchasing frequency and average purchase amounts via mobile phone, tablet,

computer, and social media. Customers in different age cohorts have had different experiences in terms of how the internet has impacted their lives, how they purchase goods and services, what types of goods they are shopping for online, and what buying behaviors they have. This paper aims to analyze the trends in online shopping of Gen Z and compare them with the online shopping trends within the population as a whole. A description will also be given concerning customer behavior in connection with the gen Z cohort.

Firstly, the paper presents digital online shopping trends as they exist among the population as a whole. Secondly, the paper focuses on trends in online shopping as they exist among members of Gen-Z and compares the results with the rest of the population. Three elements of e-commerce business were defined to identify the differences in adoption of e-commerce services: - perceived values, the purchased type of goods, and perceived e-commerce buying strategies. In addition to a literature review and an analysis of secondary data, the research methodology also covers research on a sample of Gen-Z. A sample of 1,360 e-commerce customers from the total population participated in an online survey. Of this sample, 136 Gen Zs were used to examine differences in the adoption of e-commerce services among customers. This article found that Gen Z customers perceived e-commerce services as more comfortable to use than the rest of the population. Gen Z has also adopted new payment methods automatically. Their purchasing interests seem to be influenced by their lifestyle. The results of this article provide insights into e-commerce customer behavior. Findings include an analysis of the survey, including situational cases and recommendations for an online shopping framework.

1 Literature review

Understanding generational differences and their impact on online shopping is a fundamental aspect of effective segmentation of the target audience. The concept of generational groups has a long tradition, especially in Europe. Based on Mannheim (1928, 1952), “The social phenomenon ‘generation’ represents nothing more than a particular kind of identity of location, embracing related ‘age groups’ embedded in a historical-social process”. According to Kuhn (2010), the generational concept existed as early as the sixteenth century. The Generational Cohort Theory, as a way of client segmentation, was defined by Ingelhart in 1977. This theory aims to contribute to research by analyzing generational differences and give researchers a tool to analyze changes in population over time. According to this author, populations can be divided into generational cohorts based on their years of birth. A generation is defined as an identifiable group of people which shares years of birth and hence, significant life events and social life

experiences at critical stages of development Kupperschmidt (2000). Traditionally, generational cohorts have different experiences with values, attitudes, and preferences based on their life experiences (Parment, 2011). Schewe and Meredith (2004) identified that segmentation based on generational cohorts is more productive and more effective than chronological age. Schade et al., (2016) investigate the differences between consumer generations in terms of various consumer behavior aspects, such as shopping, and Bilgihan (2016) has transformed this theory for e-customer behavior.

The construction of specific generational groups has a long theoretical tradition in describing the socio-cultural identities of a society. Companies must build long-term relationships with customers (Knihova, 2019). Many researchers have examined generational differences in personality traits (Twenge and Campbell, 2012). Nowadays, researchers examine the generational attitudes to e-commerce in connection with new technologies and differences in customer disposition to online shopping. (Ramírez-Correa et al., 2019).

One of the most widespread approaches was introduced by Bencsik et al. (2016), which classified the generational groups as follows: The Silent Generation (years of birth: 1928 to 1945), Baby Boomers (1944 to 1964), Generation X (1965 to 1980), Millennials or Generation Y (1981 to 1995), Generation Z (1996 to 2010). In some papers, we can find the Generation Alpha specification (Lifintsev et al., 2019). Lifintsev et al. (2019) offered the following definitions of the recent generational groups: The Silent Generation (born 1925-1942) or Traditionalists (born 1900-1945) or Matures (born <1946); The Boom Generation (born 1943-1960; born 1946-1964; born 1947-1964); The 13th Generation (born 1961-1981) or Generation Xers/Generation X (born 1965-1981); Millennial Generation/Generation Y (born 1982-2005) or Net Generation (born 1982-1991); Post-Millennials (born 1995-present).

