CIKLUM

How Gen Z are **reshaping customer experience**

Contents

Introduction

Generation Z have well and truly arrived in the global economy - and they're increasingly making their presence felt. The cohort of people born between 1997 and 2012 are now either teenagers or young adults, which means that many are taking their first steps into the world of work. No surprise, then, that Gen Z now represents as much as $450 billion in spending power worldwide, according to Snapchat.

This buying power is only going to become stronger over time, meaning businesses and retailers need to adapt and respond to their expectations. And this is especially important because Gen Z has markedly different attitudes to spending compared to the generations that preceded them. For example:
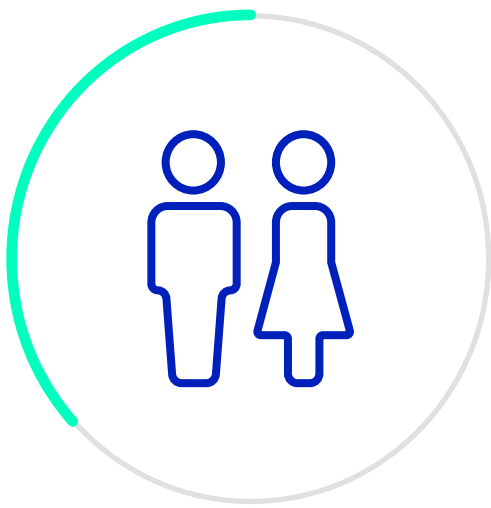
38%

of Gen Z and millennial customers will give up on customer service issues if they can't resolve them by themselves, according to Gartner.

1st generation

of Gen Z is considered fully digitally native, and they spend far more time than other generations consuming content and communication online, from YouTube and Snapchat to Instagram and TikTok

44%-51%

of Gen Z consumers are more diverse in their purchasing habits: SurveyMonkey research has found that shopping websites, social media, friends and family, and physical stores are all sources of inspiration.

3/4

of Gen Zers prioritize sustainability credentials over brand name when making purchasing decisions according to HubSpot. Sustainability and ethics play a much bigger part in their buying and behaviors.

All these changes mean that many of the existing drivers and ways of connecting with customers are becoming outdated, and new customer experiences are required to drive revenue and growth from the Gen Z cohort. More than any other demographic, Gen Z see these new technologies as ways to fit in with wider life, or to differentiate themselves and express their individuality, which means that digital experiences mean more for this generation than any other.

For businesses, all this means providing digital-first experiences that are instant, seamless and personalized in nature is essential - and experience engineering is the way to make that happen.

How experience engineering can help

Experience engineering is the practice of enhancing next-generation, seamless experiences at the heart of what is engineered through the latest technologies. Because Gen Z is so focused around technology, the concept of experience engineering is especially valuable in connecting with this demographic.

The ultimate goal of any customer experience is to move the vast majority of users and touchpoints into the 'Zone of Tolerance': where a customer feels so familiar and content with a smooth experience that it becomes almost second nature. Ideally, some of those experiences can then be moved into the 'Zone of Delight', where an experience surpasses expectations and customers feel empowered to repeat it, and share their satisfaction with others.

Zone of Delight

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Zone of Tolerance

Where a customer feels so familiar and content with a smooth experience that it becomes almost second nature.

Achieving that with experiences geared towards Generation Z represents a very different proposition to other demographics. In practice, Gen Z tends to expect the following from every digital experience they come into contact with:

Seamless, stress-free experiences

Generation Z is so accustomed to digital conveniences, having grown up with them, that their expectations for excellent service is much higher. According to Forbes, only half of Gen Zers are satisfied with current customer experiences, compared to more than 70% among older generations

Fast, easy checkouts

Retail Dive has found that 46% of Gen Zers regard seamless checkout processes as critical to their shopping experience, even outranking fast shipping (45%) and immediate in-store availability (39%)

Integration between physical and digital

Post-pandemic, many Gen Zers are placing increased value on the experiences they receive, whether in person, online or through a combination of the two

Respectful personalization

While Generation Z expect to receive the personal touch from their digital experience: ZDNET has found that 44% of them will stop visiting websites that they don't like, or that don't meet their expectations. But they also expect this to be balanced with careful handling of their personal data, not only to protect against cybercrime or malicious activity, but also to make sure that communications don't feel intrusive

All of this is critical because the globalized online marketplace means it's never been easier for consumers to shop around. If a business can't or won't deliver what a Gen Zer wants, they'll have no hesitation in switching to a competitor that can and will.

