

From trend to recommend:

The retail recalibrations that will attract next-gen shoppers

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Gen Z will soon be the driving force of retail. When coupled with Millennials, the two generations will account for 39% 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 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, Clearpay 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. These consumers learn about products via social media³; Clearpay's Festive Forecast⁴ research found that around half of Gen Zers get their Christmas shopping inspiration from TikTok. They are engaging with brand-specific apps and websites⁵ 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 at stores. As a result, Gen Zers are quickly becoming trendsetters who shape how older generations consume goods, increasing the importance for retailers to build connections at young ages.

Retailers that leverage technology are better prepared to meet the expectations of Gen Z. For example, Gen Z and Millennials are three times more likely to use virtual assistants than older generations, according to Clearpay's Festive Forecast⁶. Virtual assistants may seem like a less personal approach to customer service, but in reality, young shoppers are keen for retailers to implement these services. They feel strongly that virtual assistants help them get product information and source online deals over other functionalities.



"Gen Z wants **seamless experiences** from retailers. If they feel like it's effortless to interact with the brand, browse and pay for goods, they'll become loyal customers. The **easier and more convenient** retailers can make each interaction, the more likely they are to satisfy Gen Z's needs."

Rich Bayer
UK Country Manager, Clearpay



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

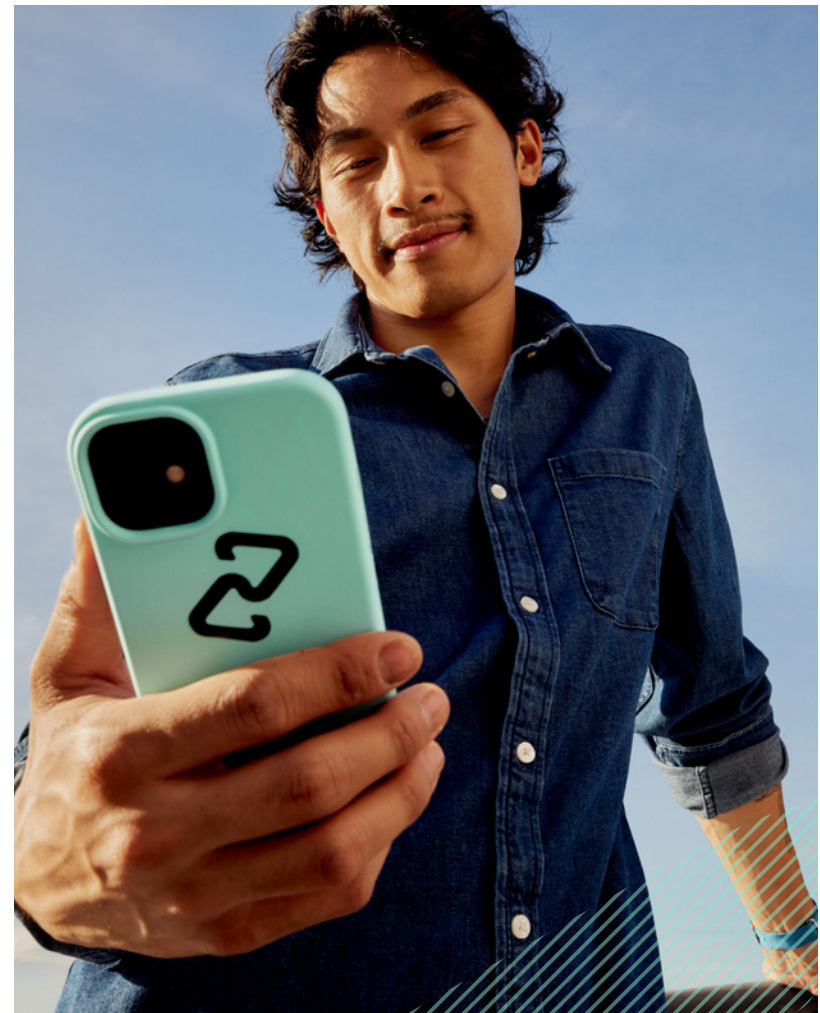
Merchants can agree that acquiring customers, delivering a top-tier user experience and maintaining loyalty are the keys to scaling their business. The ways to achieve these feats evolve as audiences change and technology continues to innovate. Let's look at some trending solutions to grow your next-gen 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](#)⁷, retail mobile commerce sales in the UK amounted to nearly £92 billion in 2023. By 2027, that figure is forecast to surpass £109 billion.

