



The Rise of the Gen Z Consumer

Career-Driven, Credit-Averse
and Tempted by Immersive Retail



Introduction: The Experience Factor

Members of Gen Z are graduating into adulthood and many are finding their independence, as the oldest members of this generation get their first taste of the workforce. This cohort of 16- to 26-year-olds is also exhibiting an array of distinctive, and perhaps surprising, consumer habits. They have clear ideas about how to achieve their financial goals – and they are expressing their principles through their decisions about what to buy and how to pay for their purchases. They are five times as likely to value successful careers over having the newest items.

This emerging group of consumers likes the ability to check out products in person at physical stores. They are overwhelmingly credit-averse, preferring to pay for purchases with debit cards or cash. And while it may not be news that most of these digitally native consumers routinely make purchases through social media, recommendations from family and friends have far greater sway on what they buy than online influencers do.

These insights are among the findings of ICSC's 2023 survey of Gen Z consumers. This report describes how a generation shaped by both current and distant economic headwinds is taking steps to plan, save and invest for the future. What's more, they are loyal to brands, both from a price-value perspective and a standpoint that considers sustainability, diversity and ethical issues.

About the Survey

From March 2–8, 2023, Big Village conducted a national survey of 1,008 respondents from Generation Z, ages 16 to 26, on their shopping preferences, personal finances and long-term goals. Respondents were split among workers and students: 55% were employed full-time, part-time or self-employed; 28% were students; and 13% were unemployed. The sample set also included respondents from a variety of living arrangements: 50% live at home with parents, guardians or another family member; 29% are renters; 15% own their own home or apartment; and 5% live in college or university housing, either on or off campus.



How does Gen Z feel about their...?

Personal Finance Habits

“I feel good about my financial situation. I’ve worked on my spending habits and like to save money. On a monthly basis, I save about 20% of my salary and spend about 40% on rent and another 40% on things like living expenses and groceries.”

Dominique, 23 years old, New Jersey

Career

“If I had to rank my career in terms of importance in my life, I would place it right under my family and above my friends and social life.”

Hunter, 25 years old, New Jersey

Section 1: Coming of Consumer Age in an Uncertain Economy

In the span of two decades, members of Gen Z have experienced two major periods of economic uncertainty that have defined their world view. As children of the Great Recession, they witnessed the biggest financial crisis since the Great Depression, only to experience another major shock as adolescents and young adults during the COVID-19 pandemic. The U.S. economy has returned to its pre-pandemic trajectory and most countries have emerged from the health emergency. However, high inflation and interest rates, as well as the prospect of a recession, continue to affect the outlook of a large share of Gen Z consumers.¹

Our survey results reinforce the impact of this insecurity. Four in five respondents say they are worried about the health of the U.S. economy. Older members of Gen Z express more alarm than their younger counterparts; 84% among 23- to 26-year-olds compared to 71% for 16- to 17-year-olds are concerned about the economy. Just 7% of respondents are unsure or say that they don’t pay attention to economic issues.

Practices toward financial independence

Among respondents who express unease about the economy, their personal finance and consumption habits suggest they value planning for instability. For instance, a significant share of respondents, 41%, say they set aside more money than they spend compared to 36% of respondents who say they spend more money than they save. One in five respondents report equally dividing their money between spending and saving.

By a large margin, members of Gen Z also prefer the use of debit cards over other payment methods. Forty-five percent of respondents use debit cards to keep track of expenses, compared to only 21% who prefer cash. Credit cards are the third most popular payment method among survey respondents, accounting for 17% of their payment methods – suggesting that Gen Z is cautious about using credit, having witnessed the effects of runaway private debt on older generations.

Though Gen Z consumers grew up in the Internet age, digital payments are among their least popular transaction methods. Just 14% of respondents say they prefer options like Apple or Samsung Pay, Venmo or PayPal. Even fewer, only 3%, are opting for buy-now-pay-later or services offered at points of sale and e-commerce sites.



