

GENERATION GAP IN THE PURCHASE AND PAYMENT PROCESS

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ABSTRACT

Companies can hardly produce a single product that will satisfy the needs and wants of all consumers. In the marketing literature, but also in practice, marketers advise the companies to use the so-called STP strategy, i.e. a Strategy of segmentation, targeting and positioning. This means that companies need to divide the market in smaller pieces and find the most profitable one(s) for them. Companies that offer their products to profitable targeted segments achieve bigger sales and higher profits. The segmentation (division) of the market into profitable targeted parts is carried out on the basis of several criteria, among which the demographic criteria are the most used. Generations fall into demographic criteria for market segmentation. A generation refers to a group of people who were born and live at about a same time. Generations, as consumers, are internally homogeneous entities and heterogeneous in relation to other generations. The purpose of this paper is to research the degree of heterogeneity between generations in the processes of purchasing and payment for shopping products. Although stereotypy shouldn't be exempted, the paper will show that there are certain same or similar behavior patterns of the generations in the purchase and payment processes. For the research secondary and primary data were collected. Primary data is obtained from a survey conducted in November 2022. The results claim that there are certain similar behavioral characteristics of the generations as consumers.

KEYWORDS:

PROCESS OF PURCHASE, PAYMENT PROCESS, GENERATION, CONSUMER BEHAVIOR, DEMOGRAPHIC CRITERIA

JEL CLASSIFICATION CODES:

M31, M37, M39

1. INTRODUCTION

According to the Oxford dictionary generation refers to “all of the people born and living at about the same time, regarded collectively”. A generation is all the people who are of a similar age, and have the same experiences or attitudes. Generations live in relatively the same time conditions that are specific and stable throughout their existence. They commonly share the same historical, social, economic, political, educational, and technical-technological experiences. Generation is a group of people that share common values and behaviors over the course of their lives. (Chaney, 2017)

Internally, the generations are homogeneous, that is, they share the same characteristics, values, attitudes, and beliefs. They live in their own time. They experience their own revolution. Each generation has its own specific views on dress, food, drinks, hairstyle, music, religion, politics, traditions, language, lifestyle. Their views are built under the influence of politics, technological development, economic growth, culture, social environment, education,

traditions. At the same time, each generation is heterogeneous (different) compared to other generations. Although one should not build a stereotypical attitude towards the generations and it is very difficult to determine the precise boundaries of each generation, it should be taken into account that the generations behave in the same or similar way precisely because of the influence of the listed factors (political, social, economic, cultural, technological). Generations are also influenced by the previous generations, and will influence the following generations as well. The intertwined living of several generations together (physically or not) leads to common attitudes and opinions about different areas of life. In this sense, Orwell's saying is interesting, according to which "every generation imagines itself to be more intelligent than the one that went before it, and wiser than the one that comes after it."

The purpose of this paper is to analyze the behavior of generations in the process of buying and payment. Knowing the generations as customers and their behavior is of great importance for companies. That information guides the companies into right direction, towards more sales and higher profit. Instead of wasting money, effort and time to the entire market, companies focus on the most profitable parts of the market (generations), interested in their goods and services.

As of today (2022), there are six generation types:

- Up to 10 years old: **Generation Alpha**;
- From 11-25 years old: **Generation Z**;
- From 26-41 years old: **Generation Y**;
- From 42-57 years old: **Generation X**;
- From 58-76 years old: **Baby Boomers** and
- Above 77 years old: **Silent Generation**

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 S, 2022)

This paper aims to give recommendations and answer two research questions:

- **What is the behavior of the generations in the process of buying products?** And
- **How are the generations behaving observing different payment methods?**

To answer the first question, the behavior of separate generations was analyzed in more detail, in all stages of the buying process. Emphasis was made on how they get information about products, how they evaluate different alternatives, how they buy, where and how often they buy, what are their most important criteria when buying, how they make purchasing decisions. Although in the marketing literature the purchasing process has different stages, the most used are the stages determined by Kotler. According to him the process contains five stages, i.e. needs awareness, information search, evaluating alternatives, purchase decision and post purchase behavior. (Kotler, 2009). This paper analyses the behavior of generations as consumers in the stages of information search, evaluating alternatives and purchase decision. Also, marketers distinguish four types of consumer products, i.e. convenience, shopping, specialty and unsought products that have different characteristics and involve a different consumer purchasing behavior. (Claessens, 2017) Shopping products are products that the customer usually compares on attributes such as quality, price and style in the process of selecting and purchasing. Consumers spend much more time and effort in gathering information and comparing alternatives. Airline tickets, furniture, electronics, clothing, and phones are all examples of shopping products. It is the purchase of these shopping products that is analyzed in the paper. Other products (convenience, specialty and unsought) that are purchased otherwise are not part of the research.