In general, while researchers differ slightly in the precise years of birth that define the different generations, most agree that there are five broad generations. This research has added the most probable date of birth, typical for the Czech Republic and Europe, and the generational group Alpha in connection with e-commerce background and online shopping. The definition of the generational cohorts used for this research is the following: the Silent Generation (1928-1945), the Baby Boomer generation (1946-1964), Generation X (1965 -1982), Generation Y (so-called Millennials) (1983 - 1996), Generation Z (1997 - 2010), and Generation Alpha (2011 till now). Customers born between the years 1965 - 1982, ranging in age from 38 to 55, from Generation X, are the first generation with modern media experience.

2 Research Methodology

The methodology used in this paper is the analysis, synthesis, and comparison. The current research examines the trends in online shopping for Generation Z, Generation X, and Generation Y over the last 12 months, hereafter Gen Z, Gen X, Gen Y. The main aim of this paper is to answer fundamental questions regarding the digital trends of Gen Z, Gen X, and Gen Y. In particular, we want to find out what customers are buying and how they usually pay for goods and services as well as determining their shopping strategies on the B2C e-commerce market. The period covered did not include the period of Covid-19. The following research questions were defined: 1/ What kind of products and services are bought by Gen Z in comparison with Gens X and Y?; 2/Which methods are used for paying for purchased goods by Gen Z and other generational groups?, 3/How do the shopping strategies of Gen Z differ in comparison with other generational groups?.

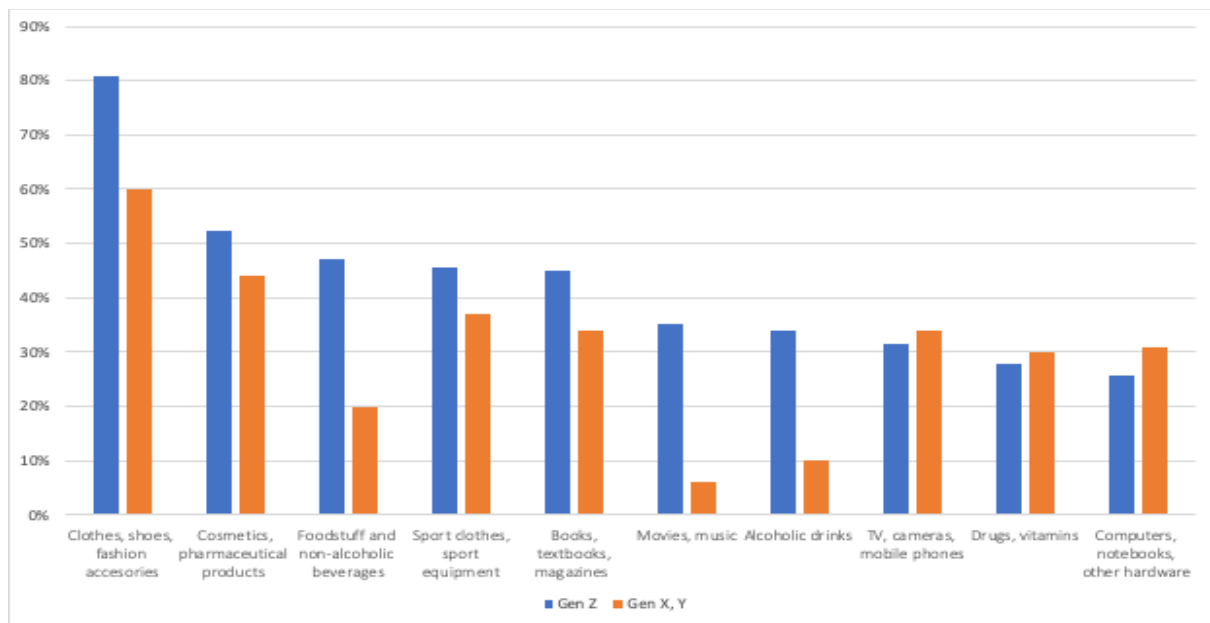
Based on the purpose of this paper, secondary data were comprised (data relied on the annual research conducted by the Czech Statistical Office, hereafter CSU, and the Czech Association for e-commerce, hereafter APEK), along with primary data from the current research. The survey contained 30 questions divided into three main sections covering the main areas of purchasing behavior. These were: purchased products and services, payment methods, statements regarding purchases. The survey was addressed to 136 respondents, aged 15-24. The total research combined primary data of the survey as well as secondary data from the Czech Statistical Office and the Czech Association for e-commerce, with 1,360 individuals aged from 25 to 55 years. It is necessary to mention that the survey is unrepresentative and is only the first step of a more extensive research survey of online shoppers.

