GENERATION Z: ANALYSIS OF ITS PURCHASING AND PAYMENT BEHAVIOR

Savica Dimitrieska[1], Elena Parnardzieva Stanoevska[2], Andrijana Bojadzievska Danevska[3]
[1] International Balkan University – Republic of North Macedonia, savica.dimitrieska@ibu.edu.mk
2 International Balkan University – Republic of North Macedonia, elena.parnardzieva@ibu.edu.mk
3 International Balkan University – Republic of North Macedonia, andrijanab.danevska@ibu.edu.mk

ABSTRACT

The main purpose of this paper is to analyze the behavior of the young Generation Z in the purchase and payment process. Generation Z (Zoomers, Gen XD, iGeneration, Baby Bloomers) were born in the period between 1997-2012, or they are 11-26 years old in 2023. Why is this Generation a challenge for marketers today? This generation is becoming the largest diverse youth population, consisting of students and professional freelancers, with a readiness to enter the workforce, holding a large amount of spending power and equipped with technological knowledge. According to statistics, it constitutes 1/3 of the total world population or approximately 2 billion people. Although this generation does not earn a lot of money, it spends a lot and is called „Spenders of tomorrow" that is very important for companies. It has totally different fundamental values from the previous generations, such as the Silent Generation (1928-1945), Baby Boomers (1946-1964), Generation X (1965-1980) and Generation Y- Millennials (1981-1996), as well as from the next generation Alpha (2013-). In terms of technology, this is a generation that has known the Internet since childhood and is considered digital natives. Gen Z has its own features in the purchase and payment process that are very different from the patterns that have been recognized in the market so far. For this paper, extensive primary research was done, which included 107 representatives of Generation Z, mostly students. It is expected that the paper will confirm the stereotypical characteristics of this generation, but certain deviations will also be noted.

