GEN Z

A NEW PATH TO PURCHASE

A WHITE PAPER FROM SIMON/MYERS

Introduction

The focus of our agency/consultancy hybrid, Simon/Myers, is to help marketers win at each stage of the customer journey (whether digital or physical) and to provide integration between those two spaces.

This particular paper is about how best to reach Gen Z across the different stages of their journey. First, we'll cover their pre-purchase behaviors. Then we'll move on to their digital shopping behavior, followed by a look at their continued desire for in-store shopping.

As the basis of this paper, we're using a proprietary study conducted on Gen Z and their path to purchase. We talked to members of Gen Z through a 30-minute quantitative online survey and a 60-minute qualitative video interview. Our quantitative sample size was 549, while our qualitative sample size was 15. All respondents were 18-25 years of age.

What is Gen Z looking for prior to purchase?

Three things stood out from our findings, the first being brand trust. 58% of our Gen Z audience indicated that reading online reviews was a significant component of establishing their trust for brands and products. And more than half of Gen Z respondents (51%) said that brand websites still play a significant role in establishing this trust. With so many other avenues available to build trust, it seems clear that the brand website still matters to Gen Z.

Our second pre-purchase finding is the general price sensitivity of Gen Z. The people we spoke to were 18 to 25, just coming out of college and/or into adulthood, and not yet at their peak spending power. They have to make their dollars stretch farther, so not surprisingly, 53% of them compare prices online.

But their product research doesn't stop there. Our third major pre-purchase finding is that Gen Z product research is cross-channel. 38% of them visit a store to physically interact with the product. And 36% watch unboxing and/or review videos online. In short, Gen Z is taking all the steps necessary to be informed consumers, and to make informed purchases.

Where does Gen Z do its pre-purchase research?

We found that 30% of Gen Z is going to YouTube to watch product unboxing videos. This is the second most popular reason they're going to YouTube, the first being entertainment. More specifically, 38% of our sample say that YouTube has guided or influenced previous electronics purchases.

Taking that a step further, where Gen Z does its research definitely depends on the category. Gen Z uses a highly diverse range of social channels, so it's more important than ever for marketers to match their product category with the right social channels. For instance, if you want to sell beauty products to Gen Z, you need to be on TikTok—43% of Gen Z use TikTok when communicating about beauty products. Pinterest and Instagram come in a close second and third, at 40% and 38% respectively. However, this paradigm completely flips for clothing. At 50%, Instagram is the lead channel when Gen Z is thinking about clothing brands, followed by Pinterest at 41% and TikTok at 40%.

We also found that while TikTok, Pinterest and Instagram play a fundamental role in the beauty, home décor and clothing purchases of Gen Z, Twitch and Discord have joined YouTube as the top three online influencers of electronics purchases.

What does Gen Z think about social influencers?

In general, because they've grown up surrounded by digital marketing, Gen Z knows when content is sponsored and when they're being sold to, and they don't respond favorably to either. They tend to relate to influencers who are "genuine and authentic" (43%) and "trustworthy" (also 43%). They also want their influencers to be "informative" (34%) and "entertaining" (also 34%).

According to Morning Consult, 49% of Gen Z respondents said they're more likely to trust reviews if they relate to the influencer. And 39% say they have more trust if the influencer is someone they aspire to be. The majority of Gen Z wants to see that influencers are both enthusiastic and knowledgeable about what they're promoting.

Here is a quick rundown of four things Gen Z is not into at the pre-purchase stage: Only 18% visit the social media accounts of celebrity or celebrity level influencers. Only 16% engage with online ads. Only 14% utilize digital shopping tools. And only 16% participate in online "try before you buy" programs.

What are Gen Z's digital shopping hot buttons?

Their paramount concern is privacy. 85% of Gen Z agrees that it's extremely important for their privacy to be protected when shopping online. They're also concerned about being scammed or ripped off. This explains why just 21% are influenced by branded emails and just 17% by personalized ads. To Gen Z, hyper-personalization often comes across as an invasion of privacy.

67% **of respondents say coupon codes have a big influence on their social media purchases.**

However, Gen Z is fine with personalized permission-based marketing. In other words, it's okay to market to them in a personal fashion if you ask for their permission first and they grant it.

As for price-related initiatives, 67% of Gen Z respondents say coupon codes have a big influence on their social media purchases. Another 60% say the same about loyalty referral programs. Giveaways and sweepstakes are a distant third in purchase influence, at 45%. And as we'd expect, 94% of Gen Z respondents say that affordable pricing is at least somewhat important to their purchases.

