



What do Gen Z shoppers really want?

Retail essentials and customized experiences top their list

In association with



IBM Institute for Business Value

Executive Report

Retail, Consumer products

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In search of the optimal shopping experience

Gen Z shoppers are full of surprises. On the one hand, they want what their parents want — seamless delivery of retail essentials, such as value, choice, quality, convenience and availability. On the other hand, as digital natives, they have their own expectations for how they want those essentials delivered. Technology is important to them, but only if it adds value and enhances their shopping experience. And they expect to be able to make that experience uniquely their own. Brands would do well to act now: while only 36 percent of Gen Z shoppers in our study said they had a strong connection to a brand, the number increased to 46 percent among those aged 19-21. The potential benefits are great, but the window of time for winning over this new and important generation is closing fast.

Demanding customers — but not in the way you think

Despite their youth, Gen Zers are an economic force to be reckoned with. Born in 1995 or later, they are projected to be 2.56 billion strong by 2020.¹ They have grown up in a fluid digital world in which the boundaries between their physical and online lives have converged. Having 24/7 access to information and digital resources has made them more educated, knowledgeable and self-reliant in deciding which products and services to choose or brands to support.

Gen Zers expect seamless interaction with brands across the entire digitally integrated enterprise.² They want to actively share their opinions, collaborate and co-create with brands. In the process, they expect brands to be highly responsive to their needs. Pragmatic and alert to unfounded hype, Gen Zers also want brands to be transparent, trustworthy, authentic and relevant.³ Retailers or consumer goods companies must establish an environment of trust when reaching out to this unique generation of consumers.

To understand more about what Gen Zers really want when shopping and what brands can do to deliver it, the IBM Institute for Business Value conducted a survey of 15,600 Gen Zers from 16 countries. In collaboration with the National Retail Federation (NRF), we created a three-part report series. In the first two reports, we examined distinctive traits of Gen Zers and what matters to them in their relationships with brands.⁴ In this report, we explore the shopping habits and values of Gen Zers and the need for brands to provide:

- *Consistent delivery of retail essentials.* Gen Zers expect accurate inventory information, good value for their money and a wide assortment of choices when shopping.
- *Technology that provides value and convenience.* Gen Zers appreciate innovation, but only if it can remove friction and empower them to engage with the brand on their terms.
- *Individualized shopping experiences.* Gen Zers want direct value that is tailored to them individually and the ability to co-create an experience that is uniquely their own.



49 percent

of Gen Zers surveyed said the ability to quickly find the right product was most important for them when shopping



68 percent

of Gen Zers surveyed said a wide choice of products was the most important factor when choosing where to shop



55 percent

of Gen Zers surveyed said they would like the ability to design products that no one else owns

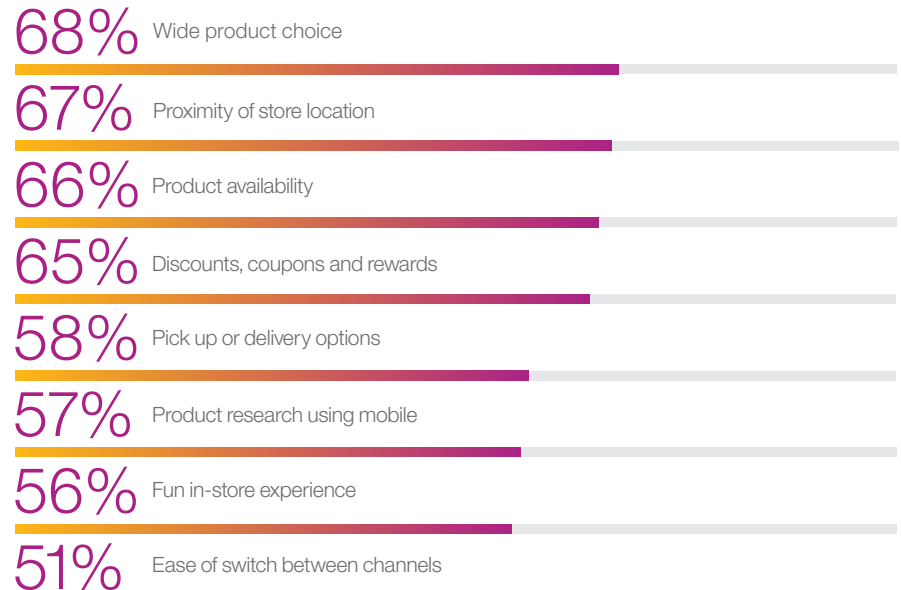
What do Gen Z shoppers really want?