KEYWORDS:
GENERATIONS, MARKETING, GENERATION Z, PURCHASING BEHAVIOR, PAYMENT BEHAVIOR

JEL CLASSIFICATION CODES:
M31, M37, M39

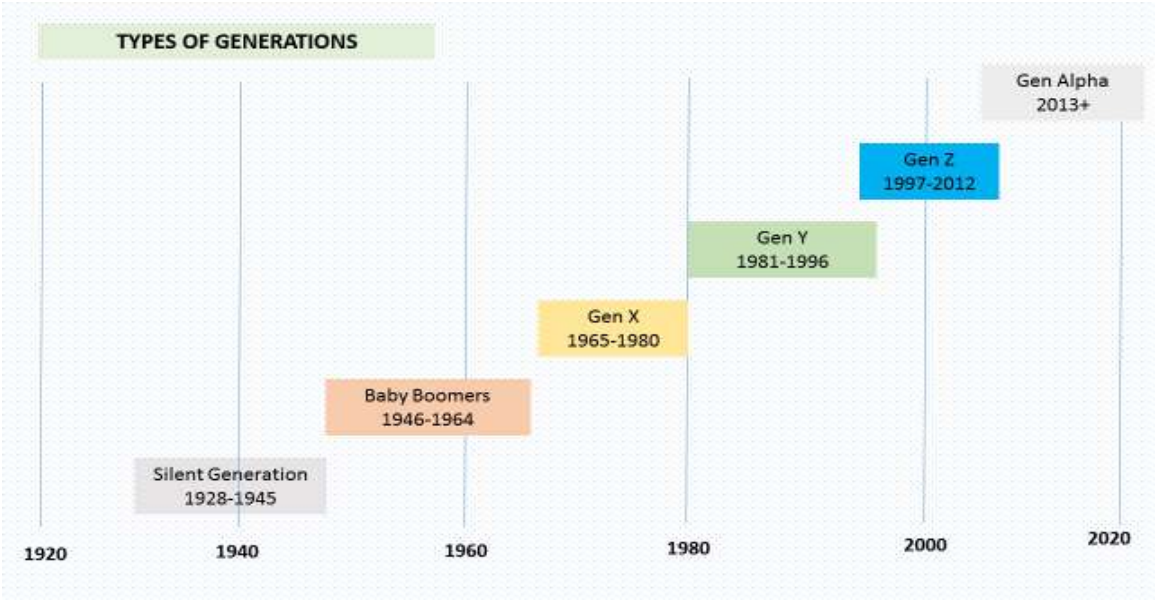
1. INTRODUCTION

The number and structure of the young generation are an indicator for the health of the society. Generations are important from several aspects for the society, and its economic, political, technological, socio-cultural, educational and other plans. From the point of view of companies, generations are important as consumers. Generations are defined as groups of people who go through the same or similar events during their lives. According to the Cambridge dictionary, generation is defined as "all the people of about the same age within a society". A generation is a group of people who experience the same historical period. They go through the same political, economic, technological, informational, socio-cultural, military or health events. According to many sources, as of 2023, there are six types of generations (illustrated in Figure 1):

- Up to 11 years old: **Generation Alpha;**
- From 12-26 years old: **Generation Z**;
- From 27-42 years old: **Generation Y;**
- From 43-58 years old: **Generation X**;
- From 59-77 years old: **Baby Boomers** and

- Above 78 years old: **Silent Generation**

Figure 1: Types of generations



Source: Own research

From a marketing point of view, each generation represents a special segment towards which companies target their products and services and position themselves on the market. This means that each generation as a segment is homogeneous from within and heterogeneous related to other segments. Each generation has its own fundamental characteristics that distinguish it from other generations. It is important for companies to know the differences in generational behaviors so that they can deliver the right products in the right way. (Dimitrieska, 2022)

Two questions are raised here, such as how did the generations behave in "their own time", and how do they behave now in 2023? To answer the first question, the following table that describes the differences between generations will be used.

Table 1: Generational differences

GENERATIONAL DIFFERENCES					
	Baby Boomers	**Generation X**	**Generation Y - Millennials**	**Generation Z**	**Generation Alpha**
Born:	1946-1964	1965-1980	1981-1996	1997-2012	2013-
Period they lived most in	After II World War	Recession (Oil crisis)	AIDS, 9/11, Terroristic attacks	Covid-19, Russian-Ukrainian conflict, Financial crisis	Advanced technology
Titiled	Entusiastics	Lazy & Nostalgic	Wellness generation	Isolated generation	New trenders
Typical features	Value-oriented No Internet No modern technology	Smallest generation First touch with PC Cautious with money	Largest generation in history First generation to grow up with modern technology Very active and health cautious	Don't know the world without Internet Tech-savvy Most diverse & cultures tollerant Responsibe spenders Environmentally conscious	Youngest generation
Some innovations they used mostly	Calculators Vynil records Typewriters Dial rotary phones Laser discs Colour TV	Dumb phones Pagers and beepers DVDs, VHS Floppy discs Fax machines	Nintendo games Internet search iPod	Social media Robotics Gig economy (Uber, Airbnb, VR/AR) GPS navigation systems Smartphones	Artificial intelligence 5G E-cars Nanotechnology Cryptocurrencies

Source: Own research

According to Kovacevic (2023), there are significant stereotypical differences in the way of shopping between different generations. The **Baby Boomers** generation is aged 59-77 years. This generation has the highest spending power, but they don't spend much. They buy items based on quality, ignoring the price. They simply look for and recognize the true value of products and services. Bearing in mind that this is a generation that grew up without the Internet and modern technology, they prefer in-store shopping. They have favorite brands, stores, and even sellers that they trust and find it difficult to change. From being contributors to society, they are now becoming consumers of pensions and services. (Slagsvold and Hansen, 2021). TV ads, retail stores are among the best marketing tools for this generation. (Maxwell, 2022).