Shipping costs also plays a large role in Gen Z online shopping decisions. 49% say free shipping is important, with a similar percentage actually expecting it (the Amazon Prime effect). On top of that, 35% say that the fastest shipping time is critical.

Product availability was next in Gen Z's ranking of online shopping importance. 33% say it's important to have their desired item in stock, while 23% say their desired brands need to be in stock.

Where is Gen Z shopping online?

Based on the above findings, it's no surprise that Amazon Prime is Gen Z's top channel for purchase at 73%. Other mass merchant websites capture 53% of the Gen Z audience. On the flip side, while Gen Z says it's important to support small and/or independent businesses, only 37% are actually shopping at independent marketplaces online.

At 38%, social media is the third largest channel for Gen Z purchases—more evidence that social media is no longer just a marketing channel, but a sales channel. We found that Instagram (45%), Facebook (38%) and YouTube (27%) are the social channels Gen Z purchases from most often.

But we're also seeing them shop in less traditional online avenues, like Discord (13%) and Twitch (13%). It's rather eye-opening that these purchase percentages are similar to social media giants like Pinterest (15%) and Twitter (12%). While the lion's share of Gen Z purchases on Discord and Twitch are electronics (28% and 34% respectively), they're also attracting those shopping for clothing (14% on Discord) and home décor (14% on Twitch).

In short, when it comes to Gen Z, the expected category-to-channel relationships are being disrupted more than ever.

Within the world of subscription-based services, 78% of Gen Z consumers subscribe to at least one TV streaming service, followed by music streaming at 53%. And 41% of Gen Z consumers have an active subscription to a gaming service or platform. Obviously, entertainment is playing a significant role in Gen Z's current purchasing habits. This is significant, because these channels are increasingly becoming less about pure entertainment and more about marketing and purchasing.

Does Gen Z still shop in brick-and-mortar stores?

In case there was any doubt, we found that in-store shopping is still extraordinarily important for Gen Z. Somewhat surprisingly, they do not purchase most categories online, or at least not purely online. And that's across the board.

38% of our Gen Z respondents say they make most beauty product and clothing purchases in-store. 42% make most home décor purchases in-store. 64% make most home goods purchases in-store. And 70% make most grocery purchases in-store.

81% **prefer to shop in-store versus online.**

At the onset of the pandemic, only 8% of Gen Z indicated they were making in-store purchases, which makes sense. But coming out of the pandemic, 47% plan to substantially increase their purchases in-store. Interestingly, there is no corresponding decline in Gen Z online purchases. 10% want to increase their purchasing directly from a brand or a store app, 9% want to order more food for pick-up or delivery directly from a restaurant, and 7% want to make more purchases directly through a brand or a store website.

More than half of our Gen Z respondents shop in-store because it allows them to disconnect from social media and the digital world. And according to a recent study from Kearney, 81% prefer to shop in-store versus online. This suggests that retailers will benefit from offering more well-rounded in-store experiences— and coming out of the pandemic, a sense of community as well.

What does Gen Z want from their in-store experience?

58% of our Gen Z sample say price is still the primary motivator for in-store purchases. 41% say that having their desired items in stock is imperative. And 37% want to try before they buy.

33% **want the instant gratification of taking their products home immediately.**

These Gen Z shoppers don't want the hassle of ordering something, waiting for it to arrive, then sending it back. They prefer to go into a store and try it on, even if they plan to purchase online later. 33% want the instant gratification of taking their products home immediately.

It's clear that product trial and instant gratification are helping to drive Gen Z into stores. As marketers, we should be asking ourselves, "How can we create more in-store experiences for our products (not just clothes) that allow Gen Z to try them?" They could be popup experiences, takeovers of shared spaces, or other partnerships with retailers. They could be utilizing end caps and other space within stores–whatever it takes to allow for trial and adoption.

We also learned that improving the in-store experience is a must for Gen Z. Inefficient store experiences are a huge turnoff. "There was only one lane open and the self-checkout was packed" was a complaint we heard multiple times. Gen Z expects things to run efficiently.

Finally, in-store customer service is critical. Comments like, "The employees were very helpful in finding my needed size" and "Trying on clothes in the fitting rooms was really fun, and the sales clerk made helpful recommendations" exemplify what Gen Z is looking for. They expect assistance that goes far beyond pointing out where a product is located in the store.