To answer the second question, more detailed research was done on how financially literate different generations are, how they pay and exploring the reasons why they pay offline/online.

2. METHODOLOGY

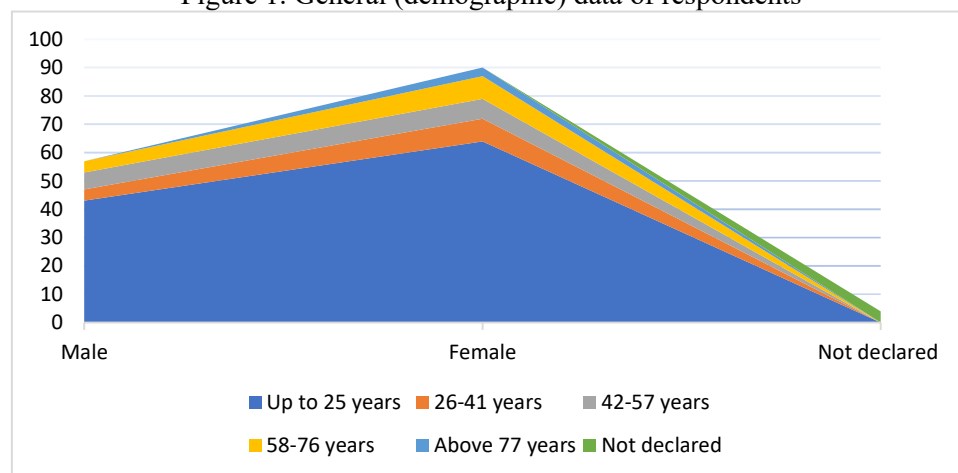
Secondary and primary data were used for the realization of the research in this paper. Secondary data is collected from research papers, textbooks, journal articles dealing with the topic of market segmentation. Primary data was collected through a Questionnaire that was distributed physically and electronically in November 2022. The Questionnaire contains qualitative and quantitative data. Qualitative data were obtained through numerous open questions, but also through the projective technique - word association. Quantitative data were obtained through closed questions and the use of Likert scale, semantic differential, multiple choice and dichotomous questions. Continuous scales are also used. 151 people responded to the Questionnaire, and 4 problematic answers were noted, that is, the

respondents did not answer which generation they belong to. The data were processed with the methods of descriptive statistics. The Questionnaire contains a General part (demographic characteristics of the sample) and two research parts (a part on the behavior of the generations in the purchase process and a part on the behavior of the generations in the payment process).

3. DISCUSSION AND ANALYSIS

The research included 151 people, of which 4 people did not declare their belonging to a certain generation, that is, their answers are irrelevant. In the general part of the Questionnaire i.e., demographic questions were referring to gender, age group, occupation, and discretionary income (defined as the amount of money at disposal per month). The largest number of respondents is from the young generation (generation Z). According to gender, the female gender is more represented in almost every generation. The results gender and age group are sum up and presented in the Figure 1 below:

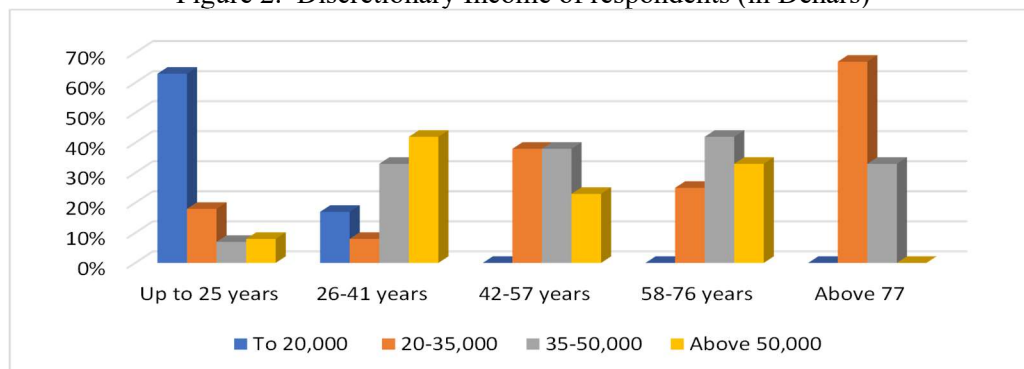
Figure 1. General (demographic) data of respondents