Gen Z and Millennial consumers appreciate value for money. According to a [Clearpay report on Millennial & Gen Z shopping trends](#)⁸, next-gen shoppers will often research products online before going in-store, and vice versa, to get the best price, which means merchants who can offer a seamless omnichannel experience will have a clear advantage.

Conveniently for brands, next-gen consumers' banking and financial apps sit just millimetres away from their social apps on their phone 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. The most prominent examples of social commerce – Instagram Shopping and TikTok Shop – are among the most successful at transforming social media from being solely a source of inspiration to a one-stop buying experience.

Bayer anticipates that social media will continue to grow as a retail channel and he encourages brands to make the most of social commerce opportunities.

“For younger consumers, social platforms are about so much more than socialising. It’s where they discover trends, do their research and find the brands that they want to buy from,” Bayer says. “The retailers that are thriving in this Gen Z world are the ones who have mastered the art of social selling by creating multiple opportunities for potential customers to engage with them.”

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.

TikTok Shop has been a useful tool for e.l.f. Cosmetics to build excitement around 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,” starring actor Jennifer Coolidge.

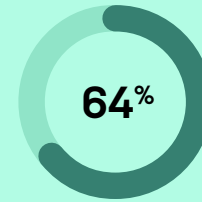
2. Curate and deliver a more flexible experience

A consumer survey by Fullstory⁹ found that retailers must raise the bar on customer digital experiences. According to the survey, 70% of shoppers will abandon an online purchase if they encounter a digital issue. Conversely, 55% of respondents would be willing to pay more for a flawless digital experience – up to 25% more.

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).

According to Bayer, Gen Z and Millennial consumers are attracted to BNPL because they are wary of traditional credit that comes with the risk of revolving debt. These younger generations are actively seeking more flexible ways to manage their finances. A study by Oxford Economics¹⁰ found that over half **[53%]** of BNPL customers prefer BNPL services to credit cards. This rises to 64% for Gen Z and 57% for Millennials, which is consistent with findings from a Financial Conduct Authority (FCA) survey¹¹ that a larger proportion of Gen Z UK adults has stopped using credit cards.

One business that understands the importance of flexible payment options is Alternative Airlines¹². “Buy Now, Pay Later has grown significantly as a budgeting tool for younger generations to help them manage their spend, and as an alternative to high-interest-bearing credit,” says Sam Argyle, Managing Director. The airline ticketing platform started offering BNPL in 2022 and has seen a 400% increase in transactions from Gen Zers, who now account for 28% of UK sales.



64% of Gen Z BNPL customers prefer BNPL services to credit cards.



One key area retailers must stay on top of is recommendation engines. According to a Vogue Business¹³ 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 televisions, mobile devices and voice assistants 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 replicated on a retailer's website.

Beyond recommendations, younger shoppers are looking to get as realistic a portrayal of a product as possible before making the purchase. Research from Rokt and Harris¹⁴ shows that more than half of Gen Zers are interested in augmented and virtual reality to simulate and/or replace in-person shopping experiences that older generations still rely on. With many retailers discussing the need to charge for returns¹⁵, experiences like virtual try-ons will become more important to the next-gen shopping experience in the coming years.

"For Gen Z, it's all about **convenience and flexibility**. Retailers need to be thinking about omnichannel experiences and they need to have a **mobile-first mindset**. Younger customers want to do everything – from finding inspiration through to making a purchase – on their smartphone."

Rich Bayer
UK Country Manager, Clearpay



Artwork by Vogue Business

3. Unlock customer loyalty via offers and promotions

Loyalty is tough to earn – especially among next-gen customers. According to research from McKinsey¹⁶, 30% of Gen Z respondents in the US and the UK said that they'd revert to their 'go to' brand for a new product or service when making a purchase. However, 62% of respondents said that they would consider other options, even if they had a favourite 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 Clearpay research. Some retailers provide these discounts through rewards-based loyalty programs and engaging gamification elements. And, according to Clearpay's Festive Forecast¹⁷, 'Spend & Save' discounts work best amongst Gen Z consumers with 32% finding this marketing offer enticing.

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/SheerID¹⁸ 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.

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



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?

“While it’s important that retailers keep up-to-date with the latest shopping trends and consumer behaviours, they need to stay true to their core principles,” Bayer says. “Before investing in any new tech, retailers should assess how much it will contribute to the broader business strategy.”

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 strategise 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 crucial 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 Clearpay, we always consider what added value a new tech solution will bring to a business,” Bayer says. “Ideally, it should reduce costs, strengthen the brand and ultimately increase revenue.”

“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



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