High expectations for retail essentials

As with previous generations, Gen Zers place great importance on dependable and consistent delivery of retail essentials. Their considerations when choosing a shopping channel exemplify this prioritization: survey respondents identified product choice, availability, convenience and value as top priorities when deciding where to make purchases (see Figure 1).

Figure 1

Product choice, availability, convenience and value were identified as Gen Zers' top priorities when choosing where to shop

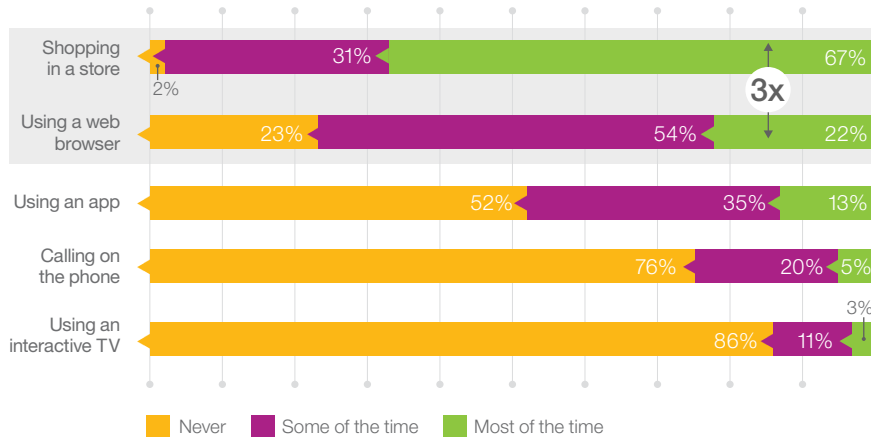


Question: Think about what makes you decide where to purchase a product. How important are the following to you? "Important" and "Highly important" responses.

And although they are digital natives, they most often choose to shop in the physical store: 98 percent of survey respondents globally said they typically make purchases in a store some or most of the time (see Figure 2). In fact, three times as many Gen Zers surveyed said they shop most of the time in a store compared to the number who said they shop most of the time online.

Figure 2

Three times as many Gen Zers surveyed said they shopped in a store most of the time compared to online

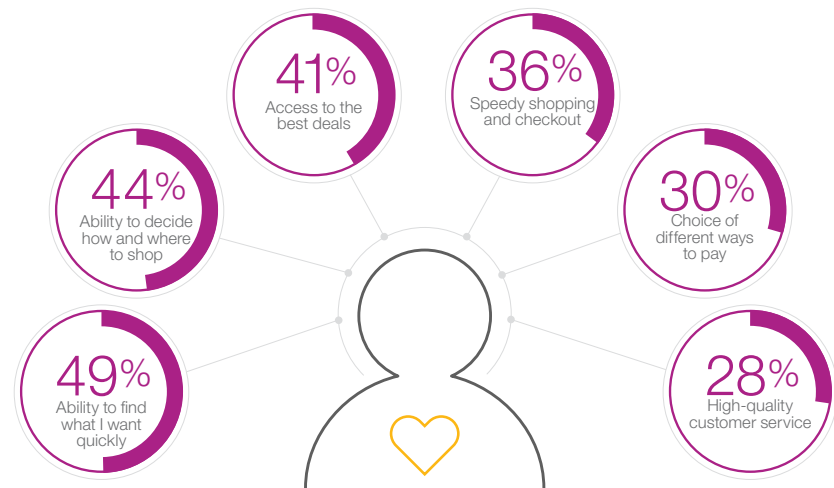


Question: How do you typically make purchases?

But Gen Zers differ from previous generations in how they expect those experiences to be delivered. They want reliability and consistence whether they shop in a store, through an app or on a website. In fact, 51 percent of respondents said it was either important or very important to be able to switch among channels easily when researching, browsing or shopping for goods and services. Gen Z shoppers want brands to make it easy to find products quickly, decide where to shop, access information on product prices, transact the way they want and use their preferred payment methods (see Figure 3).

Figure 3

Convenience, product availability, value and speed are most important for Gen Z shoppers, wherever they shop



Question: What are the three most important things to you when you are shopping, either in a store, through an app or on a website?