Source: Own research

The answers to the question about discretionary income, that is, the amount of money available to each generation per month (expressed in Denars), are presented in the Figure 2 below. It is interesting to note that the “middle” generations (Generations X, Y and Baby Boomers) have the largest amount of financial assets, over 50,000 Denars, or approximately 800 Euros/month. The youngest generation has the lowest amount. Even 63% of Generation Z has up to 20,000 Denars or approximately 320 euros/month. Companies must not ignore the older generations who have solid, reliable monthly discretionary funds in the amount of between 20,000-35,000 Denars, that is between 320-570 Euros per month. The older generation is a significant market segment in terms of financial power.

Figure 2. Discretionary Income of respondents (in Denars)



Source: Own research

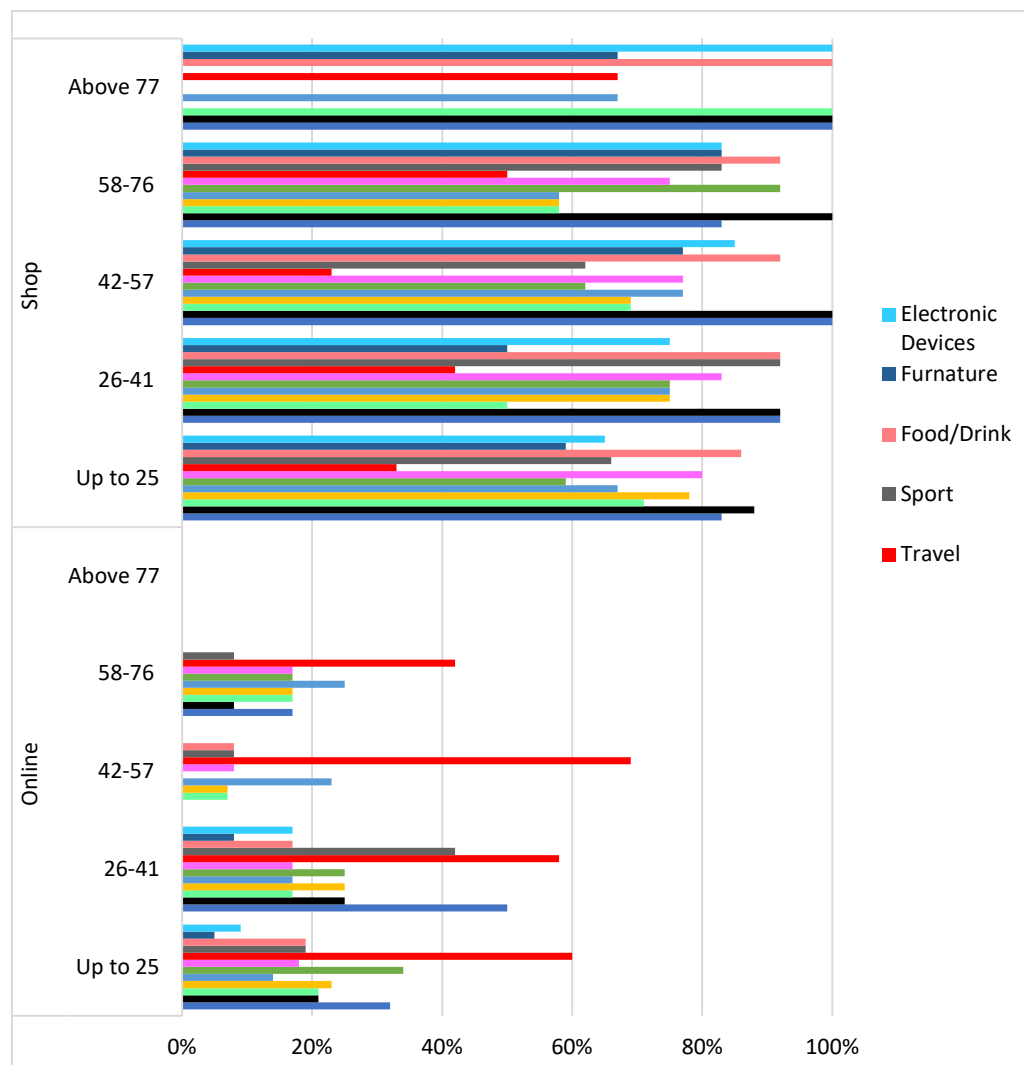
The following table 1 shows the occupation of the respondents. Taking into account that the largest number of respondents are from the youngest Generation Z, the fact that by occupation the majority of respondents are students is not surprising.

