

From trend to recommend:

The retail recalibrations that will attract next-gen shoppers

afterpay 



Gen Z will soon be the driving force of retail. When coupled with Millennials, the two generations will account for almost half of all retail spending by 2030.¹

But capturing those dollars will require a retail recalibration.

Studies show many retailers – who’ve long raced to keep up with the preferences of Millennials – aren’t ready to meet Gen Z’s needs. Across the buying journey, retailers struggle to provide the user experiences that digitally savvy Gen Zers demand. A recent Honeywell survey² indicates the failure to quickly implement these emerging responsive technology integrations – like artificial intelligence-powered experiences – is due to a variety of challenges, including budget restrictions **[39%]**, difficulty in demonstrating business value **[29%]** and a lack of internal expertise to maintain the technology **[21%]**.

These solutions – including nuanced loyalty programs, recommendation engines and social marketplaces – are must-haves for retailers to stay competitive and influence younger demographics’ shopping behaviour and purchasing decisions. But with a dizzying array of tech options and upgrades in the marketplace – and new innovations regularly popping up – it’s difficult for retailers to decide which implementations will achieve their objectives of delivering measurable results and engagement.

Now is the time for retailers to stop reacting to market changes, and instead proactively prepare to capture their share of the essential next-gen audience. Here, Afterpay shares its outlook on how next-gen consumers are engaging with the latest retail technology and strategies, and how brands can use that information to drive measurable impact and incrementality.



Why it's critical to form connections with Gen Z

Gen Z, defined as ages 16-24, is arguably the most tech-savvy generation of shoppers. Not only is the majority of this new breed of consumers learning about products via social media,³ they are also engaging with brand-specific apps and websites⁴ while shopping. Such behaviour offers retailers the chance to build end-to-end journeys that spur customers to desired results, namely purchases and sharing experiences that influence peers to follow in their footsteps. As a result, Gen Zers are quickly becoming trendsetters that shape how older generations consume goods, increasing the importance of building connections at young ages.

A recent survey by BCG⁵ shows retailers who provide customer shopping experiences that leverage technology and data are more adept at engaging with Gen Z. Merchants who prioritise Gen Z connection, acquisition and retention find consumers who are more willing to purchase. Nearly half⁵ of Gen Zers surveyed by BCG say they splurge on an item or buy themselves a treat more than once a month – far more than Millennials **[43%]** and Gen X **[34%]**. Gen Zers are also spending their money in two prime retail categories – apparel, footwear and accessories; and beauty and skincare – making them an especially desirable demographic for a large percentage of the industry.



"We know that Gen Z truly **values accessibility** at retailers. They'll continue to feel satisfied to engage with a business if it can service them with **ease and convenience**, whether that is making it easier on how they shop, how they pay or how they engage with a brand in general."

Alexis Sitaropoulos
Director of Go-to-Market Strategies, Afterpay



3 ways to acquire, engage and nurture next-gen customers

Merchants can agree that acquiring customers, delivering a top-tier user experience and maintaining loyalty are the keys to scaling their business. The ways to achieve those feats evolve as audiences change and technology continues to innovate. Let's look at some trending solutions to grow your next-gen customer base and keep them coming back for more.

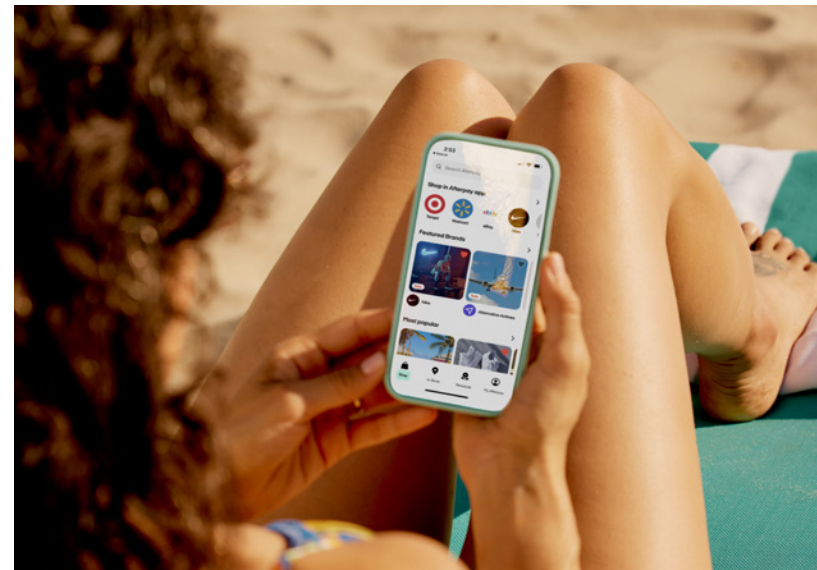
1. Leverage mobile and social commerce to drive customer acquisition