How experience engineering can be applied in practice

The idea of experience engineering enabling better satisfaction among Generation Z is more than just a theory. It's already being applied with great success in a number of different sectors, across a wide range of different solutions and offerings:

01   Gaming

The world of gaming is an excellent example of this, especially as it's the manifestation of many Gen Zers' social lives. As many as 87% of Generation Z said they play video games at least once a week, according to Deloitte, and this forms part of their 'connected life' where they find community and belonging with their peers. This is one of the reasons why the market for digital assets related to gaming is so strong: the global market for virtual gaming 'skins' is now worth $50 billion, while in-game purchases are expected to represent as much as 20% of Gen Zers' total leisure spend within the next five years.

Gaming is leading the way technologically on many fronts, including virtual reality, augmented reality, and methods of bringing people together. Indeed, it can be argued that gaming is at the forefront of the convergence between digital and physical lives for Gen Z, where they can invest in and engage with digital assets in a way that makes a real difference to their lives overall.

Many operators in the iGaming and sports betting space have taken notice of these trends, and how digital competition is breeding activity through community. Many Gen Zers are more interested in beating their friends than they are in 'beating the bookie', and earning themselves accolades to show off rather than generating financial rewards.


02   Finance

With regards to finance, better access to investment opportunities and easier ways of spending money are critical to Gen Zers. Many have low earnings and a lack of confidence in the traditional financial system, meaning they are more open to alternative avenues when it comes to money management.

This can include more innovative ways of buying goods and services, such as mobile wallets, app-based payments, embedded buy-now-pay-later tools, and wider adoption of cryptocurrencies like Bitcoin and Ethereum, even as potential retirement savings.

FinTechs and innovative startups in particular are connecting well with Gen Z in this area, with the ability to quickly react to these new demands and expectations. Greater adoption of peer-to-peer payments, sustainable and ethical banking, and financial education are also driving greater engagement among younger consumers.

Ultimately, the most resounding approach for finance firms in engaging with Gen Z is to give them a little bit of everything: human contact, convenient technology, financial flexibility and the ability to improve their knowledge of the world of finance.
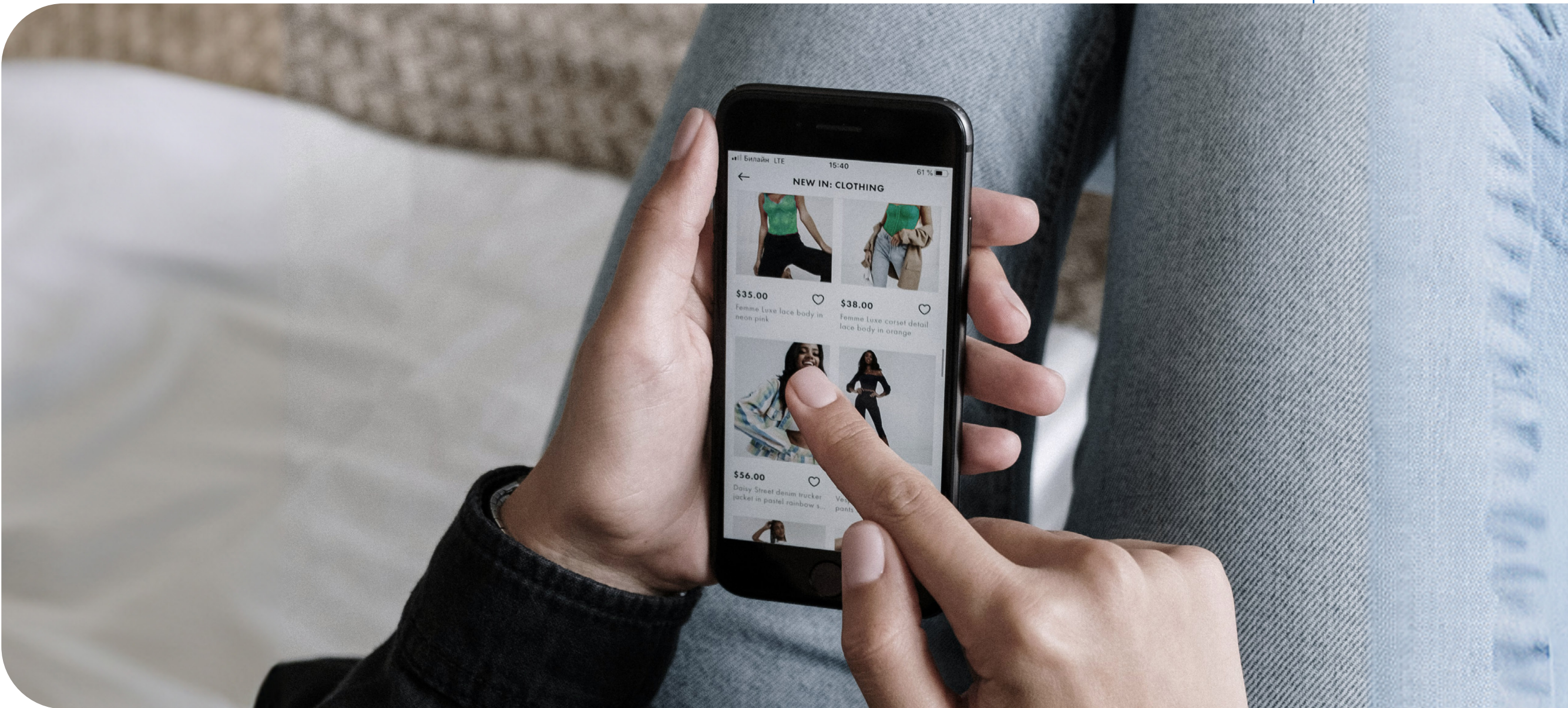
03 | Retail