Table 1. Occupation of the respondents

Occupation of respondents					
Generations	Student	Employee	Unemployment	Freelancer	Retiree
Up to 25 years	103	6	3	7	0
26-41 years	4	8	0	0	0
42-57 years	2	11	0	1	0
58-76 years	0	3	0	0	9
Above 77	0	0	0	0	3

Source: Own research

Figure 3. How people buy certain products

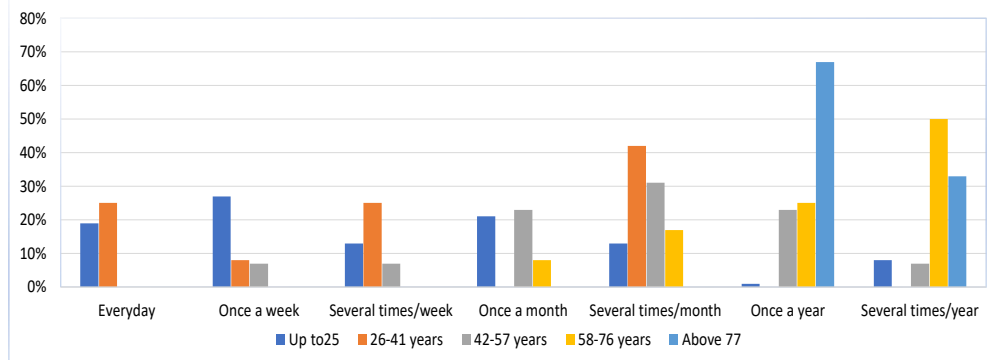


Source: Own research

In the first part of the Questionnaire, special emphasis was made to the questions regarding the purchasing process (shopping products such as clothes, shoes, cosmetics, electronic devices, household appliances). This part of the Questionnaire has a research nature, aimed to examine the behavior of the generations as consumers. The questions refer to all stages of the purchase process, that is, from information gathering, the purchase itself (frequency of purchase, favorite shopping place, purchase criteria), finalizing with making a purchase decision. The products analyzed are shopping products. Out of 151 responses 93.4% have responded that they do like shopping. The question about how the respondents buy certain product whether by going in store/mall or by shopping online, shows the dominance of the traditional way of shopping, i.e. most of the generations enjoy shopping with physical presence. Obtained results regarding this question more precisely are presented in the Figure 3 above.

When asked how often they shop, the generations had the opportunity to answer with a multiple choice, namely “daily”, “once a week”, “several times a week”, “once a month”, “several times a month”, “once a year” and “several times a year”. The results have shown the young people buy frequently, and older people less often.

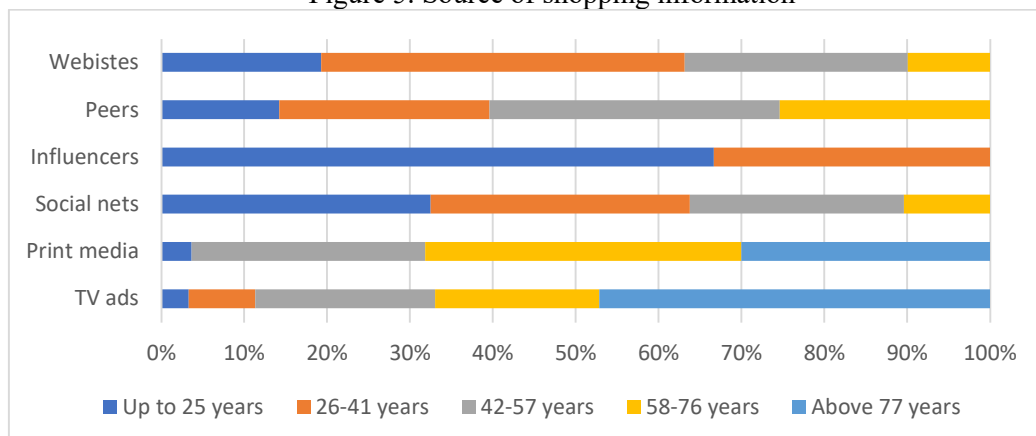
Figure 4. Frequency of shopping



Source: Own research

The question regarding the source of information for shopping is very important for the buying process of the generations. Gathering information is an important stage in the purchase. The results show large discrepancies between generations. These differences are expected, and are confirmed by this research. Namely, older generations gather information about shopping products mostly from traditional media, TV and print. Considering that they have solid financial resources and buy products not so often, this data shows that companies, if the target group is these generations, will have to inform them more through traditional communication media. The youngest are enjoying the fruits of the new technological revolution, and according to research, they are most informed about shopping products from influencers, social networks and company websites. They actually do not use a lot of TV or print media which is a reason why some experts believe that this media will disappear soon. The “middle” generations, who are at the transition from one era to another, use a mixture of media for communication (traditional and contemporary).