Professional and personal fulfillment

While Gen Z adults put slightly more faith in capitalism than their Millennial counterparts,² our survey findings suggest that Gen Z values personal and professional fulfillment over material possessions. Almost two-thirds of respondents (63%) cite having a successful career as their top priority, followed by 50% of respondents indicating they want to have sufficient time to pursue personal interests and hobbies. Starting a family and homeownership are far lower priorities than leisure pursuits, with 40% of respondents expressing a desire for marriage and family life, while 35% say they want to own a home.

Shopping fundamentals: Value and convenience

Though Gen Z consumers lean toward discount destinations, they are willing to pay premiums when the shopping experience lives up to their expectations. In our survey, 48% of respondents say they're willing to pay a premium to have online orders delivered more quickly. Nevertheless, Gen Z remains a highly cost-conscious cohort.

Among retail categories, discount and off-price retailers comprise the preferred shopping destinations of 48% of survey respondents. These stores include brands like T.J. Maxx, Marshalls, Kohl's, Walmart and Target. Dollar and variety stores such as Dollar General and Family Dollar are also popular among Gen Z, making up 25% of their favored shopping destinations.

Specialty retailers, including Abercrombie & Fitch, Best Buy and Sephora, account for 24% of preferred shopping destinations, while fast-fashion retailers, such as Shein or Zara, comprise 22% of favored categories. Department stores account for 21% of Gen Z's favored shopping destinations – while only 13% prefer thrift or second-hand stores.



A Snapshot of a Generation

Gen Z is defined by the Pew Research Center as those born between 1997 and 2012.³ They are the first digitally native generation, and they've been characterized by a unique set of beliefs and behaviors. Gen Z adults are widely distrustful of institutions and powerful interests, with 78% saying they believe there is a lot of corruption in America. Just under half (49%) get their news from social media.⁴ Our survey reveals the extent to which Gen Z is on its way to financial independence. A majority of respondents (56%) indicate that they rely on a job, freelance work or a "side hustle" as their primary source of income. A quarter of respondents (25%) report receiving financial support from their parents or guardians, while 10% received income from a spouse or partner. A smaller proportion (9%) report receiving money as gifts.



The Types of Retailers Gen Z Shops Most Frequently (In-Store or Online):

48%	Discount/off price retailers (T.J. Maxx, Marshalls, Kohl's, Walmart, Target, etc.)	13%	Thrift/second-hand (The RealReal, ThredUp, etc.)
25%	Dollar/variety stores (Dollar General, Family Dollar, etc.)	11%	Peer-to-peer (Etsy, Depop, etc.)
24%	Specialty retailers (Express, Abercrombie, Best Buy, Apple, Sephora, Bath and Body Works, etc.)	11%	Facebook Marketplace
22%	Fast fashion retailers (Shein, Zara, Uniqlo, H&M, etc.)	9%	Upscale/luxury retailers (Ralph Lauren, Gucci, etc.)
21%	Department stores (Macy's, Dillard's, JCPenney, Bloomingdales, etc.)		

Section 2: A Familiar Experience with a Digital Footprint

The concept of influencer marketing has been around since the dawn of social media. It's clear that social media has a strong influence over the shopping and spending decisions of Gen Z members. Yet shoppers in this generation interact dynamically with brands both in-store and online, and our survey results demonstrate how a proper omnichannel strategy can help secure their loyalty.

The allure of the physical store – and the appeal of social commerce

Virtually all respondents in our survey (97%) shop at brick-and-mortar stores. Their reasoning? The ability to get items immediately, and the opportunity to see, touch and try products before making a purchase. Some members of Gen Z also say they appreciate not having to pay for shipping. Meanwhile, others value the opportunity to hang out with friends or enjoy the aesthetic and unique experience of the physical store.



For this digitally native cohort, however, 85% of respondents say social media has an impact on their purchasing decisions. The trend is consistent across gender lines, with 85% of male respondents and 86% of female respondents reporting that social media influences what they buy.

Among social platforms, Instagram and TikTok are tied for the top spot, with 45% of respondents reporting them as influential in their purchasing decisions. As 28% of respondents report shopping in-store in order to see, try and touch products, visual social media platforms like Instagram and TikTok may offer Gen Z consumers an alternative to the in-person shopping experience they desire. Respondents also report that other social media platforms are influential in purchasing decisions, including YouTube (38%), Facebook (24%), Snapchat (17%), Twitter (14%) and Reddit (7%).

