ICSC

Industry Insights

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Gen Z Shopping Behaviors Support Retail Real Estate

Communal Aspect Draws Young Consumers Into Brick-and-Mortar Stores

Key Takeaways

- Three-quarters of Gen Z say that shopping in physical stores provides a better experience compared with shopping online.
- For key product categories, Gen Zers make most of their purchases in physical stores.
- Just over three-fifths of Gen Z take advantage of omni-channel choices and use all online and in-store options for shopping offered by retailers.
- Gen Z cites the abilities to socialize, physically see items and get them immediately as their top reasons for going to stores.
- Nearly two-thirds of Gen Z say it is important when buying online for that retailer to have a store nearby.
- Gen Z's purchasing power extends beyond their own income as more than half pay for most of their purchases with money from their parents/guardians.
- For apparel and personal care products, the largest shares of Gen Z make purchases at discount department stores. They are also less likely to shop at other types of retailers than older shoppers.
- More than four-fifths of Gen Z use mobile devices while shopping in stores.
- Gen Z uses their mobile devices in stores primarily for emailing/texting friends/family, comparing prices and getting discounts.
- About eight of 10 Gen Zers say they have purchased items in stores as a direct result of seeing them on social media. Among them, YouTube is the most influential platform.
- In the three months prior to the survey fielding, between February and April, more than nine of 10 Gen Zers made at least one trip to a shopping mall.
- Gen Z made an average of 8.6 trips to malls during the three-month period (February to April).
- At malls, Gen Zers predominantly shop, eat/drink, socialize with friends and see movies.

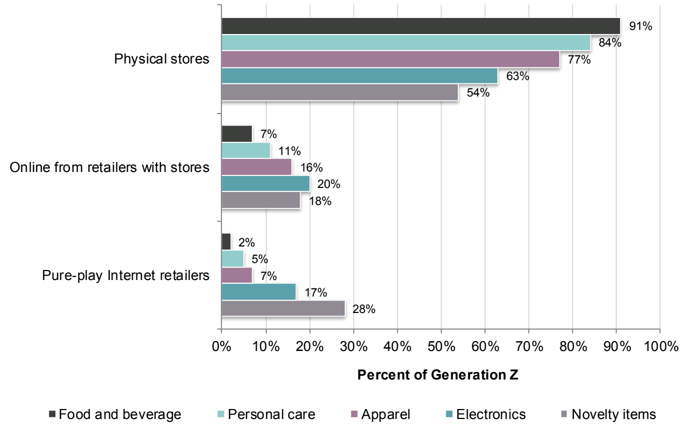
For Gen Z, shopping at physical locations represents a fun, social activity. That social instinct has made this generation the age cohort that visits malls most often. These are just two of the intriguing findings from a survey conducted on behalf of ICSC.[1]

Majority of Gen Z Makes Most of Their Key Purchases in Store

Despite being labeled as digital natives because they are the first generation to have grown up in an environment with internet mobile devices and 24/7 access to social interactions, Generation Z, like the older cohorts, prefers in-store over online shopping. About three-quarters (76%) of Gen Zers say that physical stores provide a better shopping experience compared with online. This directly translates into a majority of them making most apparel, electronics, personal care products, food and beverage (F&B) and novelty item purchases in store. (See Chart 1.)

There is a clear distinction by product type, however, where most purchases in those five product categories are made. The largest shares of Gen Z buy most F&B (91%), personal care

Chart 1:
Retail Formats for Making Most Purchases by Product Category



products (84%) and apparel (77%) in physical stores. Although a majority of Gen Z makes most electronics and novelty item purchases in store, more buy those items online than the other three merchandise categories, either from retailers that also have stores, or from pure-play internet retailers.

Interestingly, over three-fifths (63%) of Generation Z indicate that even when buying online, it is important to them that the retailer has a physical store nearby. Furthermore, when thinking about the future, two-thirds (67%) expect to continue making most of their purchases in store five years from now.

When asked why they prefer in-store shopping, it is no surprise that the top three reasons are ones that cannot be replicated online. These include the abilities to socialize with friends/family (58%), physically see/touch/try on merchandise (58%), and get items immediately (53%). The prominence given to the ability to socialize is a key difference between Gen Z and older shoppers who cite that reason significantly lower.

Discounters Preferred for Apparel and Personal Care Items

The vast array of retailers available for apparel and personal care products is enticing to many shoppers. A previous ICSC study[2] conducted in October 2017 showed that on average, millennials shop at the greatest number of different retail formats when buying those items, followed by Gen X and Baby Boomers. Generation Z, however, as confirmed in this latest survey, shops at the fewest. (See Chart 2.)