Regarding **Generation X,** born in the period from 1965-1980, which today is between 43-58 years old, it can be said that it is the smallest generation. It is interesting to note that although it is more digitally savvy than the Baby Boomers, they still do not shop online frequently. Today, this generation intensively uses the Internet for various purposes, such as research, communication, education, socializing, comparison, information, but rarely for shopping. In-store shopping is also more important for this generation, and that of quality and functional products. Nowadays, this cohort embraces technology but still holds on to the traditional way of living. They are currently tangled between raising a family and taking care of old parents. (Chemeli and Njoroge, 2021). According to Guthrie (2023), the best marketing activities for this generation are sales promotions, such as prizes, coupons, bonus products, rewards, etc.

Today's largest generation of **Millennials** is between the ages of 27-42. This generation stands out from the previous ones in the way of shopping. Namely, this generation mostly searches and compares products and prices online, using laptops, mobile phones (smartphones), computers, tablets. They cannot imagine the world without the Internet and very wisely use the benefits of online shopping. When buying, they are most influenced by social networks, people's reviews of products, influencers, and at least follow traditional TV and radio ads. However, it should be kept in mind that although this generation buys online, it is quality and price sensitive. That is why many follow the sales promotions, such as discounts, rebates, coupons, bonus products, Bogof campaigns, etc. This generation also likes to experiment with new products and new brands. The most useful technique that companies can use for this generation is Word of Mouth.

Generation Z is a young population aged 12-26. This generation was born in the era of the Internet without which it cannot imagine life. According to Dolot (2018), this Generation is also known as C Generation which means “connected “or “connected to the Internet”, “computerized”, “communicating”, “content centric”, “changing” and as R Generation that means” responsible generation”. An interesting fact about this generation is that it does not yet earn a lot of money, but it has great spending power. The power of Gen Z is growing and this is very important for companies. For this generation, traditional marketing methods do not work. They exclusively trust their online friends, influencers, online product reviews and comments, photos, videos. If they buy a product in the store, they immediately post it on the social networks. From social networks, they mostly use Instagram for aspirational posts, Snapchat for recording everyday moments, TikTok for entertainment and information, Twitter for news, LinkedIn for a professional career. The most useful techniques that companies can use for this generation are Direct marketing, social media and influencers.

Considering that the focus of this paper is Generation Z, the analysis and discussion section will provide answers to the following research questions:

- How does generation Z buy products?
- How does generation Z realize the payment for purchased products and services?

2. METHODOLOGY

The analysis of many collected secondary and primary data was done using descriptive statistics. From secondary data sources, publications that have already been published on this topic were used. Numerous literatures have been used that deal with generations and generational gaps from different aspects - geographical, historical, marketing, economic, social, employment, etc. That is why this paper uses the historical, comparative method and the methods of induction and deduction. Primary data was collected through a Survey that was conducted using a questionnaire. The questionnaire was distributed in November 2022 electronically and physically. The questionnaire contains open and closed questions. Closed questions use the following techniques: multiple choice, dichotomous questions, Likert scale

and semantic differential. Among other open questions techniques, a projective technique -word association was also used. Through the survey, 107 responses were received, mostly from students. The questionnaire was mostly answered by international students studying at the International Balkan University in Skopje.

3. DISCUSSION AND ANALYSIS

Generation Z (Zoomers) is considered the second youngest generation, right behind the Alpha generation that was born after 2013. This is a generation of young people, teenagers, students, freelancers who have not yet seriously started their work engagement. (Aharon Lev T., 2021) It occupies almost a third of the total world population. This generation is considered to be "digital natives" because they are too dependent on digital modern technology. They cannot imagine the world without the Internet. The following characteristics of them are considered stereotypical: the most educated, the most diverse, environmentally conscious, isolated, pragmatic. These characteristics also stem from the period they are living in - pandemic lockdown due to Covid 19, fear of economic collapse due to the Russian-Ukrainian war, energy and financial crisis, as well as fear of environmental doom due to climate change. The profile of Gen Z is given in the table below:

Table 2: Profile of the Generation Z

GEN Z PROFILE	
	Generation Z
Born:	1997-2012
Years old as of 2023	12-26
Period they lived most in	Covid-19, Russian-Ukraian war, Financial crisis, Energy crisis, Climate change, Digital age
Titiled	Isolated generation
Typical features	Don't know the world without Internet Tech-savvy Most diverse & cultures tollerant Responsibe spenders Ecologically aware
Some innovations they used mostly	Social media Robotics Gig economy (Uber, Airbnb, VR/AR) GPS navigation systems Smartphones

Source: Own research

The analysis of the survey conducted with the Generation Z is divided into three parts: demographic data, purchasing habits and payment methods.

A) Demographic data

This research encompasses 107 young people, representatives of Generation Z, all up to 25 years old. The demographic data, i.e. gender, occupation and discretionary income defined as the amount of money they have at their disposal during the month are presented in table 3. The one thing that is very interesting and can be commented on the demographic characteristics is the amount of the monthly discretionary income available to young people. Namely, they have minimum funds of up to 330,00 Euros/month, which is almost the amount of the minimum wage in Macedonia for June 2023 (20.175,00 Den = 325,00 Euros). Keeping in mind that this is a generation of big spenders and "Spenders of tomorrow", this means that they create less money than they spend.

Table 3: Demographic data of the sample

Demographic data			
Features		**Total**	**%**
Gender	Male	43	40,2
	Female	64	59,8
Occupation	Student	104	90,4
	Freelancer	9	7,8
Discrecionary income in Euros	Up to 330	67	62,6
	330-560	19	17,8
	560-800	8	7,5
	800+	13	12,1

Source: Own research

B) Purchasing habits

Generation Z loves shopping. The following table is an illustration of their answers about how they purchase certain products, such as clothes, shoes, jewelry, perfumes, cosmetics, books, etc. The table 4 shows how much they buy online and how much in a physical store.

Table 4: How the Generation Z buy certain products

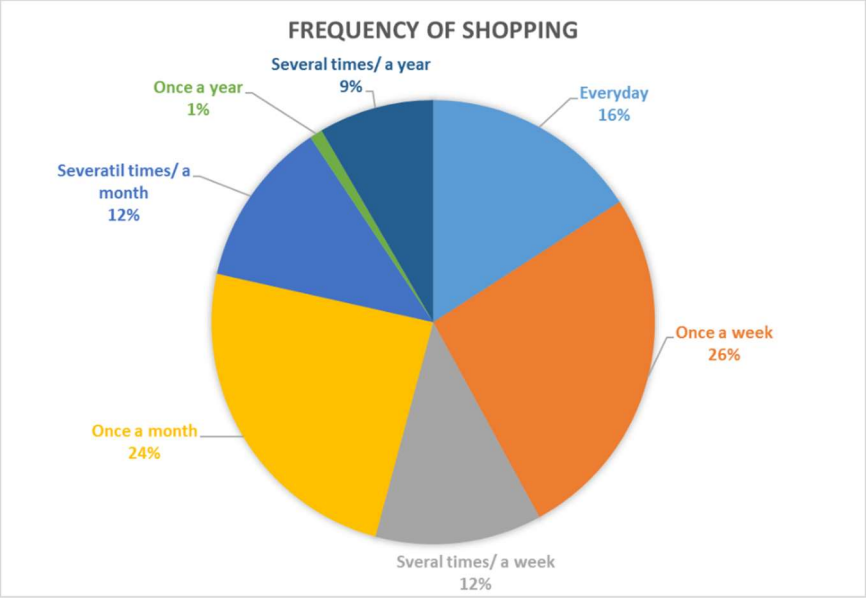
WAY OF BUYING CERTAIN PRODUCTS						
Products	**In store**		**Online**		**I don't buy them at all**	
	Total	**%**	**Total**	**%**	**Total**	**%**
Clothes	72	**67,29**	15	**14,02**	20	**18,69**
Footwear	80	**74,77**	8	**7,48**	19	**17,76**
Bags	66	**61,68**	12	**11,21**	29	**27,10**
Jewelry, perfumes	73	**68,22**	15	**14,02**	19	**17,76**
Cosmetics	68	**63,55**	11	**10,28**	28	**26,17**
Books	51	**47,66**	24	**22,43**	32	**29,91**
IT equipment (PC, mobiles)	80	**74,77**	13	**12,15**	14	**13,08**
Travels, vacations, holidays	32	**29,91**	60	**56,07**	15	**14,02**
Sport equipment	64	**59,81**	14	**13,08**	29	**27,10**
Food/drinks	78	**72,90**	6	**5,61**	23	**21,50**
Toys, games, entertainment	37	**34,58**	27	**25,23**	43	**40,19**
Furniture	60	**56,07**	2	**1,87**	45	**42,06**
Electronic home appliances (refrigerator, mixer, stove, washing machine, vacuum cleaner…)	65	**60,75**	5	**4,67**	37	**34,58**