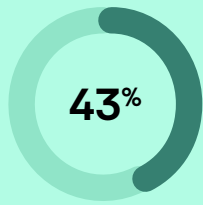
Mobile commerce – essentially any monetary transaction made via a mobile device, including online shopping, paying bills or sending cash to others – has changed how next-gen consumers conduct their lives. According to surveys in Australia by [YouGov](#),⁶ nearly 73% of consumers say they use their smartphone to shop online, with mobile browsers being the most popular channel, used by over 44% of consumers. Conveniently for brands, next-gen consumers' banking and financial apps sit just millimetres away from their social apps on their phones' screens. And it's social shopping experiences through those apps – also known as social commerce – that will help retailers forge a deeper connection with those next-gen audiences.

Gen Z values the convenience of shopping from their smartphones, and importantly, they gravitate to social media, with 88% of the demographic using at least one social platform multiple times per day.⁷ But Gen Z isn't just scrolling aimlessly through their feeds – they're taking action. A survey by the International Council of Shopping Centers⁸ found that 45% of Gen Z respondents named TikTok and Instagram as the top platforms influencing their purchasing decisions, followed by YouTube [38%], Facebook [24%], Snapchat [17%], Twitter [14%] and Reddit [7%].

Top platforms influencing Gen Z purchasing decisions:

TikTok / Instagram 45%
YouTube 38%
Facebook 24%
Snapchat 17%
Twitter 14%
Reddit 7%





43% of Gen Z would buy a product based on the recommendation of an influencer.

Retailers have long used social media as a marketing approach to acquire new customers and move them from awareness to consideration to sale. However, social media has evolved beyond traditional marketing to using the platforms to directly promote and sell products and services. Shopify defines this phenomenon as social commerce.⁹ Prominent examples of social commerce include Instagram Shopping and TikTok Shop, which are among the most successful at transforming social media from being solely a source of inspiration to a one-stop buying experience.

Sitaropoulos thinks social media's evolution as a retail service will continue, and merchants should enable a social commerce function for customer acquisition. Otherwise, they'd be leaving money on the table.

"The various social platforms are the top ranking places that most younger consumers are searching, shopping and ultimately finding brands and products to purchase," Sitaropoulos says. "If you look at some of the most successful retailers, a common denominator that all of them have is a solid understanding of how to leverage their social channels in a meaningful way to create as many touch points as possible for their Gen Z audience."

One of those thriving retailers in the social media space is e.l.f. Cosmetics.¹⁰ The makeup and skincare brand was an early adopter of TikTok Shop, a marketplace to find and share shoppable content. The shop leverages the #tiktokmademebuyit trend and young consumers' willingness to follow influencers' suggestions. An Afterpay report found 43%¹¹ of Gen Z would buy a product based on the recommendation of an influencer.

TikTok Shop has been a useful tool for e.l.f. Cosmetics to build excitement via a content series featuring big names and influencers. Retailers can employ social media tactics similar to e.l.f. Cosmetics by creating their own video content or live streaming how-to's or product demos.



E.l.f. launched a content series, "Vanity Table Talk," actor Jennifer Coolidge.