3 Findings and Results

This section summarises conclusions of the discussed survey and secondary data presented by the Czech Statistical Office and the Czech Association for E-commerce. The online shopping shows an increasing trend. The data published by the Czech Statistical Office demonstrate that there is a continuously growing the number of shoppers within all age groups and all socioeconomic groups. The number of transactions (the amount of realised online purchases) in the Czech Republic increased from 2.017 million transactions in 2015 to 3.426 million transactions in 2019. These transactions are made by people older than 16 years in the first quarter of the discussed time period. Women realise most transactions. The most active in purchasing are people who are employed, students or mothers on maternity leave; they have secondary education and between 25 – 44 years old. Individuals belonging to Gen Z realized

18% of all transactions in the first quarter of 2019. The most popular purchased products are in general clothes, shoes and fashion accessories, followed by pharmaceutical products and cosmetics, sports clothes with sports equipment, books and textbooks. According to our survey, there is a different range of purchased products. Gen Z preferred to purchase clothes, shoes and fashion accessories, followed by the pharmaceutical products and cosmetics. The main difference between the research groups is the category in the area of food and non-alcoholic or alcoholic beverages and the preference for buying music and films.

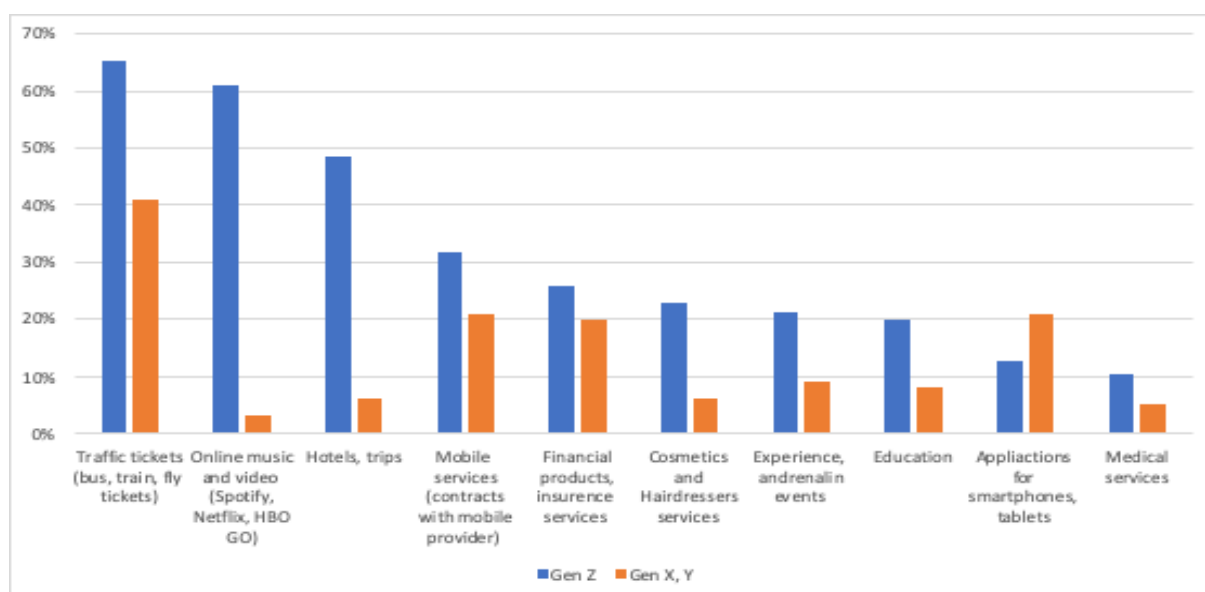
Fig. 1: Purchased products (Gen X, Y, Z)



