

The transfer between the spending habits of different generations-a debate between retail and E-commerce

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Abstract. *This study presents the transition from retail to E-commerce and the impact of this change on the global market, influenced by the advancement of technology, evolving human needs and the change in the mindset of the current generations activating in the field of trade for goods and services. Evaluating the shift of needs a consumer has over a prolonged period it can be observed how the big retailers won market share and how the trends in consumer spending were influenced by the advancement of technology from online marketing to fast shipping from any part of the world and where this movement is going.*

Keywords: retail, E-commerce, generations, mindset, global market.

JEL Classification: J11, E24, F16.

1. Introduction

The transition between generations can be observed in many aspects of daily life and consumer spending it is not excluded. Different patterns can be observed around the world depending on the season but mostly based on the day-to-day habits, influenced by age and culture and are reflected in the change of people that have the most purchasing power and with them of mindsets that are shifting. It is the first time in history when five generations work together, which results in a wide range of needs and wants from the people that interact in the same environment. Gen X is known to have the biggest purchasing power but a part of them is now supporting both their aging parents and children who are not financially independent yet. The second category of income is occupied by Millennials followed by Boomers and Gen Z. These changes in consumer categories are reflected also in the transition from retail to E-commerce, the digital natives being prone to an easier shopping method while others prefer an in-person experience. These points of view are supported by the desire for quality or option of a store with a wide variety of products tailored by each person's lifestyle. One of the main factors that separates Gen Z from the preceding generations is the popularity of social media within their lifetime. These platforms have connected individuals and became a vital source of information for this generation of buyers, in this way, E-commerce being more popular. Digital word-of-mouth holds a significant role in this transition and recommendations from trusted influencers can lead the consumers to online purchases, these being easier and more accessible worldwide than in-store products, becoming a source of bands and products discovery. Retail stores are more popular in the sector of Gen X and Boomers consumers even if most of the people who are part of any generation favor in-store experience, but this alternative is time-consuming and can be replaced by using a site or an app for the brand.

Since remote work emerged as a dominant trend, traditional workspaces had undergone a radical shift, when the Covid pandemic had emerged. This important change in lifestyle of many people shifted the shopping experience for good in terms of basic needs and extra purchases. One in five people who are part of the work force is working remotely reflecting a significant adaption in corporate structure and daily lifestyle of a significant part of the population. This evolution in the workforce suggests a different definition for the traditional work environment and the objects and habits that correspond to it. An astonishing number of 98% of workers want to work remote at least a part of the time which reflect the workforce growing affinity towards flexibility and freedom from the traditional corporate standard, inducing a more relaxed, work-life orientated way of living. The patterns of spending generated by this shift in life habits showed that people spent more on groceries rather than in-restaurant experiences, which led to the development of home-delivery services for this category of food and an increase in home-delivery services in general, accessed mostly by the digital natives, spending more on the home department in order to make a more suitable environment, lowered the demand for new clothes and the increase in demand for sportswear and comfort in general and the reduced need for planning in some sectors such as vacation time due to the flexibility of different kinds of jobs.

2. How is influenced the transfer from retail to E-commerce by the undertaking of more important roles by Millennials and Gen Z

Age is a key factor which influence the way a consumer is spending on a variety of products and services. In the transfer of generations, the needs of every individual are different, and the income is in distinct stages of life. While Gen X and Millennials have advanced in their career because they spent a longer time in their jobs or overall professional path, a part of the members of Gen Z are still undertaking their studies or starting new careers. This movement is reflected in the power of consumption and patterns determined by each stage of life. The ones that have spent a longer time building themselves may have a stronger financial stability and can afford to splurge on something that they want, while the younger ones need to think about the future while building a foundation for daily needs, letting unnecessary things with a second thought. According to the Amazon spending in the United States, Millennials and Gen X spend the most while Boomers and Gen Z are almost the same beneath them.

While taking into consideration any significant purchase, the labor market stability is a meaningful aspect. Europe is suffering from a major labor market imbalance. While there are widespread staff shortages in many industries, in others, there is a surplus of skilled workers and too few jobs. A report by EURES, the European employment services network found that the EU's 27 member states plus Norway and Switzerland experienced labor shortages in the second and third quarter of 2022 while 24 of these countries experienced labor surpluses. In the US the labor market is tight, with a 3,8% in March 2023, but according to Michael Feroli, J.P. Morgan's Chief U.S. economist, the 'normal' level is around 4%, the current rate being close to equilibrium. According to a variety of estimates, the US immigration has surged in the last two to three years with the most immediate implication being an increase in potential workforce, as well as a higher pace of jobs growth.