Like the older generations, the most popular of the formats among Gen Z are discount department stores, with approximately 60% of them going there for these two merchandise groups. For apparel purchases, off-price retailers (54%), mid-price department stores (49%) and fast-fashion retailers (45%) follow, as shown in Chart 3. Pharmacies (47%), specialty cosmetics retailers (24%), supermarkets (20%) and pure-play online retailers (20%) are the other more popular retailer formats for purchasing personal care products among Gen Zers. (See Chart 4.)

[1] These results are based on a representative poll of 1,002 13-19 year olds in the U.S., conducted between May 15 and 22, 2018, by Engine on behalf of ICSC.
[2] ICSC Research, "[Cross-Shopping Prevalent for Key Holiday Purchases](#)," *Industry Insights: Consumer Series*, October 17, 2017.

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Chart 2:
Number of Different Retailer Types Used for Apparel and Personal Care Product Purchases by Generation

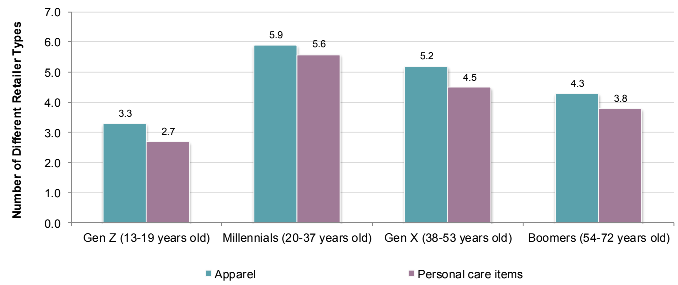


Chart 3:
Retail Types Used for Apparel Purchases Among Gen Z

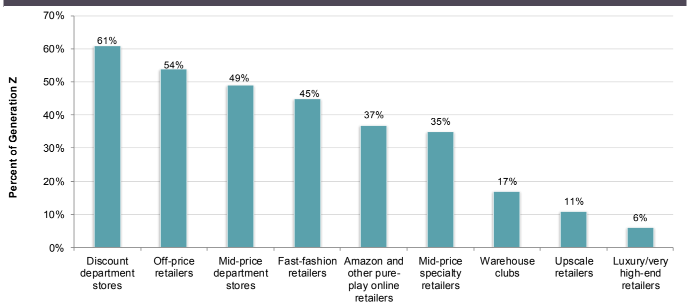
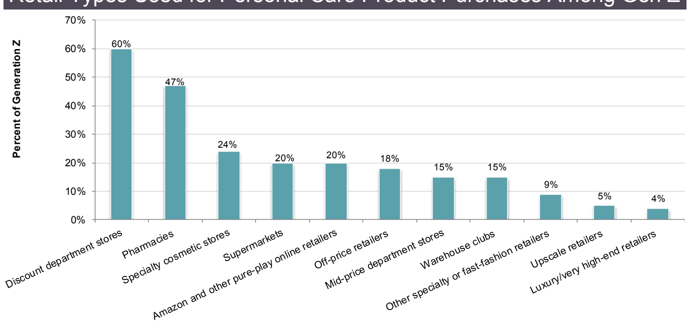


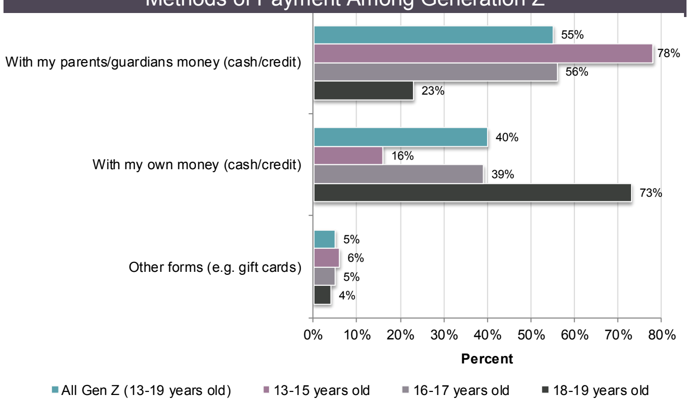
Chart 4:
Retail Types Used for Personal Care Product Purchases Among Gen Z



Family Support Extends Gen Z Purchasing Power

Although they are young, have little savings and limited disposable income, Gen Z should not be underestimated as valuable consumers because they have financial support of their parents/guardians. More than half (55%) of Gen Zers pay for most of their merchandise with money from family. (See Chart 5.)