For many respondents, refreshing a social feed is akin to a regular trip to the mall: 49% of respondents say they shop or browse for items to purchase on social media at least once a week. The convenience factor leads some members of Gen Z to shop through social platforms more often, with 20% reporting doing so daily.

Nearly the same share of respondents who visit physical stores also shop online (95%). The top reason for shopping online among Gen Z is convenience, with 30% of respondents citing the ability to compare prices and shop from anywhere at any time as the main factors for doing so. Better prices and deals were also important, with 20% of respondents selecting this option.

The real influencers

Throughout the buying journey, trust plays a major role, and the most famous faces online aren't necessarily the ones that are driving Gen Z to make purchases. Gen Z consumers say that family members and friends have the biggest influence on purchases, with 56% of respondents ranking them in their top three factors that influence what they buy. Feedback from real users is also significant, with 54% of respondents ranking reviews on product websites and 47% ranking third-party review websites, forums and blogs in their top three.

Company or brand employees, store associates, or seeing products in-store also have a notable impact, with 43% of respondents ranking them in their top three. Social media and influencers are also considerations, with 39% of respondents ranking them in their top three.

Sealing the deal

Whether it's the availability of items in-stores or a seamless transition from physical stores to online shopping to payment and delivery, the top priorities for Gen Z in their shopping experience are convenience, speed and efficiency. Specifically, 46% of respondents rate quick and easy checkout as the most important factor in their shopping experience, followed closely by fast shipping (45%) and being able to get what they want in-store immediately (39%).

In addition to these factors, free returns (31%) and quick/helpful customer service (27%) are also important to Gen Z respondents in our survey. The ability to accurately check the availability of items ahead of time (23%) and the option to buy online and pick-up items in-store (23%) are also top priorities.



Section 3: Rising to the Expectations of Gen Z consumers

The rise of technologies, such as AI, plays an increasing role in the ways people shop, and members of Gen Z are enthusiastic adopters of such innovations. But they don't want to miss out on the real-world experience of in-person shopping and the opportunity to see, touch and feel products before buying.

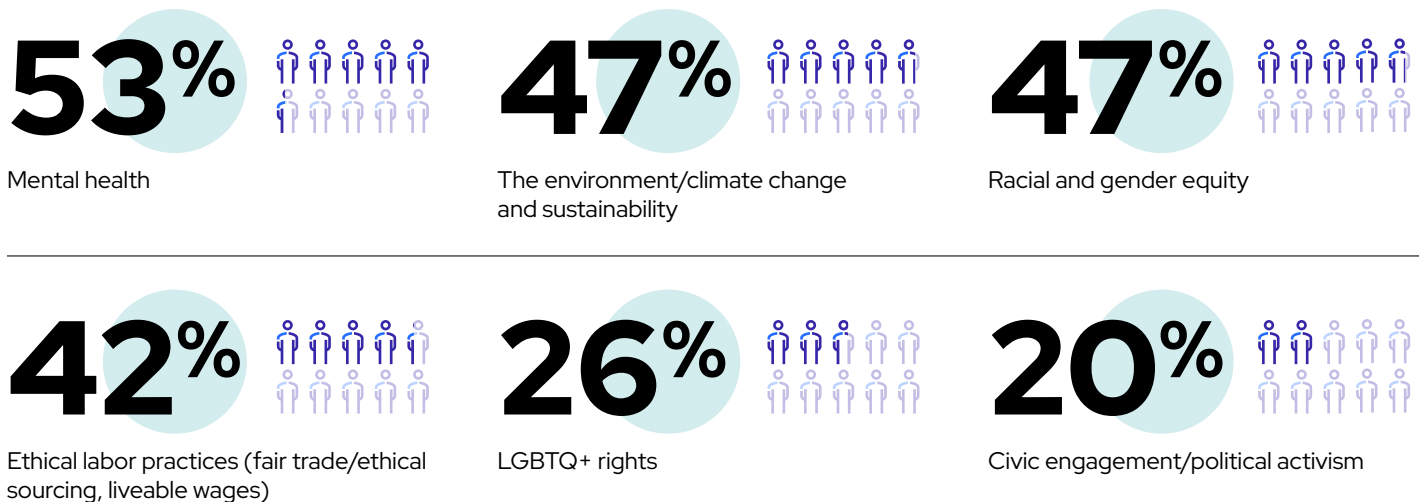
In our survey, 60% of respondents say that even if they don't need to purchase something specific, they visit malls just to socialize or meet friends. In addition, 60% of respondents say they would rather spend their money on experiences than on material items. As malls and other shopping centers have adapted to these changing tastes, 70% of respondents say they believe that retail centers and stores have done a good job designing experiences that offer fun places for Gen Z members to enjoy together.