This use of mobile technology also extends into retail, where Gen Zers prefer to shop using their smartphones, much more than any other demographic. This convenience is one of a number of different factors that trump price considerations for Gen Zers, including sustainability and retailer ethics. They will also use those smartphones to conduct extensive research before committing to a purchase, including checking online reviews and the thoughts of influencers on social media.

The most forward-thinking retailers are forging ahead with seamless, personalized buying journeys that are quick to get through and that demonstrate sustainable credentials throughout. The ideal destination is to deliver fully integrated shopping experiences, full of personalization and including AI and virtual reality to maximize customer engagement.

04 Travel

Despite many Gen Zers earning lower rates of pay than the generations before them, they prioritize and value leisure travel highly. According to American Express, 84% would rather go on holiday than use the money to buy a luxury item. Their preferences of type of holiday also stands them out from other generations: increasingly, they're looking for sustainable tourism that reflects concern for the environment, and the chance to go 'off the beaten track' to sample new experiences.

Technology is proving instrumental in Gen Zers' decision on where to travel to. Expedia MediaSolutions has found that two-thirds of them will use their smartphones for destination inspiration, while 36% of them base their decisions on social media posts that they've seen. The same research found that 53% use search engines, emphasizing the need for good searchability and SEO for travel businesses.

Experience engineering starts with product discovery

All the experience engineering use cases that are gaining traction in reaching out to Generation Z took a lot of work, focus and innovation. And most of the best and most successful applications of experience engineering started, and continue to start, with comprehensive product discovery.

The concept of product discovery refers to the full validation of a product or service by consumers, as well as making sure that it's aligned with business objectives, before time, money and effort is committed to its development. That way, the development process always works in the right direction, meeting (in this case) the new expectations and demands that Gen Z users want.

Ultimately, any business that wants to succeed with Generation Z needs to understand how they think, how they behave online, and how they want to consume particular services and buying journeys. While a few industries like gaming and online content have succeeded in this endeavor already, it remains a relatively untapped source of insight in many other sectors, meaning there is huge opportunity for first-mover advantage for many organizations.

If achieving all this - product discovery, experience engineering and catering to a brand new demographic - sounds daunting, then rest assured that all businesses, even the biggest and best-resourced ones, will be facing the same challenge. This is where the expertise, solutions and experience of a third-party development partner can be so invaluable in all three areas.

Connecting with Generation Z in the best possible way demands the expertise of a global Experience Engineering firm like Ciklum. Our combination of next-generation product engineering, exceptional customer experiences, and cutting-edge AI can help you develop the technologies that will resonate with the unique priorities of GenZ.

Contact us today to align with the distinct needs of GenZ to reimagine, reshape and redefine the future.

Contact us