

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.**

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 survey 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 a must for retailers to stay competitive and influence younger demographics’ shopping behavior and purchasing decisions. But with a dizzying array of tech options and upgrades in the marketplace – and new innovations regularly popping up – it’s nearly impossible for retailers to know 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 for the future 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 this majority of this new breed of consumers learning about products via social media, they are also engaging with brand-specific apps and websites while shopping. Such behavior 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 at stores. 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 BCG shows retailers who provide customer shopping experiences that leverage technology and data are more adept at engaging with Gen Z. Merchants who prioritize Gen Z connection, acquisition and retention find consumers who are more willing to purchase. Nearly half of those 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 desired 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.”

Heawon Kim  
Head of North America Mid-Market Sales, 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

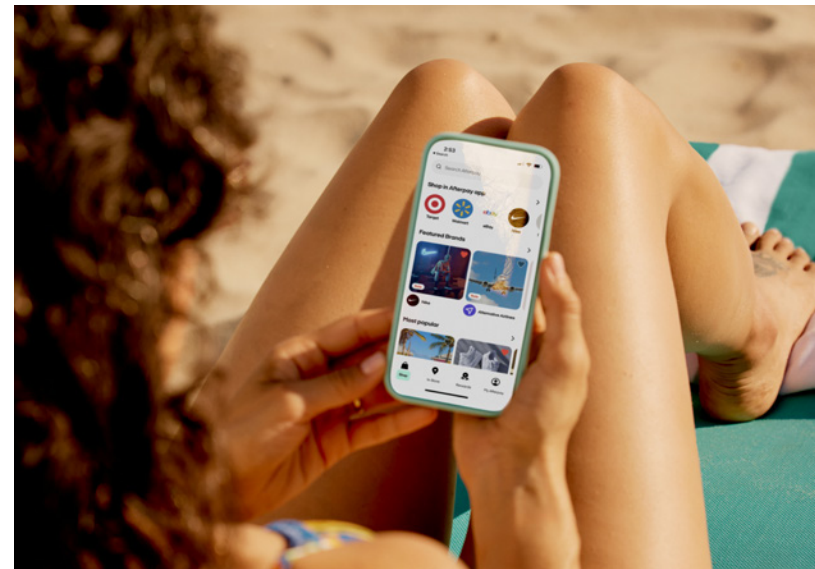
Mobile commerce – essentially, any monetary transaction made via a mobile device, including online shopping, paying bills or sending cash to others – has changed how next-gen consumers conduct their lives. According to [Statista](#), retail mobile commerce sales in the United States exceeded \$491 billion in 2023. By 2027, that figure is forecast to nearly double to approximately \$856 billion.

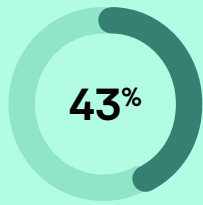
Conveniently for brands, next-gen consumers' banking and financial apps sit just millimeters away on their phones' screens from their social apps. And it's social shopping experiences through those apps – also known as social commerce – that will help retailers forge a deeper connection with those next-gen 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. But Gen Z isn't just scrolling aimlessly through their feeds – they're taking action. A survey by the International Council of Shopping Centers 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. 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.

Heawon Kim, Head of North America Mid-Market sales at Afterpay, 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," Kim 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. 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% 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 around culturally relevant moments like the Super Bowl and Golden Globe Awards. The content series features big names and influencers to take advantage of the larger audiences. 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 experience and Gen Z by Experience Dynamic found retailers must raise the bar on customer experiences. Sixty percent of Americans surveyed in the report said they would pay more for a product or service they could have purchased elsewhere for less money “because the customer experience was great.”

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).

Kim 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 Economics 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.<sup>1</sup>

One retailer that’s taken this approach is IKEA, the Swedish furniture giant. The brand provides multiple payment options – including BNPL – so customers can easily take home purchases immediately and then pay for the products over four interest-free installments.



Beyond payments, IKEA has also taken great strides to improve the in-store experience with its app. The retailer’s Shop & Go feature lets customers scan products while walking through the store and skip the checkout line.

“Convenience is paramount for the next-gen consumers and utilizing mobile commerce as the channel to discover, explore and shop directly from the palm of the hand,” Kim 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%.

<sup>1</sup>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.



One key area retailers must stay on top of is recommendation engines. According to a Vogue Business 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 hasn't been put in 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 Poll shows that more than half of Gen Zers are interested in augmented and virtual reality to simulate and/or replace in-person shopping experiences older generations still rely upon. With many retailers discussing the need to change or otherwise bend their returns strategy, experiences like virtual try-ons become more important to the next-gen shopping experience in the coming years.

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IKEA provides multiple payment options including BNPL.



### 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. That said, 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 report 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 this generation as early as possible to influence their long-term buying habits, and loyalty programs may be the solution to capturing Gen Z's wallets. A survey of Gen Z consumers by Centiment/SheerID 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.





Comprehensive loyalty programs are effective tools, but small-sized retailers can take heart that not all rewards-based offers require a huge financial and time investment. Companies like [Nift](#) are helping partners and direct-to-consumer (DTC) brands automate customer rewards at key lifecycle moments with their AI-powered gifting platform. This curated selection of gifts is designed to facilitate trial and exploration, driving net new customer acquisition and retention.

Nift's research cites customers who enjoy a stellar experience with a brand are:

**5X** more likely to become repeat customers

**4X** more likely to spread the word among their network

**6X** more forgiving of a less positive future experience

The customers and influencers, in turn, become valuable to brands (up to 306% more than if they were a one-time purchaser). Likewise, brands using AI-powered tools to reward potential and regular users gain a more favorable impression – TripAdvisor reports a 25% increase in positive reviews from its experience.

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 personalization at every step.



## Featured case study:

# How HBX is gaining new customers and driving engagement

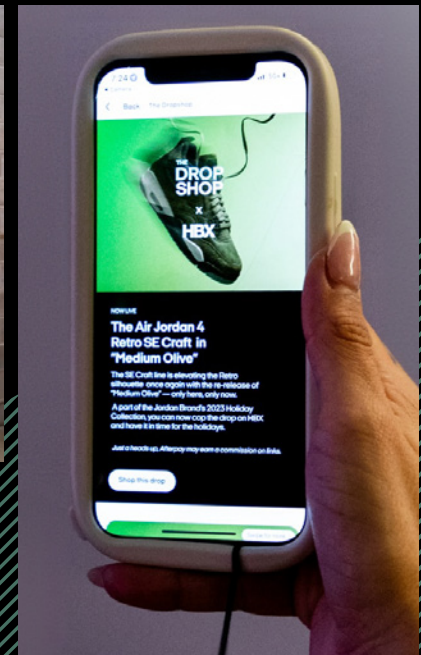
In 2022, HBX, a global e-commerce platform and retail destination of Hypebeast, was looking for ways to make their products more accessible to shoppers.

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 Dropshop program to boost sales for the latest re-release of three different pairs of heritage Jordan-brand sneakers during the 2023 holiday season.



## 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 the 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,” Kim 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 behaviors can determine the solutions to add to retailers' tech stack, but they shouldn't necessarily dictate the whole strategy," Kim 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 consider carefully 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. Understanding your consumers and how they interact with your brand is critical to any acquisition strategy, regardless of platform. 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

Personalized 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," Kim says. "It is a far more effective way to not only help cost efficiencies, but also help maintain brand alignment and ultimately to maximize 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 personalized experience** - however they want to shop with us."

Fiona Tan  
CTO, Wayfair



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