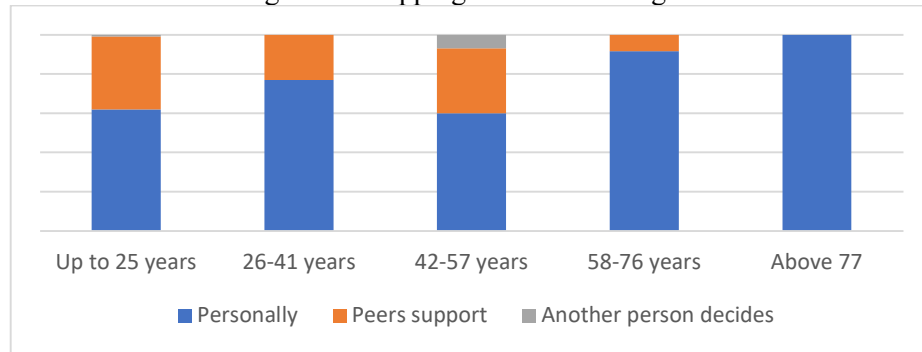
Figure 5. Source of shopping information



Source: Own research

The respondents were asked two connected questions about the way of making a buying decision (independently or not), and the intensity of the support they receive from peers while buying (see Figure 6 and 7). The results show that the oldest generation makes a purchase decision independently, without support during the purchase. The youngest generation Z mostly requires peer support when purchasing shopping products. This generation is the most insecure when choosing products and requires other people to support their “right” purchase decision. The middle generations are also looking for support in their purchases.

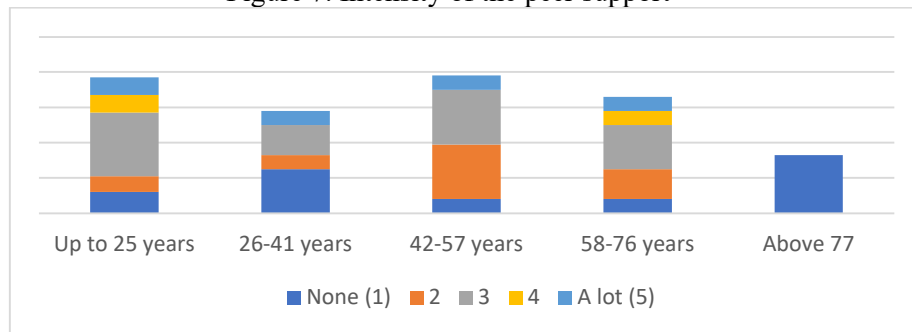
Figure 6. Shopping decision making



Source: Own research

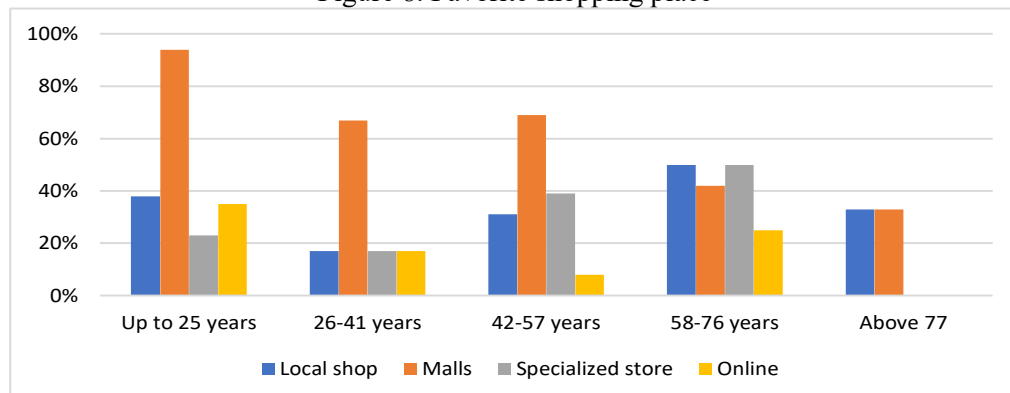
All generations like to buy products in malls, large shopping centers. Malls are most adored by the youngest generation Z. This question reveals that the older generations, those over 77, do not shop online. Online shopping is represented, but not with large percentages (see Figure 8 below).