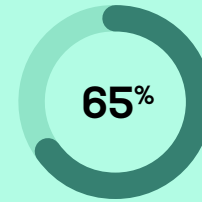
2. Curate and deliver a flexible experience

A report on the state of customer experience¹² and Gen Z by Genesys found that retailers must raise the bar on customer experiences. According to the report, between two and five frustrating customer experiences is enough to make 80% of Australian and New Zealand customers think about switching brands, and 37% of consumers in ANZ would pay more for a product or service they could have purchased elsewhere for less money for great customer experience.

Younger shoppers evaluate their experience based on customer service, particularly response time, and easy and flexible payment methods such as buy now, pay later [BNPL].

Sitaropoulos says younger generations like Gen Z and Millennials prefer BNPL because they are increasingly credit averse. They're looking to use and adopt solutions beyond cash, credit or debit cards to help them budget and manage their money. A study by Afterpay and Oxford Economics¹³ found that roughly three-quarters of Gen Zers and Millennials use BNPL services at least once a month, compared with only 52% of Gen X customers. And 56% of BNPL users say they use more than one BNPL brand.

One retailer that's taken this approach is Australian fashion label By Billie. For brand founder Charlotte Palardis, using Afterpay for By Billie was a no-brainer. "There was no way that I would buy higher priced items without Afterpay, so why would I expect my customer to?"



65% of merchants partnered with Afterpay, reported exposure to new customers.

Offering Afterpay to her customers has driven significant sales for the brand. "Last year we generated \$780,000 from Afterpay; that's 24 percent of our total sales," she says. "Having it as an option for customers is huge – I don't think any business could do without it."

"Convenience is paramount for the next-gen consumers and utilising mobile commerce as the channel to discover, explore and shop directly from the palm of the hand," Sitaropoulos says. "Gen Z is looking for more flexibility and to gain better access when it comes to their omni channel experience."

Next-gen shoppers have big expectations for the retail app or mobile website experience before they get to the checkout phase, too. The numbers show retailers who heed this will be rewarded. In the past year, the volume of mobile transactions for Afterpay increased 6%.

One key area retailers must stay on top of is recommendation engines. According to a Vogue Business¹⁶ survey, almost half **[48%]** of Gen Z respondents agreed that algorithm-based fashion product recommendations have positively impacted their shopping experience. In an era when apps on your TV, mobile device and voice assistant are frequently serving shoppers ads for products they've recently browsed, next-gen shoppers are highly likely to notice when that attention to detail isn't there on a retailer's site.

Beyond recommendations, younger shoppers are looking to get as realistic of a portrayal of a product as possible before making the purchase. Research from a Rokt and Harris Poll¹⁷ shows that more than half of Gen Zers are interested in augmented and virtual reality to simulate and/or replace the in-person shopping experiences older generations still rely upon. With many retailers discussing the need to charge or otherwise bend their returns strategy,¹⁸ experiences like virtual try-ons will become more important to the next-gen shopping experience in the coming years.

"Convenience is paramount for the next-gen consumers and utilising mobile commerce as the channel to discover, explore and shop directly from the palm of the hand. Gen Z is looking for **more flexibility** and to gain better access when it comes to their omni channel experience."

Alexis Sitaropoulos
Director of Go-to-Market Strategies, Afterpay



Artwork by Vogue Business

3. Unlock customer loyalty via offers and promotions

Loyalty is tough to earn – especially among next-gen customers. According to the National Retail Federation (NRF), only 36% of Gen Z survey respondents said they feel loyalty to a brand.¹⁹ The No. 1 reason Gen Z will purchase from a brand again is if it offers good discounts and sales, according to Afterpay research. Some retailers provide these discounts through rewards-based loyalty programs and engaging gamification elements.

The NRF report²⁰ showed brand loyalty increases as Gen Zers mature into adulthood and develop a better sense of their preferences and identity. Among respondents ages 19 to 21, the NRF report found that 46% have a strong connection or loyalty to a brand – more than double that of 13-to-15-year-olds [22%].

Retailers must engage Gen-Z as early as possible to influence their long-term buying habits, and loyalty programs may be the solution. A survey of Gen Z consumers by Centiment/SheerID²¹ found 69% of respondents would break from their preferred brand to another if they were given an exclusive discount, while 68% would be more likely to join a loyalty program in exchange for receiving a discount.

