Hitting a Moving Target: How Gen Z will be the Most Challenging for Retailers to Align With

PART II

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I hope you enjoyed Part 1 of my Gen Z Insight where I shared character traits of this upcoming generation. It’s so important to understand the core characteristics and behaviors of this generation in order to fully assess the impact they will have on the retail industry.

This generation is:

+ Frugal
+ Highly intentional
+ Careful and hesitant in decision making, yet resolute
+ Digitally inclined / digital natives
+ Independent and resourceful (regardless of age)
+ Authentic and are socially aware of the world around them
+ Influenced by their peers (to a degree)
+ Amazingly intuitive
+ Purpose driven

With these characteristics, how can retail brands engage and capture this elusive and ever-evolving generation? Having combed through the information and data available on this generation, I’ve synthesized my findings around what appear to be the top themes that will be most challenging for retailers. I’ve also made a few predictions about this generation and what those might mean for retailers.

Money Well Spent

By 2020, Gen Z will account for up to 40 percent of consumers (1) (that’s less than four years from now!). This generation is predicted to be the most frugal since the “Silent Generation” (the one before the Boomers). This could produce a significant impact on the retail industry. So how can retailers get Gen Z to purchase their products and services? With annual purchasing power increasing from $44 billion to $200 billion over the next two years (2), this generation will be a major force – and the oldest in this generation are just getting their first jobs (and credit cards).

Gen Z will be careful about what they buy and are less likely to make impulse purchases than their generational predecessors (Millennials). As result, some baseline expectations retailers should consider are: video tutorials and testimonials (uncensored by brands), options to quick-purchase everyday items online (and have them delivered), BOPIS (Buy Online Pick-up In Store), BOSTS (Buy Online Ship To Store), free shipping, free return policies, no hidden fees, and transparent pricing. If price is not shown, they will move on. It’s pretty heart-breaking to want something they soon discover they can’t afford. Oh, and seamless/easy mobile payment methods with a high level of security. But once that security has been breached, the lost trust will not be as easily forgiven by this generation.

It’s predicted that “fast fashion” won’t survive. Even though Gen Z is cost conscience, the typically lower quality and social injustices tied to the industry will be deterrents. If a product’s cost is more than its competitor’s price, own it. Have
a compelling reason and story why the extra investment would be well worth it. Luxury retail will have a hard time with this generation. Millennials have already started to roll this ball downhill. Gen Z may see luxury retail goods as symbols of socio-economic divide. Therefore, they may prefer more specialized, regional luxury items that are logo-free and that promote inclusion rather than exclusivity.

Fifty-three percent of Gen Z thinks that “prices are lower online.” (3) This may lead us to believe they would forego purchasing in store if they can find the product for less online (who wouldn’t?). But there may be ways to prevent this - stay tuned. The online brand store could become our modern-day outlet mall.

Where do you “Shop?”

Many are predicting Gen Z will conduct the vast majority of their shopping online (3). And I agree. But that will greatly depend on what they are purchasing online. Everyday convenience items such as food, gifts and books, I predict, will primarily be purchased online. Amazon Campus Stores will soon be available at all major universities across the country. Amazon will offer college students a heavily-discounted Prime membership and this will become the preferred method for Gen Z to purchase their everyday items - from textbooks to a toothbrush. This is a major game-changer.
The products that cost more, have a level of customization (such as fit and texture), require a higher level of instruction or demonstration (such as the new PlayStation VR unit for PlayStation 4), have strong market competition (Nike vs. Under Armour), or are not available online will be the reason Gen Z will venture to retail stores. Once retailers are able to get Gen Z into their stores, will current, millennial-engaging strategies still work? Probably not. A Gen Z customer’s intention when visiting the retail space is to have their prior experience on social media, their excitement over a product and their anticipation of bringing that product home to be expected, well-accommodated and embraced by the retail brand.

What might this look like? Visually captivating and intentional design is a baseline expectation. Key product placement and heroic displays for easy navigation; simple and easy-to-understand information about product price and availability; as well as approachable, friendly associates that are product experts are also expectations. Non-cluttered and organized retail spaces that create an environment for easier decision-making will also be preferred. A space that echoes the vibe, the focus and the energy of the brand, and that offers the option of exploration and personal discovery – a store in which they feel was “made for them.”

Forty-seven percent of Gen Z said they would initiate conversations with a sales associate before purchasing (in comparison to 60 percent of Millennials) (3). An opportunity to engage and surprise this generation would be to find the middle ground between the customer and the sales associate. If a retail associate could anticipate the needs of a Gen Z customer as they navigate a store environment and covertly make customized recommendations based on their preferences, this could establish a relationship of trust and expertise.

The retailer GameStop resonates well with Gen Z. GameStop sells pre-owned games and gaming consoles, as well as purchasing used items from its customers. The retail spaces, although not visually compelling, are straight-forward, organizing products based on gaming systems. The merchandise changes frequently based on its pre-owned inventory. But the best aspect comes from its associates. These people are the most knowledgeable about games, their content, their challenges, can make spot-on recommendations based on the customer’s preferences and they know about games not yet released. This gives knowledge to Gen Z they are excited to share with their peers. Although the vast majority of gaming is moving to digital, the reduced cost of pre-owned games is still an initial driver.