To keep up, brands must learn to embed themselves in the lives of Gen Zers — and social media is key. It provides the means for brands to interact directly with Gen Zers through their preferred social channels; leverage the influence of families and friends through likes, shares and recommendations; and mine data to identify shopping preferences, purchasing trends and the like. The potential for this type of engagement is particularly high in growth markets: 48 percent of growth-market Gen Zers said social media interaction with the brand was either important or very important, compared to 32 percent of mature-market Gen Zers (see sidebar, “Growth markets and mature markets defined”).

In some countries, social media apps are evolving into digital lifestyle platforms. In China, for example, WeChat contributes to USD 1.76 billion in lifestyle spending.⁵ Consumers use WeChat to pay for goods and services, hail a cab, split the tab for dinner or book a Karaoke session.⁶

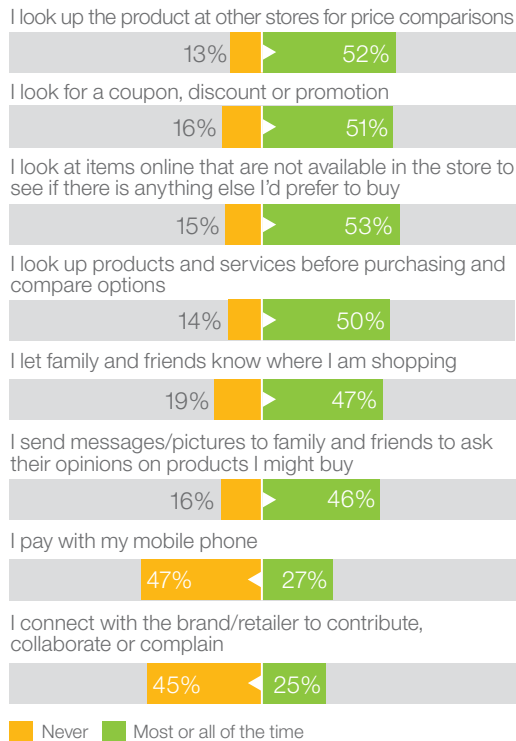
And outside companies are beginning to take note. Le Tote, Inc., a US-based fashion subscription service, is taking advantage of the WeChat platform’s near ubiquity in China to help it break into the country’s fast-growing luxury retail market. The company is using a mobile-first approach for its China launch, with WeChat as the centerpiece. In addition to using WeChat’s payment system for all transactions, Le Tote will run branding campaigns on the platform. Even as the company expands into mobile web and other apps, it will continue to leverage WeChat as its primary platform.⁷

Growth markets and mature markets defined

Growth markets are those with rapidly expanding economies, such as some nations in Asia, the Middle East, Africa and Latin America. Mature markets are those with economies that have developed a significant degree of equilibrium, such as the United States, western Europe and Japan. See the “Methodology” section on page 14 for the complete list of countries represented in our survey.

Figure 4

Gen Zers demand the ability to use their smartphones across a range of options



Question: What do you typically use your smartphone for when you are in a store?

Technology for easier, more rewarding shopping

Rather than buying into fancy features and gadgetry, Gen Zers prefer technology that empowers them and adds direct value. Brands need to carefully consider this when investing in existing and new technology that provides the value and convenience Gen Zers desire. Engagement through mobile phones should be at the top of a brand's list, as these devices already are entrenched in Gen Zers lives: 75 percent of respondents selected a mobile phone or smartphone as their device of choice, and 25 percent spend five hours or more on their phones daily.

Gen Zers often use their mobile phones to be smart and knowledgeable shoppers: 47 percent of Gen Zers surveyed said they use their smartphones when shopping in a store and 35 percent use phones to make payments (see Figure 4). They use their phones to research products and services, compare prices and find discounts prior to making purchases.

With access to transparent inventory data, they also look up product details and availability. This capability is particularly pertinent in growth markets: 59 percent of respondents said using their mobile device to look up availability data was important, three times more than those who said it was not.

In addition to shopping with their mobile phones, 73 percent of respondents said they use them for interacting on social media — especially to chat and communicate with friends and family. Brands have an opportunity to interact individually with Gen Zers using this channel, similarly to how Gen Zers interact with their friends. The full potential for doing so is currently untapped: while 39 percent of Gen Z respondents said that it was important or very important that brands engage them on social media, 45 percent of global respondents said they never connected with brands to contribute, collaborate or complain.

