



One tough customer

How Gen Z is challenging the competitive landscape and redefining omnichannel



Building a better
working world

Customer focus is shifting from product to experience.

Omnichannel's new frontier, experience excellence

Consumer expectations have forever changed due to the rise of digital, especially with the introduction of mobile buying capabilities. In today's world, consumers can purchase nearly anything they want, at any time. The experience consumers have in shopping, buying and the activities that follow are now much more of a differentiator than the product itself. Personal, one-on-one experiences, or micro-experiences, that uniquely maximize all customer touch points, are the basis for building trust and customer loyalty. This is also where many of today's retailers continue to fall short.

In the past decade, the retail landscape has transformed as competitors emerge to address unmet consumer needs. Established retailers often cast these new entrants aside, believing they are too small to be true financial threats. But these smaller players continue to raise the bar on customer experience expectations for all.

Consumer interest in buying experiences versus products has also invited new competition from like-minded sectors, such as restaurants, entertainment and leisure, whose focus is on giving customers experiences to remember. Retailers are increasingly competing with these businesses for share of wallet, mind and heart.

While the experience delivered within each industry may be unique, the palpable shared factor is that most, if not all, of these businesses are migrating toward digital in order to delight consumers in refined, imaginative ways. To survive in an experience-led world, retail must take note of these changes; but to win, it is imperative for retailers to focus on meeting the expectations of today's most demanding lot: the true digital natives, Gen Z, today's teens and tweens.

Gen Z is quickly moving us all into an "anything is possible" world. Resonating with Gen Z and staying relevant will undoubtedly be a Herculean effort, but it can be done. Retailers will be required to use every tool at their disposal to deliver experiences shoppers cannot bear to live without, and gain an irreplaceable and indispensable space in the mind of the consumer.

EY commissioned a US survey of **1,000** adults and **400** teens

To better understand how retailers can create customer experiences to meet the challenges of this most demanding generation, EY commissioned a survey of 1,000 adults and 400 teens aged 14 to 17. We examined the differences between generations to gain insight into today's changing consumer behavior, focusing especially on those who grew up with technology (Millennials) versus those who were born into it (Gen Z).





Brick and mortar delivers on function, but little else.

Gen Z shop in-store for functional reasons, not true desire

While almost 93% of retail sales may still occur in brick-and-mortar stores,* most consumers are buying in-store for functional reasons, such as avoiding shipping charges, as opposed to personal enjoyment. This sentiment is strongest among Gen Z. While most consumers continue to buy in-store, they simultaneously feel that e-commerce is getting better at fulfilling their core functional needs of convenience, product validity and ease.

In-store retail sales

93%



Gen Z population buying in-store versus online

17%



because they do not have a credit card

Reasoning for Gen Z shopping in-store versus online

58% See and feel the product

50% Avoid shipping cost

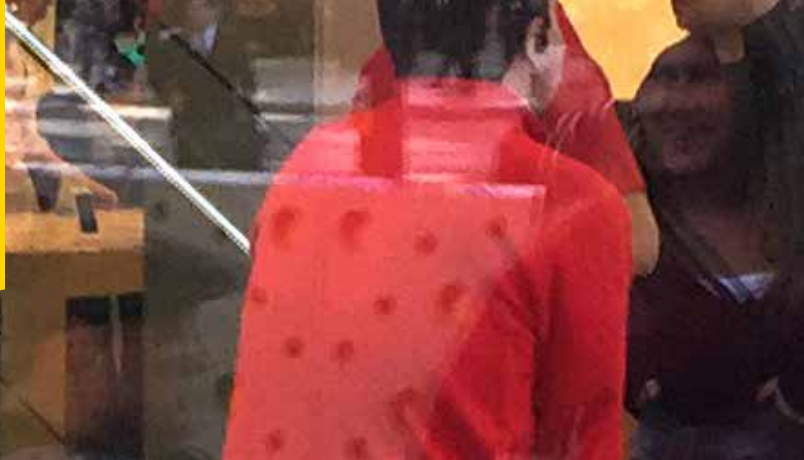
43% Get the product faster

49% of Gen Z are shopping online at least once a month – this number will skyrocket once they get credit cards

Engaging Gen Z requires intuitive, seamless and error-free processes.