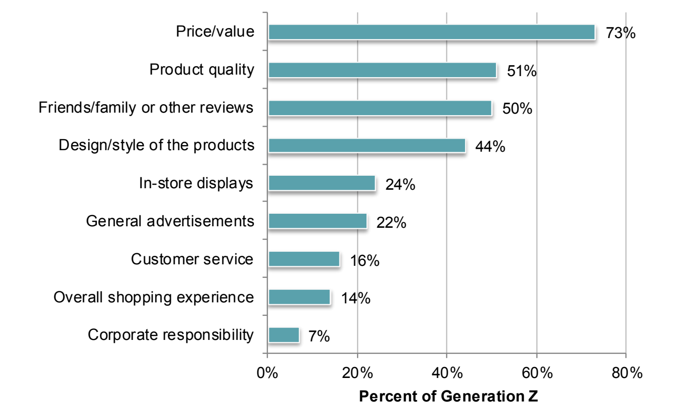
Chart 5:
Methods of Payment Among Generation Z



This is much more common among the 13-17 year olds than those who are between 18 and 19 years old. More than 70% of the oldest Gen Zers pay with their own money.

When making purchases, Generation Z consumers are most influenced by price/value (73%). (See Chart 6.) Product quality (51%), opinions of friends/family (50%) and product design (44%) are the other predominant factors influencing what they buy.

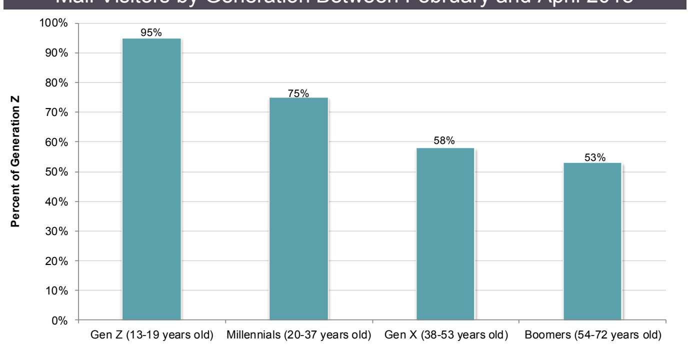
Chart 6:
Factors That Influence Gen Z Purchases



Malls Are a Top Destination for Generation Z

Not unlike older generations, significantly large shares of Gen Z visit malls. In the three months preceding this study (February-April, 2018) more than nine of 10 (95%) Gen Zers visited a mall at least once. (See Chart 7.) This is more than the shares of Millennials (75%), Gen X (58%) and Baby Boomers (53%) who went to malls during that same period.[3]

Chart 7:
Mall Visitors by Generation Between February and April 2018

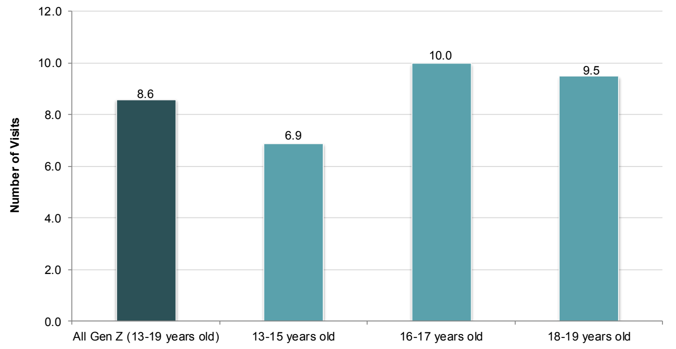


Survey results also show that these young consumers visit malls frequently. During that same three-month period, Gen Zers reported making 8.6 trips on average to malls—more often than any of the older generations. By age, older Gen Z consumers (16-19 year olds) went more often than the youngest, likely because they are less dependent on others for rides. (See Chart 8.)

Once at the mall, Generation Z engages with many of the offerings available to them. Most popular for that group are shopping and eating/drinking, each cited by about three-quarters (76%) of them. More specifically, when shopping, they visit department stores (62%) and specialty retailers (53%). Their top eating destinations include fast-food (62%), fast-casual (42%) and full-service restaurants (29%). Following those, Gen Z also uses mall visits to socialize with friends/family (59%), see movies (44%), participate in entertainment activities (16%) and use

[3] Millennial, Gen X and Baby Boomer data were collected in a separate ICSC survey conducted April 30-May 2, 2018.

Chart 8:
Number of Gen Z Mall Visits Between February and April 2018 by Age



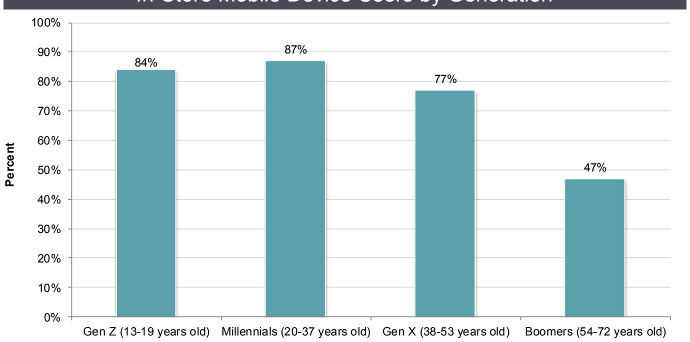
personal services (15%). Overall, about seven of 10 Gen Z mall visitors combine shopping with at least one other activity.