Messaging apps offer another potential opportunity for brands to interact with Gen Zers on an individual basis. Many Gen Zers are open to that possibility: 45 percent of respondents said that when they chose to opt-in, location-based alerts were either important or very important as part of their relationship with the brand. Additionally, 55 percent of Gen Zers rated messages with relevant promotions as either important or very important.

While Gen Zers aren't keen on technology for technology's sake, they are eager to adopt innovative solutions that provide direct value and enhance the shopping experience. When asked what shopping technologies they'd like to see in the future, Gen Zers indicated that they most desired innovations that enabled a frictionless shopping experience incorporating customization, virtual reality (VR), augmented reality (AR) and robotics (see Figure 5).

Fifty-four percent of all Gen Z respondents say they would like to see tools that allow them to try out products in-store — for example, a “magic mirror,” which presents a virtual image of the consumer “wearing” cosmetics, jewelry or clothing without physically having to put them on. This capability was more popular among females (59 percent) than males (49 percent).

On the other hand, 46 percent of males were interested in robots that help make decisions or fix problems, compared to 33 percent of females. And in growth markets, 44 percent of Gen Zers were more interested in chatbot and robotic technologies that help resolve order issues, compared to 35 percent in mature markets.

An important caveat is that Gen Zers have little patience for technology that is unresponsive or prone to errors. Often balancing the use of multiple devices at once, they quickly become frustrated if the technology lags or is difficult to use. In fact, 62 percent said they will not use apps that are slow to load. And 60 percent said they won't use apps, websites or facilities that are hard to navigate. Companies that don't meet Gen Zers' performance expectations risk falling behind and leaving the way open for the competition.

Figure 5

Gen Zers expect a future with customization, robotics, and augmented and virtual reality underpinning their shopping experience



Question: What new shopping technologies would you most like to see in the future? Choose up to three.

**Personalization and individualization:
What's the difference?**

While individualization and personalization are similar concepts, they are initiated differently.

Personalization: Driven by the brand to tailor consumer shopping experiences based on known customer segment preferences, behaviors and history.

Individualization: Driven by consumers, enabling them to initialize and customize their own singular shopping experiences.

Individualized value is the key for Gen Z

Gen Zers express a strong desire for shopping experiences that are uniquely their own. Respondents revealed that direct value provided at an individualized level — such as value delivered through promotions and offers that match individual Gen Zer's specific needs and desires — was more important to them than personalized experiences shaped by the brand (see sidebar, "Personalization and individualization: What's the difference?").

In keeping with their preferences for individualization, 64 percent of respondents said tailored price or service loyalty rewards were important to them, while 59 percent said having their birthday remembered was important. What's more, 65 percent of respondents said that rewards programs influenced where they chose to shop.

To meet these expectations, brands must seek to understand each Gen Zer's perception of value. In the past, retail value was based primarily on price and availability. Today, the criteria for value has evolved to include options that didn't exist a few years ago. For example, while one Gen Zer may only care about getting the cheapest price for a product, another may be willing to pay more for a product certified as sustainable.

Growth-market and mature-market respondents differ in the extent of their preferences for individualization. Gen Zers in growth markets agreed that direct value is important, but they also looked for more personalized experiences (see Figure 6).

Overall, our results suggest growth markets are more open to interacting with brands and provide more fertile ground for engagement through personalization: 54 percent of respondents in growth markets are comfortable sharing personal information with brands versus 41 percent in mature markets. What's more, 43 percent of Gen Zers in growth markets indicate it's very important that brands are in touch with the way they live their lives compared to 35 percent in mature markets.

Personalization based on machine learning and artificial intelligence (AI) has significant potential for promoting insight into a customer's preferences. However, it is limited by Gen Zers' caution about sharing personal information: 54 percent of Gen Zers indicated they want control over what information they share.

As Gen Zers' willingness to share personal data increases, brands can use that data to create more authentic, personalized shopping experiences: 61 percent of Gen Z respondents said they would feel comfortable sharing more information if they knew their data was protected and stored securely. Gaining Gen Zers' trust is essential.

Figure 6

Gen Zers in growth markets are more interested in personalized shopping experiences



Question: Think about what makes you decide where to purchase a product. How important are the following to you? Question: How important are the following ways retailers recognize and respond to you as an individual? "Important" or "Very important" responses.

Recommendations

Fulfill Gen Zers' expectations for retail essentials: product choice, availability, value and convenience.