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Another way retailers can attract Gen Z to their stores is to provide unique and surprising collaborations, in an effort to share knowledge and educate consumers on relevant topics. John Lewis, a British department store, partnered with the peer-to-peer website Airbnb by offering
informative classes and workshops on how to be the ‘perfect host,’ as well as home styling – all in the setting of their home furnishings department. Clever. If a retail brand is synonymous with expert knowledge (Apple nailed this years ago), Gen Z will be more likely to forego the cost savings ordering online in order to speak with an in-store “expert” and possibly learn something new.

My Virtual “Alfred”

Okay...I’m referencing a character from Batman because my son loves Batman (as do I). This reference is the best way I can describe what I think Gen Z’s relationship with smart technology and the digital world will become. Gen Z will become so dependent on smart tech and this presents unique opportunities for retailers.

“Gen Z will heavily rely on smart tech to watch over their funds and alert them if something looks wrong, to tell them when friends are nearby, remind them it’s their mother’s birthday.”

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As Batman goes about fighting crime during the night in Gotham City, he can call upon his trusted butler, Alfred, to unlock encrypted codes, run profile checks on criminals, access databases, send in the antidote for the poison he just ingested, call the Batwing for pick-up and have his favorite food waiting for him in the Batcave.

Gen Z will heavily rely on smart tech to watch over their funds and alert them if something looks wrong, to tell them when friends are nearby, remind them it’s their mother’s birthday, to call a car for transportation, tell them they are low on toilet paper, remind them to do 20 minutes of exercise, let’s them know how well they slept the night before, asks them if they’d like to have a meal ready for pick-up on their way home and that gives them suggestions on what to wear for their weekend event (and has it ready in-store to try on).

How can the retail industry cater to Gen Z through smart tech as a virtual “Alfred?” Apple first started this trend with Siri, followed by Amazon with Alexa, a voice-controlled device that can play music and order a pizza, among other things. But these technologies are 100 percent control-based. Gen Z will want and require smart tech that is simple, mobile, intuitive, that can link data from multiple platforms and that will be a few steps ahead of them at all times. This goes far beyond traditional beacons. This is truly ‘smart’ technology that understands us better than we do.

Although I’m not Gen Z, I think ALL generations would greatly benefit from such a smart tech approach – a care-taking persona and “life assistant” that looks to make every-day life much easier by predicting your needs and wants, with a high level of accuracy. I plan to have Michael Caine’s voice for my virtual “Alfred.” I’m going to go ahead and copyright this, so you’ll have to use another name!

As a result, I don’t think adding interactive tech into the retail environment will be favorable to Gen Z. The trick will be how, as a retail brand, to get imbedded into their personal ‘algorithm.’ Since Gen Z will most likely become dependent on smart tech and its personal recommendations, a retailer’s brand will have to become a part of their “preferences” or else they risk becoming irrelevant and invisible. Gen Z will always be “plugged in.” Their whole existence will be interacting with technology 24/7 whether they realize it or not. So it’s no surprise this generation will most likely be the first to require a “digital detox.”(4) The retail environment could become a welcomed ‘oasis’ from all things high-tech. Thanks to their Gen X parents, this generation may have a fondness for early tech as a novelty; arcade games and the simplicity of Pac-Man and Space Invaders may be compelling in a “vintage analogue” sort of way. Who knew? The 80s might make a comeback after all.

An Extension of Me. Really.

Engaging Gen Z as a retail brand will prove to be the most difficult yet. This generation will look for retail brands and products that are extensions of themselves and of their reality – not of an impossible, perfect life. (4) This generation is also much less focused about “fitting in” and is more focused on making choices that “reflect their own identity.” (5) As a result, Gen Z will see retail brands as extensions of themselves, not the other way around.

Authenticity will be a baseline expectation. Imagery that has been unaltered, that reflects realistic body proportions and embraces imperfection will be best received and appreciated. Retail brands that have a targeted consumer “type” based on appearance, body type and economic
Top and bottom left: Under Armour

Bottom right: Aerie by American Eagle
status are less tolerated. This generation prefers brands with a message of, “it’s okay to be imperfect.”

The shift from Millennials to the Gen Z customer may force retailers to revisit their brand story. But beyond the brand story, Gen Z will also expect a brand purpose. This generation will gravitate toward brands that ‘get them’ – that understand their realities, their struggles and their journey toward personal success. Ivivva, a brand of Lululemon, has a purpose of helping young girls achieve their PB (personal best), by helping girls recognize their “strength and beautiful individuality.” (6)

Under Armour is another great example of a brand with purpose. Under Armour is quickly closing the gap to its top competitor – the sports apparel giant, Nike. Under Armour has been considered the “underdog athletic brand,” with a widely known story of humble beginnings – eerily similar to Nike. By locking in the sports apparel for youth athletics, Under Armour has quickly become the preferred brand for the younger Gen Z athletes. With compelling brand ambassadors such as Stephen Curry and Bryce Harper, Gen Z relates to their life stories of hard work, failures and successes – because all athletes are “underdogs” in the beginning.

I’m certain my curiosity with this generation will continue, particularly because I’m so fascinated with this group’s evolving preferences, energy and perspective on life. Having a certified Gen Z participant in my home doesn’t hurt either! I’m amazed, surprised and humbled by this generation. I can’t wait to see how they will influence the world around them because it will be truly remarkable.

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