Generational values

Our survey suggests that Gen Z is a socially and environmentally conscious generation that is interested in supporting brands that align with their values. Mental health is the top concern for this generation, with 53% of respondents indicating that they are interested in supporting brands that prioritize this issue. The environment, climate change and sustainability, as well as racial and gender equity, follow closely behind, each with 47% of respondents expressing interest in supporting brands that address these issues.

Members of Gen Z are also interested in supporting brands that demonstrate ethical labor practices, such as fair trade, ethical sourcing and livable wages: 42% of respondents indicate that this is an essential consideration when choosing to support a brand. LGBTQ+ rights are also a concern for Gen Z, with 26% of respondents indicating an interest in supporting brands that prioritize this issue.

Gen Z Wants the Brands/Companies They Shop to Support:



While members of Gen Z express interest in supporting brands that align with their values, they don't appear to be interested in taking action to support those causes themselves. Just 18% of respondents expressed a desire to engage in charitable work and volunteerism.

Still, our survey demonstrates certain convictions of Gen Z members – even when they may need to pay a premium. For instance, 56% of respondents say they are willing to spend more to purchase sustainably sourced products.

How does Gen Z feel about...?

Brand Values

“My choice to purchase from a certain brand is definitely driven by their support of social causes. I would not shop at a place that did not support my social beliefs.”

Cameron, 24 years old, New York

In-Store Shopping

“Convenience and speed are by far the most important things for me when I'm shopping in-store. If I'm going to spend the money to get something I really want, I want to get it right away.”

Drew, 18 years old, Connecticut

Conclusion: Digital Natives Defy Assumptions

Gen Z is a generation of contrasts, and many preconceived notions of this young group of consumers may need to be reconsidered. They're the first group in history to grow up entirely with digital and mobile technology at their fingertips. At the same time, they've helped play a leading role in the revival of physical stores, highlighting the draw of gathering, shopping and dining with friends in person. Gen Z members have witnessed their families face significant financial challenges during the Great Recession of 2008, driving them to become budget-conscious and price-sensitive as a result. They are express shoppers who will pay for the speed and convenience of today's e-commerce options. They want brands to support issues such as mental health and wellness and racial and gender equity; yet when it comes to purchasing, they still value price or quality over sustainability, locally sourced products, and support for minority-owned businesses.

For retailers looking for ways to maintain the loyalty of Gen Z consumers, here are some considerations to incorporate into your strategy:

- 1 Leverage social media and influencers to attract the attention of Gen Z consumers
- 2 Ensure a seamless experience across online and in-store channels
- 3 Streamline payment options to retain Gen Z shoppers during the purchase journey
- 4 Position value and convenience at the forefront of your Gen Z marketing
- 5 Promote your brand values to align with those of Gen Z



Sources

1. [Economists Turn More Pessimistic on Inflation](#), The Wall Street Journal, April 2023; 2. [Understanding Gen Z](#), The Morning Consult; 3. [Defining Generations: Where Millennials End and Generation Z Begins](#), Pew Research Center, January 2019; 4. [Understanding Gen Z](#), The Morning Consult



The member organization for industry advancement, ICSC promotes and elevates the marketplaces and spaces where people shop, dine, work, play, and gather as foundational and vital ingredients of communities and economies. ICSC produces experiences that create connections and catalyze deals; aggressively advocates to shape public policy; develops high-impact marketing and public relations that influence opinion; provides an enduring platform for professional success; and creates forward-thinking content with actionable insights – all of which drive industry innovation and growth.

For more information, please visit www.ICSC.com.