Figure 7. Intensity of the peer support



Source: Own research

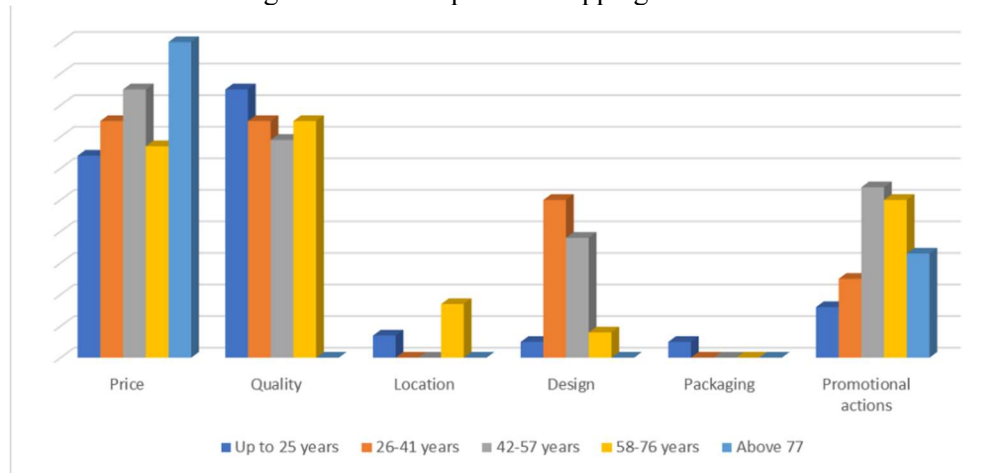
Figure 8. Favorite shopping place



Source: Own research

To the question “What are the most important shopping criteria for you”, respondents could answer with the following limited options: price, quality, product location, product design, packaging and promotional actions, such as discounts, sales, rewards. According to the results, price and quality are important to all generations. Promotional actions are most important to Generation X (42-57 years) and the Baby Boomers generation (58-76 years). Packaging is almost irrelevant among all generations. Design is most important for Generation Y (26-41 years). Product location matters to Baby boomers. For Silent, the oldest generation, price is key when shopping.

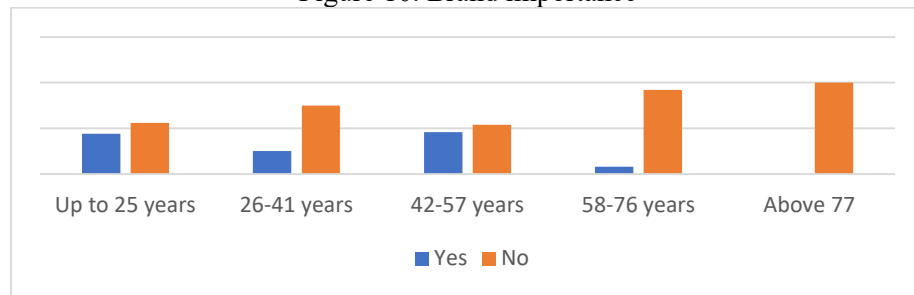
Figure 9. Most important shopping criteria



Source: Own research

For the young generations (Generation Z, Y and X) the brand is significant. For the older generations (Baby Boomers and Silent Generation) it is not important that the product is a brand. These results are shown in the following Figure 10 below.

Figure 10. Brand importance

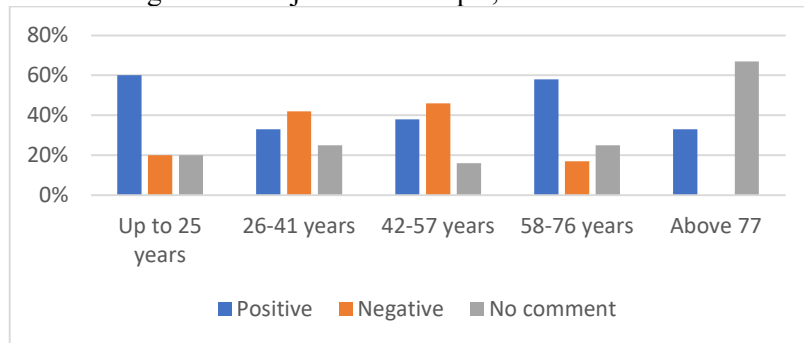


Source: Own research

The last question of this part is a projective technique, word association. Namely, the respondents were asked what the word “shopping” means to them (see Figure 11). Almost all generations associate the word “shopping” with something positive, such as happiness, therapy, new products, love, relaxation, peace, good time, pleasure, fun, enjoyment, games, personal satisfaction. For a smaller number of representatives from all generations, the word “shopping” associates something negative, such as headache, spending money, crowding, boredom, stress.