Source: Own research

According to empirical results, Generation Z uses both physical and electronic shopping methods. However, online shopping is not as prevalent as the theoretical stereotypical characteristics. Most products are bought in "brick and mortar" stores, such as clothes, shoes, jewelry, perfumes, accessories, cosmetics, IT equipment (laptops, smartphones), sports equipment, food and beverages, furniture, and home electronic appliances. The most common products bought online are books, vacations, travels, holidays, and games and entertainment products. Here the need of young people to combine traditional shopping places with technology and social media should be highlighted. Namely, whatever they buy, they post it on social media and ask for support from family and friends.

A multiple choice was used for the question related to the frequency of shopping. Possible answers were daily, once/a week, once/a month, several times/a month, once/ a year and several times/ a year. Although this Generation Z does not earn much and does not have much discretionary income, it still buys very often, mostly daily, once a week and once a month. This is shown in the following figure:

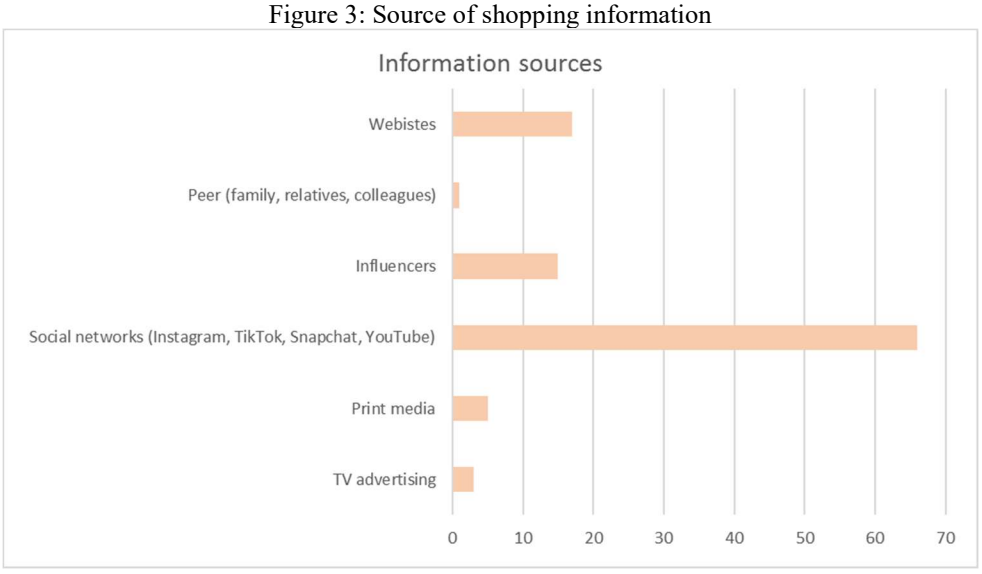
Figure 2: Frequency of Shopping



Source: Own research

In the next question (see Figure 3), the representatives of Generation Z had to answer where they collect data from before buying the product. One cannot be surprised by the answers, according to which young people mostly gather the information from social media, such as Instagram, Snapchat, TikTok, YouTube and others. They also check the products on the websites of the companies. The least followed are advertisements on TV and in print media.