* Quarterly Retail E-Commerce Sales, U.S. Census Bureau, November 17, 2015.

Ease vs price.



Gen Z places high value on efficiency

Gen Z is most likely to buy online for efficiency purposes. Whether on the web, smartphone or in stores, retailers must make it easy for shoppers to find what they want and seamlessly buy it at a fair price, *anywhere, anytime*.

Q: What are the main reasons you buy online?

	Gen Z	Millennials
It saves me time	63%	55%
The selection is better online	53%	44%
The prices are lower online	50%	41%
Products are organized in a way that's easier to shop	34%	21%

So, what doesn't Gen Z care about?

If the information Gen Z wants isn't easily and immediately available, they aren't likely to look to other sources. The majority of Gen Z and Millennials place little value on the ability to interact with experts, whether in store or online through chat. This is especially true of Gen Z, the most self-educated generation in history. They are well equipped with plentiful self-service tools to research and identify product details and service offers that best suit their needs. What they do value are brands and retailers who relate to their needs, thereby providing them with a unique, personalized micro-experience.

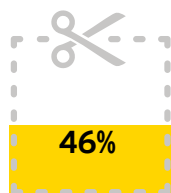


For Millennials, it is all about the bargain.

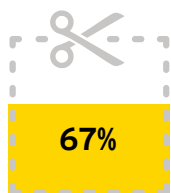
Gen Z and Millennials are both conscious of price, but Millennials continue to make this a top priority, as reflected in their pre-shopping activities. While Gen Z places greater value than Millennials on factors that simplify the shopping process, Millennials want a great price and are more likely than Gen Z to respond to both traditional and digital price messaging.

Q: Which of the following did you do before purchasing?