Over the last two decades, online shopping has increased rapidly to purchasing groceries and apparel to books and gifts. Currently, approximately 70% of Americans shop online monthly, and this number is expected to increase. Across the European continent, E-commerce platforms benefited from increased revenues along with an expanding user base, with a wide range of people looking for convenience and variety of products. For instance, E-commerce revenue in Germany grew by more than twenty billion euros between 2019 and 2021. France experienced an online sales increase during the pandemic, with e-commerce sales revenue increasing from 103 billion euros to more than 146 billion euros in 2022.

As far as the European countries are concerned, they share a common trade market, so it is normal for EU consumers to buy from E-commerce companies that are not located in their country. On average, just over one-fourth of the EU's E-commerce revenue is generated from cross-border e-retail. In Austria, eight in ten online shoppers have made a cross-border E-commerce purchase in 2022, versus around five in ten Swedish e-shoppers. In Netherlands, cross-border E-commerce spending has almost doubled, hitting the one-billion-euros mark in the first quarter of 2023, up from only 564 million euros in the third quarter of 2020. Belgium showed a fair cross-border shopping as well, with nearly 70

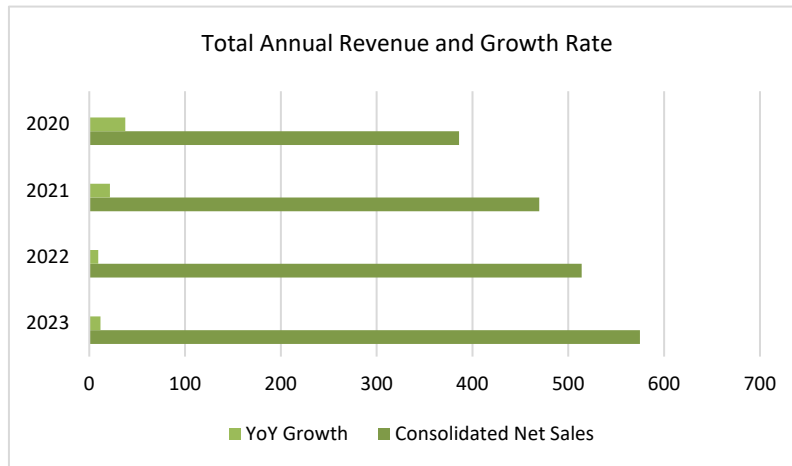
percent of the shoppers purchasing goods online from international sellers. The median age in Austria is 42.6 years, in Sweden 41.9 years, in the Netherlands is 42.5 years and in Belgium 40.8 years demonstrating the fact that Gen X and Millennials have the biggest purchasing power and are using both retail and E-commerce with a tendency towards E-commerce for balancing the day-to-day life.

By 2027, 23% of retail purchases are expected to take place online, the increase in digital orders not being just a trend. The transition to E-commerce is here to stay, as 22.6% of the total retail will be conducted online in 2027. The E-commerce market is expected to total over 7.9 trillion dollars, this movement showcasing the need for adaptability of retailers if they want to stay relevant to the shift of habits displayed by older generations and the increasing in people with stable purchasing power who are entering the market.

Amazon, eBay and AliExpress are the most visited E-commerce websites, with a wide range of clients of almost any age. 49% of the Amazon costumers are between the age of 18 and 34 outlining the fact that Gen Z is more prone to online alternatives. A survey from 2020 investigated the impact of Amazon Prime delivery services on shopping habits of the Gen Z and it showed that in the United States 55% of Gen Z consumers were more likely to increase their total order in case of same-day delivery, which demonstrates the tendency for easy and fast solutions.

Amazon is marketing a variety of products and services, which include everything a consumer need to a huge selection of products that a person can buy from retail stores with no string to each other, all in one place and able to be delivered within days. Amazon main strings of income are the online stores, Amazon Marketplace, cloud services, subscriptions and physical stores. For over twenty years, Amazon has set the standard in E-commerce with almost unrivaled product inventory and competitive prices, combining the brand and customer experience and keeping the people coming back. The free shipping is available after spending at least 35 dollars for customers who don't have the Prime option, a concept introduced as a subscription which allows the customer to have access at music, movies and free shipping all over the year, movement that promotes the convenience and a fast response to change when faced with the demand for innovation by the global retailer. Retail stores have made an appearance, accommodating even the most skeptical consumer with Amazon Bookstores and Amazon Go, a check-out less grocery store, which is another step for the future accepted by an important number of people. In this process technology plays a key role and the acceptance of the need for rapid change should be considered fast by a wide variety of brands to survive.