Figure 3: Source of shopping information



Source: Own research

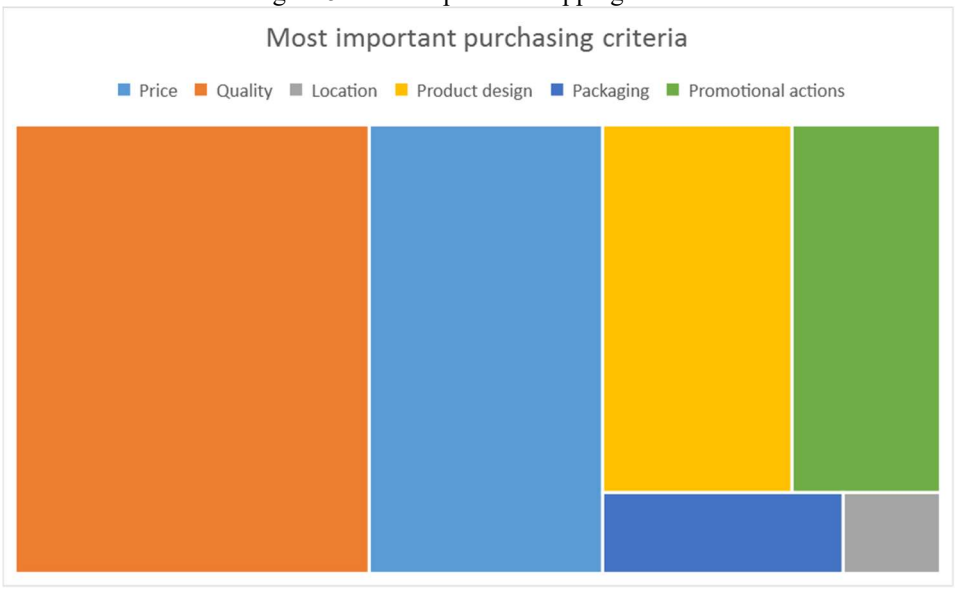
The answers to the following question are surprising. Although this Generation Z is considered "digital", its favorite shopping places are trade centers and malls (61%). Online as a favorite way of shopping is represented by a low percentage of 15%. (See Figure 4)

Figure 4: Favorite shopping place

Source: Own research

When asked what the most important purchase criteria are, the respondents answered that price and quality are the most important to them. Regardless of whether they shop in physical stores or online, they are still price- and quality-sensitive. For this generation, the location of the product and its packaging are the least important (see Figure 5).

Figure 5: Most important shopping criteria



Source: Own research

For Generation Z, it is not important to buy a brand (60%). For them, the value of the product in terms of quality and price is important.

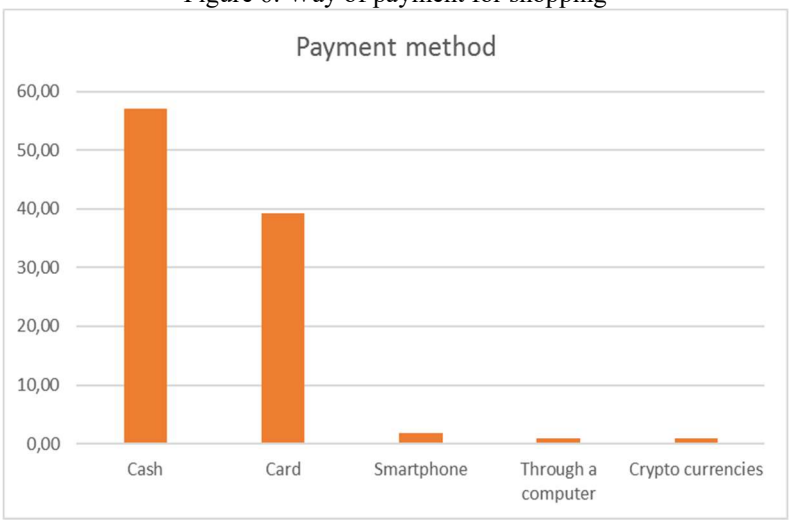
On the last question of this section, the respondents had to answer which is the first thing that comes to their mind when the word "shopping" is mentioned. 65% of the interviewed gave positive comments, such as happiness, joy, fun, relaxation, rest, pleasure, entertainment, therapy, peace, personal satisfaction, etc. For a small percentage of