- *Deliver the essentials for a simpler, more informed shopping experience.* Enable Gen Zers to check product availability and choices by providing access to accurate inventory information. Demonstrate the value they are receiving for their money through transparency of prices and deals.
- *Improve convenience by removing complexity and simplifying delivery methods, in addition to return, exchange, refund and purchasing processes.* Provide speedy checkout by enabling mobile payment apps, facilitating “cashless”/self-service checkout and equipping associates with mobile devices so they can process payments on the store floor.
- *Design the integrated experience that incorporates all channels.* Interact with Gen Zers on a personal level through the channels they use to relate with their friends. Engage in an ongoing, sustained dialogue with them. Connect with them in real time: provide enhanced mobile functionality, incorporating AI agents — such as chatbots or virtual assistants — that can dynamically learn from data captured in each interaction and deliver customized services, resolutions to issues and informed purchasing options.
- *Use the structured and unstructured data captured from these interactions to gain deep insights into consumer choices and mindsets at an individual level.* Then apply those insights to building compelling customer experiences and presenting timely and accurate value-added services.

Invest in technologies that can deliver the fundamentals Gen Zers expect.

- *Be responsive by experimenting and reconfiguring capabilities to meet their needs.* Benchmark the capabilities of your back-end systems frequently and analyze where performance needs improvement. Then identify and implement corrective actions, particularly for mobile capabilities. Leverage voice and facial recognition and AR and VR to knit together digitally integrated shopping experiences, allowing Gen Zers to engage whenever and wherever they want.
- *Use robotics and cognitive/AI to remove friction, offer autonomous services, fix issues and implement speedy resolutions.* Enable your stores to be more intelligent, using sensory devices to collect and learn from data about shoppers, and broaden the mobile and digital experiences to add convenience, education and games to keep them coming back. Supercharge the associates: give them the tools and insights to be brand concierges.
- *Earn their trust.* Protect Gen Zers' data, be transparent in its usage and give them control of it. Develop safe, secure and swift means for them to manage their personal data. Let them choose when, how and what they wish to share. Adopt an open approach to data collection and usage.
- *Equip all channels of engagement, particularly mobile, with clearly defined and easily accessible policies on data collection and privacy.* Let Gen Zers know how seriously you take privacy threats by stating threat-resolution procedures and disaster-recovery responses up front.

Deliver individualization on Gen Zers' terms, as well as relevant personalization.

- *Empower them to create their own experiences.* Develop programs and initiatives to understand Gen Zers, and allow them to help shape the brand experience. Give them the capabilities to satisfy their appetite for individualization. For example, provide 3D printing in store to let them design and create one-of-a-kind items.
- *Deploy tools and services to enable them to get involved and experiment with new programs and existing initiatives.* Reward them for their feedback with direct benefits at an individual level. Apply data, deep analytics and cognitive insights to engage with them authentically and contextually.
- *Capture opportunities to differentiate.* Study local trends, and economic and cultural factors that shape who Gen Zers are and how they want to be engaged. Adopt an agile mindset so you can nimbly adjust course, based on data, research, evolving trends and changing priorities, to effectively and efficiently connect with them.
- *Leverage cloud technologies to increase agility for product innovation and speed to market.* Capitalize on opportunities that matter to Gen Zers to help create relevance and stimulate their creativity to co-create and activate their networks.

Key questions

- How effectively does your organization deliver the retail essentials for Gen Zers? Where are your strengths and shortfalls in value, choice, quality, availability and convenience?
- What do your Gen Z customers value when choosing a brand or places to shop? How are you delivering the experience they value?
- How are you using agile design methods to learn and iterate your technology to meet the rapidly changing needs of Gen Z consumers? How are you employing flexible technology so you can rapidly reconfigure the mobile and in-store experience?
- How do you enable individualization and personalization of Gen Zers' shopping experiences?
- Which technology innovations do your Gen Z customers expect now and in the future? How many of these value-add technologies can you provide?