Source: Own processing based on quantitative research (Gen Z) and APEK data (Gen X, Y)

It appears that the purchased products vary according to the demographic characteristics of the customer, type of goods or services purchased. The Z Gen prefers products related to leisure time, hobbies, (such as books, sport as well as alcoholic beverages) but we can see the tendency to purchase foodstuff and non-alcoholic drinks often than with the other generations. The most popular purchased services are traffic tickets, bus tickets and flight tickets. In general, services are purchased more frequently by Gen Z. Medical Services, Cosmetics and Hairdresser Services appear to be ordered more frequently by Gen Z. On the other hand, the survey indicates that applications for smartphones and tablets are more often purchased by Gen X and Y. The survey suggests that services purchased in leisure time such as online music and videos, hotels and trips are purchased by Gen Z more often.

Fig. 2: Purchased Services (Gen X, Y, Z)

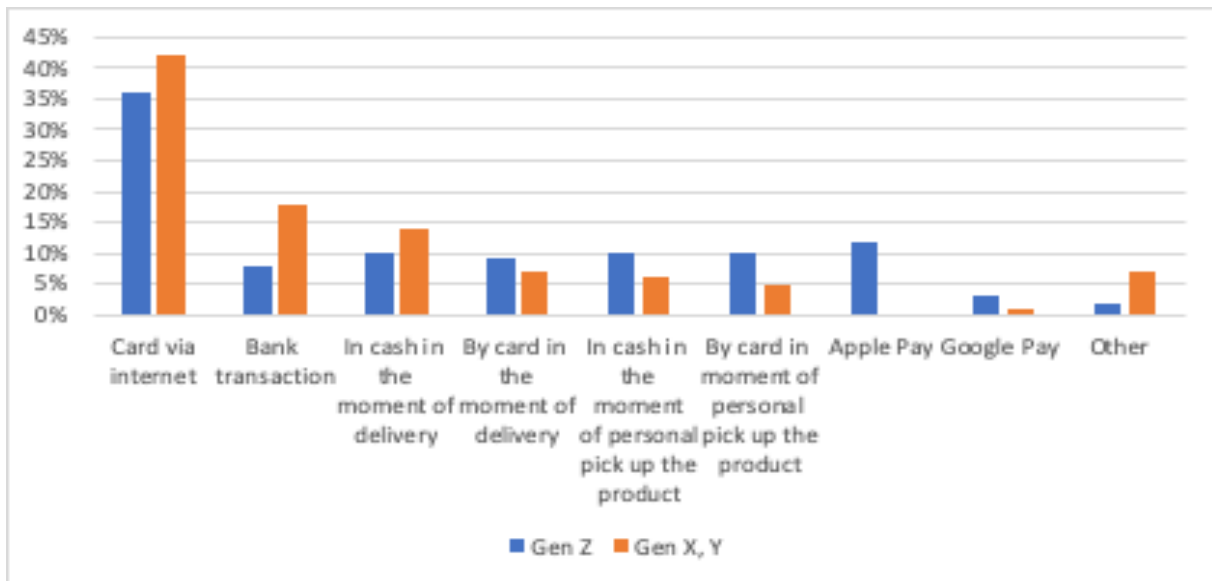


Source: Own processing based on quantitative research (Gen Z) and APEK data (Gen X, Y)

In line with Survey question 1, we found that the product categories and services purchased by Gen Z are slightly different. Further, the survey focused on the comparison of purchasing customers. We compared facts regarding the purchasing that seem to be essential in describing the purchase behaviour. The frequency of online purchasing is one of the analysed purchased factors. 74% of Gen Z mentioned that they purchase at least once a month; in contrast to 54% of Gen X and Y purchasing with this frequency. 13% of Gen X and Y at least once a year purchased but only 1% of Gen Z purchased with this frequency. The most frequently mentioned amount spent by Gen Z and Gen X and Y is 1,000 CZK (37EUR).