respondents, the word “shopping” has a negative connotation, such as boredom, stress, headache, waste of money, crowding, etc.

C) Payment methods

This part of the survey is about the payment process for purchased products. When asked how representatives of the Generation Z pay, the majority answered that they do it with cards and cash (see Figure 6). It's surprising that they don't pay much by phone, computer or crypto-currency, and use a lot of cash.

Figure 6: Way of payment for shopping



Source: Own research

As of the reasons why they do not use online payment, most respondents answered that they do not trust online payments. Companies must take this answer into account and take measures for greater security of online payments.

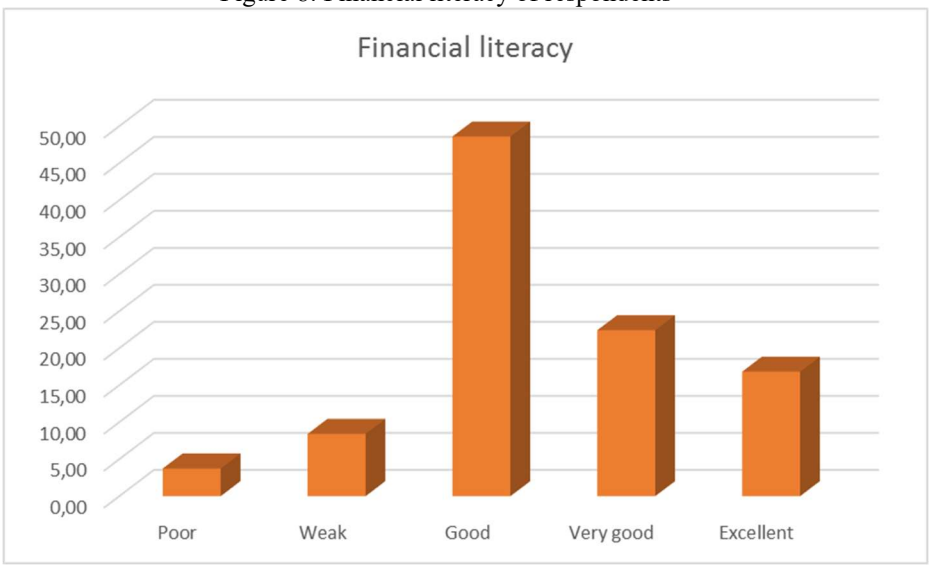
The following Figure presents the answers about the degree of satisfaction with paying online. The largest percentage of respondents are neutral, neither satisfied nor dissatisfied with online payment.

Figure 7: Degree of satisfaction with the online payment

Source: Own research

A key question in the research concerns the financial literacy of Generation Z. 88% of the respondents answered that they know online payment "good", "very good" and "excellent". This shows that a large part of Generation Z is digitally literate. Only 12% answered that they know online payment "poorly".

Figure 8: Financial literacy of respondents



Source: Own research

CONCLUSION

Generation Z is a young generation born in the period 1997-2015 that has yet to shine in the market. This generation lives through the period of Covid 19, the energy and financial crisis, the Russian-Ukrainian war, and climate change. From this period, the stereotypical characteristics of this generation emerge as - pragmatic, isolated, digitized, economical and environmentally conscious. This generation although doesn't make a lot of money, it remains a big spender. It is this feature that should attract the attention of companies.