Go to the website to get a coupon for the store

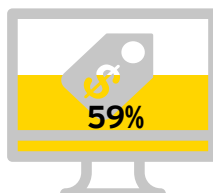


Gen Z

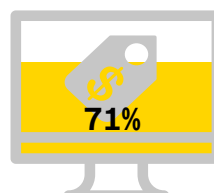


Millennials

See an ad online for the store

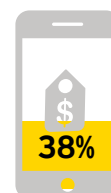


Gen Z

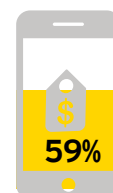


Millennials

Receive an alert from a shopping app on your mobile device

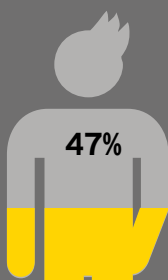


Gen Z

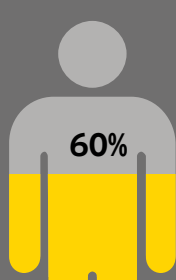


Millennials

Likelihood of speaking with an associate in-store before a purchase

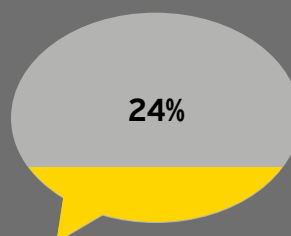


Gen Z

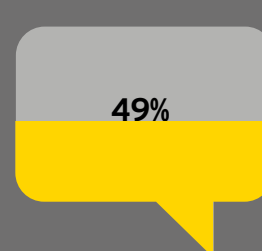


Millennials

Likelihood of using live chat before purchase



Gen Z



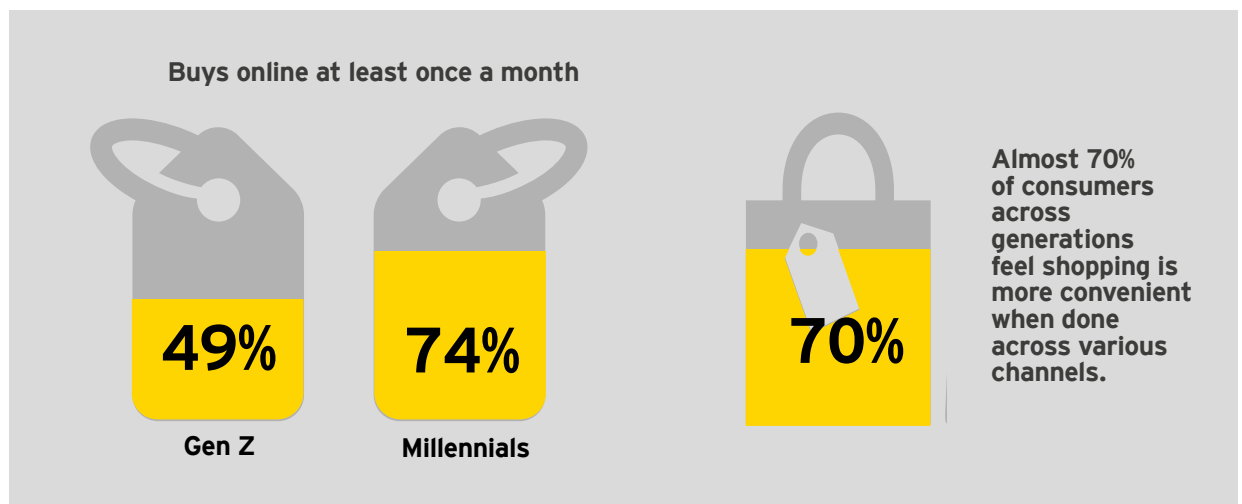
Millennials

Gen Z is defining the future now.

All channels count

Most consumers no longer place as much value on cultivating an emotional bond with retailers through in-person purchases. And as retailers are forced by competition and customer expectations to ensure products get into the hands of consumers faster and at no additional cost, reasons for shoppers to visit stores are rapidly disappearing. This trend threatens to make stores increasingly irrelevant. However, all hope is not lost. By providing an experience that not only meets a consumer's functional needs, but also creates personal enjoyment, retailers can re-establish the emotional connection between brands and their coveted consumers. In fact, the physical environment can provide a powerful advantage, especially when used in concert with digital tools.

Obtaining this optimal result requires digital, to influence not only what shoppers buy, but also how and where they buy it. Today, nearly half of Gen Zs report buying online at least once a month. Soon they will have their own credit cards and greater access to funds. With this we can expect this figure to increase significantly, quickly surpassing the online buying activity of Millennials.



What is the future of retail?

When it comes to retail experiences today, shoppers value convenience and customized value above all. For Gen Z, these details are even more pressing, which points to the next generation's expectations for what a retail experience should be, and needs to be.

Stepping into a Gen Z future

Responsive and seamless

Offering consumers options to research, shop and buy across physical and digital platforms is no longer enough. Instead, retailers must deliver responsively, intuitively and seamlessly across platforms.

Understanding your customers' overall life patterns

Consumers measure their experience with retailers across various touch points in their lives. Understanding customers' overall life patterns and how the experience offered fits and supports these patterns is necessary for understanding the difference between good and great in customers' eyes.

Physical store is a competitive advantage

Retailers can use the physical store for competitive advantage. Success requires that the retailer clearly defines its purpose as an organization and uniquely delivers on it across all customer touch points.

Delight Gen Z, delight everybody

Retailers need to capitalize on experience and ensure they truly understand their shoppers' needs and desires. Gen Z maintains the highest expectations in this regard. Meeting those expectations will go a long way toward delighting all generations.

Continuously deliver a better experience

Rather than seeking a "silver bullet," retailers must develop strategies that allow them to continuously hack their way to excellent experiences ... relentlessly assessing and evolving what is, into what can be.

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For more information, contact:

Marcie Merriman
Executive Director, Growth Strategy and Innovation
Ernst & Young LLP
marcie.merriman@ey.com
+1 614 325 9192

Dan Valerio
Americas Director, Retail & Wholesale,
Partner, Assurance, Ernst & Young LLP
daniel.valerio@ey.com
+1 614 232 7204