Though most Gen Zers visit malls often, there are several features, they say, that could make those destinations even more attractive. At the top of their list is additional entertainment, particularly venues such as trampoline parks, indoor skydiving experiences or laser tag. Newer F&B as well as retail concepts that differ from the current mix and include unique brands would also help improve the overall mall experience for that group. Additionally, they are looking for the continued integration of technology to make shopping more convenient and fun.

Widespread Influence of Technology on Gen Z

Second only to Millennials (87%) among the age groups, Gen Z shoppers (84%) also use their mobile devices once in store. (See Chart 9.) This compares with about three-quarters of Gen X (77%) and half (47%) of Baby Boomers.[4]

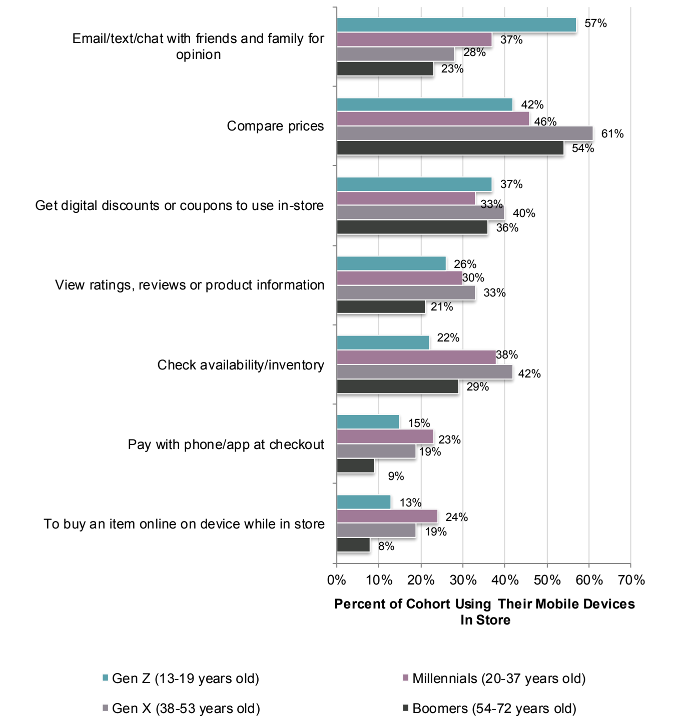
Chart 9:
In-Store Mobile Device Users by Generation



The top use for mobile devices in stores among Gen Z is emailing/texting with friends or family for opinions (57%). Older groups, including Millennials, are less likely to use their smartphones for this reason. Gen Z also compares prices (42%), gets discounts (37%), views ratings/reviews (26%) and checks availability/inventory (22%) on their devices. (See Chart 10.)

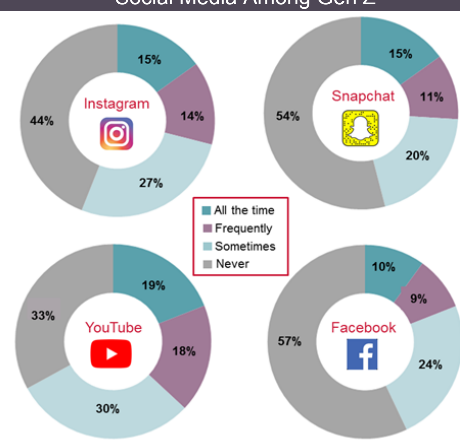
Social media also plays a role in store purchases among Gen Z. Overall, nearly eight of 10 (78%) have bought items in store as a direct result of what they saw on one of those websites. Interestingly, YouTube is the most influential platform. Nearly two-fifths (37%) of Gen Z claim to purchase items in stores after

Chart 10:
Reasons for Using Mobile Devices In Store by Generation



seeing them on YouTube either all the time or frequently, as shown in Chart 11.

Chart 11:
Frequency of Making In-Store Purchases After Seeing Items on Social Media Among Gen Z



Conclusion

Though Generation Z has not yet reached its prime spending years, understanding the group's lifestyles, motivations and preferences is critical for shopping center owner/managers and retailers. While this age segment is similar in some aspects to older consumers, they also demonstrate distinct behaviors—including heightened social engagement—that must be weighed to keep them loyal to physical establishments as they enter adulthood.

4 Data for Millennials, Gen X and Baby Boomers were collected in ICSC's post-holiday survey conducted December 26 to 27, 2017. Results were reported in "Holiday 2017: Strong Spending Fuels Optimism for Retailers, Landlords", January 9, 2018.