However, empirical research shows several significant aspects of shopping and payment among this generation:

- The monthly discretionary income available to this generation is very small and amounts to 330.00 Euros,
- Spending exceeds monthly discretionary income as seen from purchase frequency (daily and several times a week),
- Except for IT equipment (computers, laptops, smartphones), trips, holidays, vacations, games and entertainment, which are mostly bought online, all other products are bought in-store!
- Young people are mostly informed about buying products through social media (Instagram, TikTok, YouTube, Snapchat), and almost not at all through TV and print media,
- When shopping, young people trust influencers and online friends a lot,
- Their favorite place for shopping is the big mall,
- The most important purchase criteria are price and quality,
- The young generation does not care at all that the product is a brand and
- When the word "shopping" is mentioned, it evokes positive emotions among young people.

In terms of payment methods, Generation Z, even though is digitally literate, still mostly uses cash! The reason for this is the uncertainty in online payment. Hence, young people are neither satisfied nor dissatisfied with online payment. Companies targeting consumers for higher profits should take the results of this research into consideration.

REFERENCES

Akhtar, A. (2023). Shopping Habits Decoded: generation Z, Millennials, Boomers. Retrieved from: https://atonce.com/blog/gen-z-millennials-boomers-how-each-generation-shops-blog.

Chemeli, A., & Njoroge, J. (2021). Generation X, Y and Z. Retrieved from https://www.researchgate.net/publication/350313498_GENERATION_X.

Danevska, B., A., Stanoevska, P. E., Dimitrieska, S., (2022). The Empirical Evidence on E-Banking – The Case of the Republic of North Macedonia, *Global Journal of Management and Business Research: B Economics and Commerce, 22 (2).*

Dimitrieska, S., A. Danevska, E. Stanoevska. (2022). Customers' satisfaction from E-banking - The case of North Macedonia*. Economics and management,* 19 (1), 96-106.

Dimitrieska, S., T. Efremova (2022). Problems of the generational marketing. *Economics and Management*, ISSN 2683-1325, Volume XIX, Issue 2, Year 2022, pp. 48-56, DOI: 10.37708/em.swu.v19i2.6.

Dolot, A. (2018). The characteristic of Generation Z. *e-mentor, 2(74), 44-50*. DOI: https://doi.org/10.15219/em74.1351

Eddy, N.E., & Johnson, J.M. (2015). Millennials: Who are they, how are they different and why we should care?. *The Multi-generational and Aging Workforce: Challenges and Opportunities.* DOI: 10.4337/9781783476589

Guthrie, F. (2023). *Marketing to Generation X in 2023,* Songbird, Marketing Communications.

Iskiev, M. (2022). How each generation shops in 2023 – New data from our State of Consumer Trends report*, Hubspot,* retrieved from https://blog.hubspot.com/marketing/how-each-generation-shops-differently.

Kovacevic, M. (2023), *How generations shop: Online shopping according to Baby Boomers, Gen X, Millennials, Gen Z",* WW Technologies.

Lev, A.T. (2021). Generation Z: Characteristics and Challenges to entering the world of work. *Cross-Cultural Management Journal, Volume XXIII, Issue 1/2021, pp.107-115.*

Slagsvold, B., & Hansen, T. (2021). The Baby-boomer generation: Another breed of elderly people?. In A.F. Eriksen, M., Tackle, I., B., Slagsvold (Ed). *Generational Tensions and Solidarity Within Advanced Welfare States* (pp.153-172), London. Routledge. DOI: 10.4324/9781003129592-12.

Smith, T., & Nichols, T. (2015). Understanding the Millennial Generation*,* Retrieved from https://www.researchgate.net/publication/324922926_Understanding_the_Millennial_Generation.

Zsuzsa, C.E. (2016). The Z Generation. *Acta Technologica Dubnicae, De Gruyter, Vol.6(2)*. DOI: 10.1515/atd-2016-0012.