Returns are one of the most important aspects of any online shopping experience, because the client couldn't see or touch the product like in a retail store, so to make the whole experience better is important to consider how the costumers prefer to return the items. Most of the big E-commerce companies make it easy to return the products. These packages come with a prepaid, printed return label, even if those labels are accessible through the returns portal in the app or on the online site.

Figure 1. Total revenue and growth rate of Amazon.com

Note: The graph above presents the resource net sales represented in billions of dollars and the year over year growth represented in percentage points.

Source: CapitalOne Shopping.

Gen Z online shopping data reveals that fashion and electronics rank among the most frequently purchased categories. Still, their participation in these segments remains lower than Millennials and Gen X. This could be attributed to their bringing uncertain economic times and limited financial resources due to their young age. They are mindful of their expenses because they can compare the prices as the main advantage of online stores beyond mere convenience and entertainment. They specifically choose E-commerce to capitalize on lower prices. This trend extends to emerging online shopping methods like live commerce, which offers inspiration and access to exclusive discounts to its users. Gen Z shoppers prioritize value and affordability when purchasing online, making sales and discounts particularly appealing. The availability of discounts can prompt an impulsive purchase among this generation, while their absence could determine them to postpone these purchases until better prices are available.

While Amazon was the top of the list in January 2024, with a significant market share, around 50%, eBay was trailing behind with a market share of around 13%, establishing an auction-style platform for sales, eBay expanded its horizons and became a global marketplace.

Another E-commerce website that made a significant difference is Alibaba, where the main consumers are Gen Z, followed by Millennials and Gen X. This company has linked its main method of making an appearance the organic search, but its using also the help of social media, with Facebook being the main platform of distribution for the ads.

3. The impact of social media platforms on the consumer spending habits

Brands should be mindful about the social media impact on every generation and their distinct way of looking for information. They can reach the Gen Z and Millennials through

social media and align with their progressive way of thinking. Brands that are engaging with them online are Nike and Duolingo. Nike is one of the most popular brands in the world, manufacturing good for every generation that can be worn in almost every situation, so that makes them a strong player in terms of utility. They don't struggle with reaching consumers, but they continue to engage with the younger audience online. Another brand that is doing a uniquely job of reaching Gen Z is Duolingo, an easy-to-use language learning platform. Duolingo is leading the charge for TikTok advertising. They aren't necessarily promoting their brand in the videos, but they use their mascot in participating in the platform's trends to become relatable to the consumers. They now have a huge following of 4.4 million because they are engaging with two generations through humorous 15 seconds videos, in order to keep the attention of the consumer while expressing their message and them to connect and remember their name.

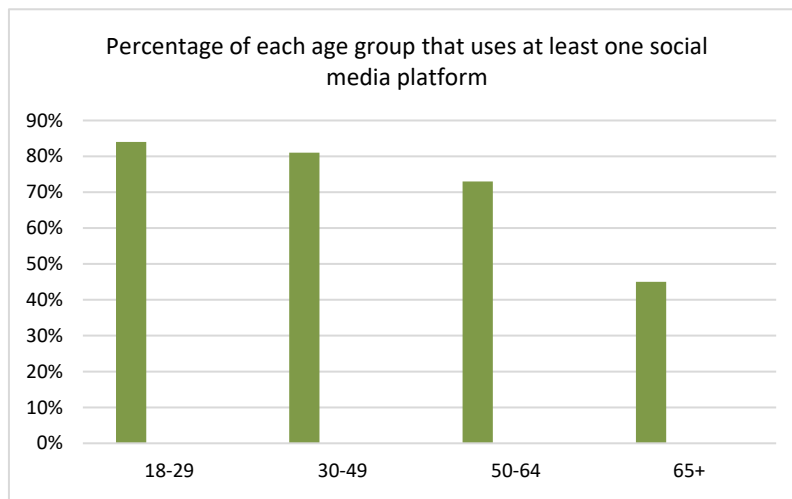
A notably part of Gen Z's life is social media, specifically with the rise of TikTok in the last years. Over 60% of TikTok users are Gen Z, with the other 40% being divided between the other generations. This generation also makes up around 40% of the current global population which makes it a huge audience.