As the retail technology landscape evolves, striking the right balance between automation and human touch becomes crucial for brands as they engage with the next generation of consumers who expect convenience and personalisation at every step.



Featured case study:

How HBX is gaining new customers and driving engagement

In 2022, HBX,²² a global e-commerce platform and retail destination of Hypebeast, was looking for ways to make their products more accessible to shoppers.

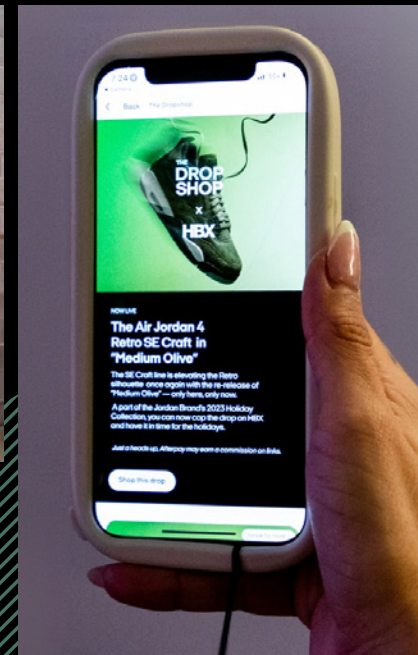
Huan Nguyen, Chief Revenue Officer, knew that HBX consumers were predominantly Gen Z and Millennials, and, given the wide range of brands carried on its site from streetwear to luxury, understood the importance of providing more flexible payment options to meet their needs.

After implementing Afterpay's BNPL solution on HBX.com, the impact on checkout was immediate with consistent metrics post-launch.

To take this partnership to the next level, the two like-minded brands looked towards more experiential initiatives and cross-platform marketing programs that could build excitement and draw new audiences to HBX.

HBX collaborated on an Afterpay Dropshop²³ program to boost sales for the latest re-release of three different pairs of heritage Jordan-brand sneakers during the 2023 festive season.

The limited edition shoes were given additional allure through an exclusive arrangement in which customers could only purchase through this arrangement. In doing so, HBX harnessed three core principles to make the promotion a slam dunk:



Social commerce

Jordan-brand apparel has been highly coveted from the time its namesake, Michael Jordan, was at the top of his game. Users were able to see three lines of the luxury footwear being displayed (“Royal,” “Olive Craft” and “Gratitude”) on the platform and immediately purchase one or multiple pairs. They could then share the purchases on social media and build buzz around the promotion.

Flexible payments

HBX understood its existing clientele and proceeded with the knowledge of younger buyers’ preferences to facilitate the three-week rollout. The company’s research shows that nearly 70 percent of its users would take advantage of BNPL opportunities if more widely available. Afterpay’s name is just one example of how HBX communicates to younger generations that it understands their preferences. In part because of the deferred payment options, sales of the Jordans surpassed predictions. “We generated a noticeable sales result which really exceeded our expectations,” Nguyen says.

Exclusivity

Events, including producing drops, strive to play into consumer’s fear of missing out [FOMO]. The easiest way to accomplish this is to limit exposure so that only those who participate in an activation can score goods. In this case, the shoes were only available on the HBX app. Not only did it draw excitement to the launch, it also facilitated sales.

“The exclusive pair of Jordans were only attainable through the Afterpay app, which gave consumers an easy way to purchase these shoes while using flexible payments,” Sitaropoulos says. “The campaign generated a ton of buzz and excited consumers to engage with our brand. Merchants can strengthen their customer loyalty by offering tech solutions that add value or make the shopping experience better for the consumer.”



Retailers use product drops – which are releases of limited-edition products for a short period of time – to drive loyalty, excitement and sales.

Assessing before progressing: key considerations to attract Gen Z

With so many potential refinements to consider across customer acquisition, user experience and loyalty, what should retailers address first?

"Shopping trends and behaviours can determine the solutions to add to retailers' tech stack, but they shouldn't necessarily dictate the whole strategy," Sitaropoulos says. "Because otherwise, they'll end up losing sight of their core values as a business and may end up investing in solutions that aren't necessarily compatible with the business."