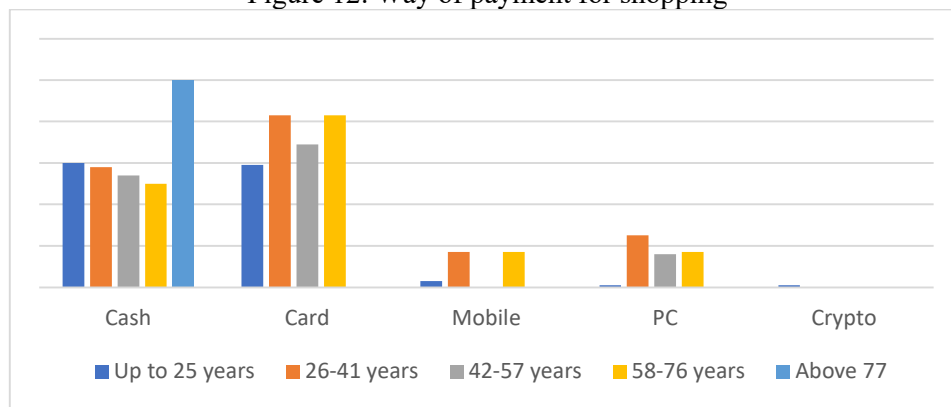
In the second part of the Questionnaire questions about the payment processes were examined. This last part of the Questionnaire, which also has a research character, refers to the method of payment used by the responders during shopping. The first question concerns the way of payment. According to the data, almost all generations use more cash or card for payment (see Figure 12). The older generations mostly use cash, and the middle generations use cards. However, the fact that young people (Generation Z) use very little online payment via mobile phone or computer is surprising.

Figure 11: Projective technique, word association



Source: Own research

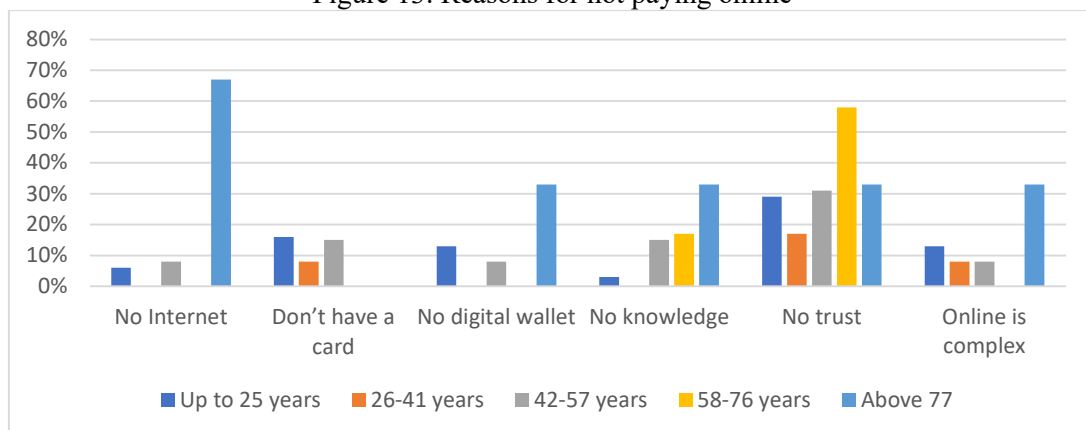
Figure 12. Way of payment for shopping



Source: Own research

Results confirm that traditional cash payment method still dominates especially between older generation on the market. These results are in conformity with the recent research done by Dimitrieska, S. at al (2022) were 96% of consumers answered that they often use e-banking services only of informative character such as overview and checking the status of their accounts, cards and deposits, 60% for domestic payment services, and only 43% for payment of overhead costs.