Related reports

Cheung, Jane, Simon Glass and Christopher Wong. “Uniquely Generation Z: What brands should know about today’s youngest consumers.” IBM Institute for Business Value. May 2017. <https://www-01.ibm.com/common/ssi/cgi-bin/ssialias?htmlfid=GBE03799USEN>

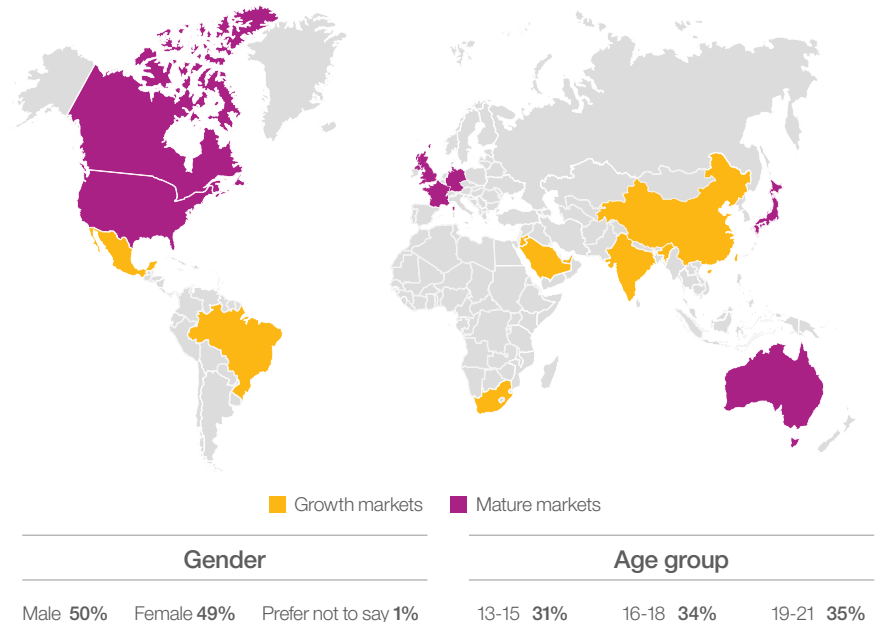
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Methodology

To understand Gen Zers’ expectations for the optimal shopping experience, we surveyed 15,600 consumers between the ages of 13 and 21 in 16 countries across six continents. We asked them about preferences and technology when shopping, and analyzed responses by age group, gender and market (growth versus mature).



Growth markets: South Africa, Saudi Arabia, Jordan, Dubai, Abu Dhabi, Brazil, Mexico, China and India
Mature markets: United States, Germany, France, Canada, Japan, Australia and United Kingdom

Authors

Jane Cheung is the Global Leader for Consumer Products for the IBM Institute for Business Value. She has over 20 years of working experience across retail and consumer product industries. Jane has worked at Macy's, Disney, Nike and Hallmark Cards and as a trusted advisor for clients in a consulting capacity at IBM and Accenture. Jane has an MBA from California State University, Long Beach. She can be reached at jane.cheung@us.ibm.com and [linkedin.com/in/JaneSCheung](https://www.linkedin.com/in/JaneSCheung).

Simon Glass is the Global Retail Leader for the IBM Institute for Business Value. He is responsible for the development of thought leadership content and strategic business insights for the IBM retail industry practice. Simon has over 25 years of experience and has worked with major retail clients around the world in the areas of business strategy, omni-channel, transformational change and business model innovation. He can be reached at glasss@uk.ibm.com, [linkedin.com/in/simon-glass-730b654/](https://www.linkedin.com/in/simon-glass-730b654/) and [@SimonGlass004](https://twitter.com/SimonGlass004).

Karl Haller leads the IBM Global Consumer Industry Center of Competence, a team of industry experts who develop transformational solutions and programs for leading retailers and consumer products companies around the world. Karl has expertise in business strategy, customer experience and engagement, analytics and insights, merchandising, omni-channel and e-commerce. Karl can be reached at karl.haller@ibm.com and [linkedin.com/in/karlhaller/](https://www.linkedin.com/in/karlhaller/).

Christopher K. Wong is the Vice President of Strategy and Ecosystem for the IBM Global Consumer Industry. He is responsible for setting the direction for IBM clients in the retail and consumer packaged goods industries. Chris has more than 20 years of experience in areas ranging from sales and product management to corporate transformation. He led the IBM internal deployment of marketing technology, including the world's largest B2B deployment of campaign automation and data systems. Christopher can be reached at cwong@us.ibm.com and [linkedin.com/in/christopher-chris-wong-33048b1](https://www.linkedin.com/in/christopher-chris-wong-33048b1).

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National Retail Federation

The National Retail Federation is the world's largest retail trade association, representing discount and department stores, home goods and specialty stores, Main Street merchants, grocers, wholesalers, chain restaurants and internet retailers from more than 45 countries.

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