One of the first platforms to see the opportunity of engaging the consumer directly from social media was Facebook, which first implemented the "buy" call-to-action button on ads and page posts back in 2014. Adopting this feature gives users the opportunity to make a purchase of a product or service without interrupting their scrolling. Many other mediums have followed and other marketplaces like Instagram Shopping gained popularity. Listing products in the dedicated "Shop" tab gives your items exposure to a wide breadth of audiences that were previously inaccessible if you were a brick-and-mortar location that required consumer foot traffic to make a purchase. Consumers seek honesty and rely on other sources such as influencers when it comes to making decisions. Hiring a popular influencer in your brand's niche to put a spotlight on your product or service can make a difference if handled correctly. Just one positive review conducted by a recognizable influencer has the capability of causing an influx in popularity and sales. Many up-scale influencers like mega and macro influencers can be hired through an agency, while nanos can be reached by sending a direct message or email to create a line of communication and begin the process of getting your brand in front of their audiences. Using a more popular influencer can be useful if the brand wants to remind the audience about an already existing product, they are having a broad community but being more expensive. On the other hand, for new products which should be launched to a wide variety of consumers nano influencers can be the best because they have a tight community, in some cases specific on their niche and in this way the brands can have access to different generations and area of interests by marketing their message through tailored voices who speak the same language, but are interpreted differently by any consumer that has contact with it.

Affiliate Marketers have tapped into the potential of social media platforms as lucrative avenues for generating income. The process works by promoting specific products or services through engaging posts, in-depth reviews and compelling narratives. These markets typically embed an affiliate link into their content, which is leading the consumer to the brand's website or to a larger platform like Amazon, where they have an easy access

to buy it, in contrast with the in-store retail where the consumer can be influenced by a much smaller category of factors and in less time to make a purchase. This approach capitalizes on the marketer's follower base and requires an understanding of one's value proposition. The use of analytics tools embedded in most social media platforms can enhance the effectiveness of affiliate marketing.

Figure 2. Percentage of each age group that uses at least one social media platform



Note: This graph represents the evolution of social media popularity and the distribution of its usage towards consumers from different generations.

Source: Forbes Advisor.

4. How is the mentality towards sustainability and social inclusiveness affecting consumer spending?

The morals of a company are for sure an important factor which affects the purchasing of products and services. The consumers, especially the younger ones take seriously the environmental and inclusivity matters, as well as the respect for the labor division and gender equality. If a member of Gen Z doesn't agree with the morals of a company, many of them will boycott the products completely and get their friends to do so as well. What advertisers and brand managers learned in their marketing classes years ago is outdated when a brand is trying to relate to a certain category of consumers, and especially to Millennials and Gen Z. The best way to learn what this category wants is looking far from the business and to ask them.

Gen Z care that the products they purchase are made and handled sustainably, and that the companies that they buy from are committed to positive climate action. If this generation doesn't see their personal values aligning with the brand, there is a smaller chance of them buying anything that they are offering. There is one more important consideration which is the fact that there is no specific group. The preferences of this generation vary depending on the culture, social background and group of friends.

Forecasting experts calculate that the purchasing power of Millennials and Gen Z surpass that of Boomers around the year 2030, with up to 68 trillion dollars in wealth transferring from Boomers to these younger generations by the end of this decade. To earn these younger consumers' trust, it's clear that the brands sustainability efforts must deliver on humanity and transparency. The highest humanity could demonstrate that the organization respects everyone, regardless of background, identity or beliefs and take society and its well-being seriously. Transparency could be underscored by displaying straightforward information about the brands impact on community and nature.

A survey done by Harvard Business Review on US customers from age 18 to 98 measured intent by combining the score of two out of four factors we use to gauge trust: brand's perceived humanity, emphasizing empathy, kindness and fairness, and transparency, emphasizing openness to sharing motives and relevant information in simple terms. The perception of brand's competence was measured using a combination of capability, the quality of offerings, and reliability, which was represented by consistent delivery. Considering the results, if Gen Z and Millennials believe a brand cares about its impact on people and the planet, they are 27% more likely to purchase it than older generations, a clear measure of sustainability's power to drive buying decisions in this group.

When Gen Z and Millennials customers rate a brand highly on humanity, they are 15% more likely than older generations to spend more money with the brand and choose it over the competitors. When the brand displays transparency, there are 30% more chances to spend more money on it than older generations and 20% to choose it over competitors.

This strategy applies to all categories of goods and services, with the mention that every personality is distinct, and it can be influenced by a certain combination of words and images, which in the right order can comprise a good strategy for any brand, tailored to a specific demographic or field of activity.

5. Conclusion

Understanding the consumer is one of the biggest challenges a brand can have. The transition from generations can result in a shift in consumer spending habits that can be induced by the upcoming generations or the result to the adaptation to new routines of the older ones, one thing is for sure, a significant part of the world and life is changing and we can't stop it, but we can embrace the new beginning as something that makes daily operations easier or more accessible and connect parts of the world rather than to divide them. The E-commerce connects in an international level human need, even if we speak about brands or consumers, no matter the age or culture everything is interconnected as something bigger than its own identity and emerges in a unique way of coexisting together in each moment living the present and looking for the future.

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