With that in mind, here are three takeaways retailers should carefully consider before pursuing a technology or marketing change to attract next-gen audiences:

1. Customer acquisition

Start with product fit and work toward testing ideal executions, guided by your proprietary data. Regardless of platform, understanding your consumers and how they interact with your brand is critical to any acquisition strategy. Merchants should examine which products are thriving in-store or on the digital shelf and then strategize how to better use social channels to drive increased demand.

2. Customer experience

Identify what upgrades would be meaningful and start testing with small segments of customers to see what resonates. Experimental partnerships with technology partners can lower the risk of going all in on a solution that doesn't bring the necessary return on your investment at scale.

3. Customer loyalty

Personalised offers, discounts and promotions are critical when providing enticements that can increase Gen Z customers' loyalty. Retailers should tailor any current or prospective loyalty activation to align with the next-gen browsing and buying trends they're identifying in their zero- and first-party data.

"At Afterpay, we think what's really valuable is considering how adding new tech solutions and partners will be additive to a business," Sitaropoulos says. "It is a far more effective way to not only help cost efficiencies, but also help maintain brand alignment and ultimately maximise sales."

"It starts with **understanding your customer** and the different personas that are shopping your site and meeting them where they're at. It goes back to using the data that we have to ensure consumers have a **seamless and personalised experience** - however they want to shop with us."

Fiona Tan
CTO, Wayfair



Afterpay is transforming the way we pay by allowing customers to buy products immediately and pay over time – enabling simple, transparent and responsible spending. We are on a mission to power an economy in which everyone wins. Afterpay is offered by thousands of the world's favorite retailers and used by millions of active global customers. Afterpay is currently available in Australia, Canada, New Zealand, the United States and the United Kingdom, where it is known as Clearpay. Afterpay is a wholly owned subsidiary of Block, Inc. [NYSE: SQ].

[Learn More](#)

Sources

1. Afterpay | Beyond the Crocks & Tiktoks. How Gen Z are shopping. U.S. Edition, November 2022
2. Retail Dive | Retail leaders struggle to find budget for emerging tech goals, study finds, August 2023
3. EMarketer | How Gen Z shopping behaviors can influence retail media, February 2024
4. EMarketer | The role of mobile apps in retail media, November 2023
5. BCG | How Can US Brands Reach Gen Z, April 2024
6. YouGov | Charting Australia's mobile commerce landscape: mobile shopping apps use & top m-commerce purchases, July 2023
7. Afterpay | Beyond the Crocks & Tiktoks. How Gen Z are shopping. U.S. Edition, November 2022
8. Retail Dive | ICSC: 85% of Gen Z says social media impacts purchase decisions, June, 2023
9. Shopify | What is Social Commerce? Trends and Key Insights for 2024, April, 2024
10. Afterpay | Buy now, pay later at e.l.f
11. Afterpay | Beyond the Crocks & Tiktoks. How Gen Z are shopping. U.S. Edition, November 2022
12. Genesys | The State of Customer Experience: Asia-Pacific
13. Oxford Economics | The Economic Impact of Afterpay in the U.S., October, 2023
14. Morning Consult's Afterpay Financial Sentiment Survey [May 2024] was conducted between April 26 - 30, 2024 among 2207 Adults aged 18-55 in the U.S.
15. Afterpay's Economic Impact in Australia, June 2024
16. Vogue Business | How Gen Z's shopping habits will shape the future of retail, April 2024
17. PR Newswire | Eighty-Eight Percent of Gen Z Believe AI Will Improve Online Shopping, According to New Study, September 2023
18. Retail Dive | Return policies sway customer behavior: survey, March 2024
19. IBM Institute for Business Value | Gen Z brand relationships: Authenticity matters, 2017
20. IBM Institute for Business Value | Gen Z brand relationships: Authenticity matters, 2017
21. SheerID | Consumer Report: How to Win Gen Z in 2024
22. Afterpay | How HBX is gaining new customers and driving engagement with Afterpay, May 2024
23. HBX | The Afterpay Dropshop X HBX Round 1 Exclusive Access: Jordan Retro 1 "Royal Reminagined"