We analysed the instrument used for searching and purchasing the products or services. Most frequently, Gen Z uses searches for products/services using notebooks and smartphones. For purchasing, the most frequently used instruments are notebooks and smartphones. Similarly, Gen X and Y use for purchasing products and services in 41% smartphones. The survey further focused on payment methods. The methods used by all Gens were compared. We found that the most used method is to pay by a payment card via the Internet; 36% of Gen Z and 42% of Gen X and Y usually use this method. It appears that Gen X and Y prefer payment by bank transaction: 18% of Gen X and Y in comparison with 8% of Gen Z pays using bank transactions. The significant difference can be found in the case of Apple Pay. 13% of Gen Z use this method in comparison to 1% of Gen X and Y.

Fig. 3: Payment Method (Gen X, Y, Z)

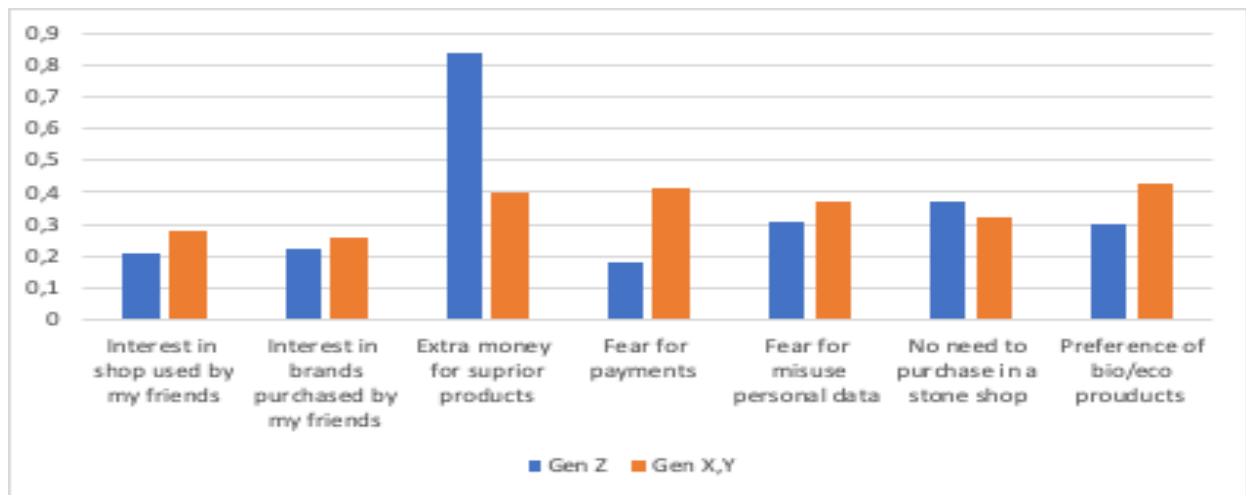


Source: Own processing based on quantitative research (Gen Z) and APEK data (Gen X, Y)

In line with our survey question 2, we found that the use of payment methods is different within the generation cohorts. All analysed Generations use the same methods, but the share of the payment method is different. The tendency of the Gen Z to use Apple Pay is substantial, in contrast to Gen X and Y. Further, the survey focused on different aspects of shopping behaviour. We determined three areas of interest – general views regarding online shopping, e-shop attributes that are considered by the customers as the most important, and shopping strategies, approach for purchase decisions. We set the survey questions and focused on how the shopping strategies of Gen Z differ in comparison with other generations. We examined the online shopping in selected areas – our respondents interested in the selected e-shops and brand purchased by their friends, reasons for the anxiety during online shopping, and selected attributes of the product). 20% of Gen Z and 28% of Gen X and Y admit that they are interested in e-shops used by their friends. 22% of Gen Z and 26% of Gen X and Y are interested in brands purchased by their friends. On the other hand, 14% of Gen Z respondents publish their experience with purchase and give feedback on the e-shop. 76% of Gen Z actively look up independent references about products they are interested in. 18% of Gen Z is afraid to pay by card (especially abroad) in comparison to 41% of respondents in Gen X and Y. 31% of Gen Z and 37% of Gen X and Y are afraid of the misuse of their data. 14% of Gen Z are afraid of possible issues with complaints and refunds. On the other hand, 30% of Gen Z appreciate the transparency and traceability of their purchase process. 37% of respondents Gen Z and 32% of respondents Gen X and Y confirmed that they purchased online almost everything, and they do