Figure 13. Reasons for not paying online

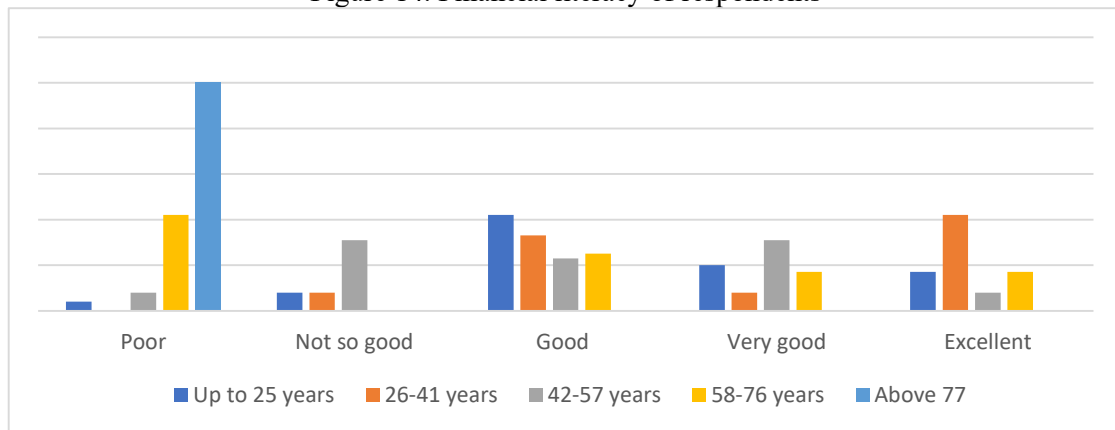


Source: Own research

When asked why respondents do not pay online, the following variants were offered as an answer: “I don't have Internet”, “I don't have a card”, “I don't have a digital wallet”, “I don't have knowledge about online payment”, “I don't trust online payment” and “online payment is complex” (see Figure 13). The oldest generation over 77 years old does not pay online due to lack of Internet, lack of digital wallet, lack of trust, but also due to the opinion that online payment is complex. The youngest generation Z does not use online payment due to distrust in online payment or lack of a card. The middle generations as reasons for not paying online state the lack of trust in it and lack of sufficient knowledge for its implementation.

One of the most interesting questions in this part is about the financial literacy of the generations (see Figure 14). The weakest financial literacy is observed among the oldest generation, which could also be expected. The young generation Y, aged 26-41, has the greatest financial literacy. The youngest generation Z has good and very good knowledge of the financial area. Good financial literacy is also noted among the middle generations (Generation X and Baby Boomers).

Figure 14. Financial literacy of respondents



Source: Own research

According to the research done by Danevska, B.A. et al (2022), most respondents (71%) believed that lack of financial knowledge is the biggest barrier for using E-banking. Lack of training by banks, as well as the fact that banks do not encourage users to make greater use of online payment and other e-banking services were cited by the respondents as the main obstacles. Results of this research once again confirm that Macedonian consumers' have lack of financial knowledge and have needs for additional education and training for online methods of payment.

4. CONCLUSION

This paper, which contains extensive primary research, showed the commonalities and differences between generations in the purchase and payment process. Although the generations should not be understood stereotypically, there are still certain common characteristics and the same or similar behaviors of the people who belong to a certain generation. Each generation is relatively homogeneous within, and relatively different from other generations. This is due to the fact that each generation lives in a certain time and is influenced by the same historical, social, political, cultural, technological influences. Each generation, however, is influenced by previous generations and influences the next.

Common to all generations, according to the research, is that they all like shopping, have a positive opinion about shopping, have the same opinion about a favorite place for shopping (malls), and have similar criteria for buying a certain product (price and product quality).

What is different between the generations, according to the research, is the meaning of the brand, the frequency of shopping, the source of information for purchasing certain products, making the purchase decision and financial literacy. Thus, for example, the product being a brand is important for the younger generations, but not at all for the older generations. Although with weaker financial power, the youngest generation Z buys most often. The older

generation, also called “silver”, has solid financial assets but rarely buys. Also, this generation is more informed about products from television and print media. The young generations use more social networks, company websites and influencers for their information about what is “in”. However, older generations make independent purchasing decisions, and middle and younger generations seek peer support when purchasing. Most worrying is the average financial literacy of almost all generations.

It is highly recommended these conclusions to be used by companies when applying the STP strategy, that is, segmentation, targeting and positioning in the market. However, since this research is only small sample of the big consumer population the following research, can be conducted with increased number of respondents from older generations or with increased number of surveys from all types of generation. The results out of such research will even more precisely reflect the consumer shopping and payment behavior.

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