not need to purchase in the stone shops. 84% of Gen Z is willing to pay extra money for quality or higher standard products, but, in contrast, only 40% of Gen X and Y confirmed that they are willing to pay extra money. 30% of Z Gen and 43% of X and Y Gen are prepared to purchased online bio/eco products.

Fig. 4: Shopping Strategies (Gen X, Y, Z)



Source: Own processing based on quantitative research (Gen Z) and APEK data (Gen X, Y)

We compared the attributes that Gen X, Y, and Z considered within the e-shop product range as necessary. For respondents of all focused cohorts, a correctly described product is the most critical factor when deciding the quality of the e-shop. 82% of Gen Z and 72% of Gen X and Y mentioned the importance of payment by card. Further, good experience of the family and friends influences the selection of e-shop; this fact was confirmed by 55% of Gen Z and 69% of Gen X and Y. 61 % of Gen Z and 72% of Gen X and Y found the comparison of product parameters to be an important parameter. Customer comments and recommendations influence Gen Z in 49% of the respondents. Experts' comments and professional references are essential for 21% of Gen Z and 47% of Gen X and Y. On the other hand, the importance of Green Line (possibility to get information immediately) is mentioned by only 15% of Gen Z, but 38% of Gen X and Y. 91% of respondents of Gen Z found positive experience with the e-shop as an important factor for further shopping decisions. Almost one-third of the analysed cohort did not consider the presence/activity of an e-shop on social media sides to be a factor influencing their decision. E-mailing (sending a newsletter) is unimportant for 74% of Gen Z and 50% of Gen X and Y. Advertisement in media was described as unimportant by 57% of Gen Z and 52% of Gen X and Y. Our survey focused on shopping strategies. It appears that some strategies are used more often within the analysed cohorts. We found that 20% of Gen Z and 26% of Gen X,

Y first select products in a stone shop and only then look for the most convenient offer online. 29% Gen Z and 25% Gen X and Y most often use shops where they have had pleasant experience. 22% of Gen Z and 30% of gen X and Y mentioned that their preferred strategy is to compare a number of e-shops' offers. In line with the third question, we found that shopping behaviour seems to be slightly different between when comparing Gen Z and Gen X and Y. We find it interesting that shopping behaviours of all focused generations are more or less influenced by the opinion of influencers (friends, families, experts and their commentaries).

Conclusion

The research shows that the product categories and services purchased by Gen Z are slightly different. Further, the use of payment methods differs within generation cohorts. The purchasing behaviour of Gen Z tends to be more adaptable to emerging technologies, e.g. Apple Pay. It seems possible to conclude that shopping behaviours of all discussed generations are more or less influenced by the opinion of influencers (friends, families, experts and their commentaries). This paper makes a relevant contribution to the current state of the generational cohort Theory in the context of customer insights and online shopping attitude of Gen-Z.

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Contact

Ing. Petra Jílková, Ph.D.

Masarykův ústav vyšších studií

Kolejní 2637/2a

160 00 Praha 6

Mail: petra.jilkova@cvut.cz

Ing. Petra Králová, Ph.D.

Masarykův ústav vyšších studií

Kolejní 2637/2a

160 00 Praha 6

Mail: petra.kralova@cvut.cz