

RETAIL

## Digital natives expect bricks-and-mortar stores to leverage more tech

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*Younger consumers shop at physical stores more than older generations. Image credit: Oracle*

By SARAH RAMIREZ

Generation Z and millennial consumers are the age groups most likely to shop at bricks-and-mortar stores, but they are also the most interested in retail stores incorporating emerging technology.

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According to a study conducted by Oracle NetSuite, Wakefield Research and The Retail Doctor, baby boomers are both the least likely to shop in-store and the most likely to describe the retail environment as less inviting. They are also the least apt to be influenced by in-store technology such as virtual reality, while Gen Z shoppers are the most likely to have purchase decisions impacted by such tools.

"The survey overwhelmingly supported the narrative that stores have not kept pace with the demand for them to be modernized and part of the shopping experience," said Matthew Rhodus, director of retail at [Oracle NetSuite](#). "Many retailers will be shocked to truly understand how little of an impact their stores are having with the consumer base versus the effort and investment they have made in them so far.

"There is still so much untapped potential in the physical retail world," he said. "That opportunity is just waiting for brands to seize it."

The study is based on a survey of 1,200 consumers and 400 retail executives in the United States, United Kingdom and Australia.

### Retail expectations

Similarly to previous generations, many millennial and Gen Z consumers still view in-store shopping as a social event and do not hesitate to visit physical stores.

More than 40 percent of millennials and Gen Zers believe they are likely to do more shopping in-store this year, while only 29 percent of Gen X shoppers and 13 percent of baby boomers plan to increase shopping trips to physical retailers.

"Newer generations are on a journey of exploration; they are enjoying new products and finding new brands," Mr. Rhodus said. "Part of that experience is what those brands are offering by way of stepping away from the digital

realm and seeing first-hand what those brands are all about."



*More retailers are adding a digital touch to stores. Image credit: Virtual Visions*

Fifty-seven percent of Gen Zers and millennials also found retail environments to be inviting, while 27 percent of baby boomers felt positive about physical stores.

One reason for this discrepancy among generations may be that younger consumers more easily acclimate to modern store designs that incorporate newer technology.

Overall, consumers are less enthusiastic than retailers about in-store technology such as artificial intelligence and virtual reality, with only 14 percent believing it will have a significant impact on purchases.

In contrast, 79 percent of retail executives believe sales will increase as AI and VR are incorporated into more stores.

Fifty percent of millennials are interested in emerging technology being used in stores, followed by Gen Z and Gen X consumers at 38 and 35 percent, respectively. Only 20 percent of baby boomers find in-store technology appealing.

"Seventy percent of consumers believe the most appealing retail store is one that is simplified and streamlined," Mr. Rhodus said.



*In-store technology is a key concern of sales associates. Image credit: Hugo Boss*

Even with the growing presence of technology, face-to-face interactions still have a place in bricks-and-mortar stores.

The majority of consumers, including 56 percent of millennial shoppers, reported that they would feel welcomed by more in-store interactions. However, more than one in four Gen Z consumers feel annoyed from increased interactions with retail associates.

Convenience and flexibility

Digital natives are also attracted to the instant gratification that comes with shopping in bricks-and-mortar environments, since only the fastest ecommerce delivery can compete with that immediacy.

Click-and-collect, or buy online pick up in store, is one way retailers balance the convenience of online shopping without consumers having to wait for delivery.

Nonetheless, luxury retailers are failing to leverage click-and-collect services, with only a third of high-end brands offering an option to buy online and pick up in store.

According to a report from OrderDynamics, even those retailers that do offer click-and-collect often take more than a day to fulfill orders or neglect to promote the service prominently on their Web sites. Consumers who shop across channels are highly valuable, typically buying more often and spending more, positioning retailers that offer cross-channel options to reach this "superconsumer" ([see story](#)).

Millennials and Gen Z consumers in particular value the flexibility offered by BOPIS and similar services.

Younger shoppers continue to turn to bricks-and-mortar locations when making expensive purchases so they can try on items, but they are receptive to "try-now, pay-later" options, according to a new shopping behavior report from Klarna. More than a third of Gen Z consumers are also interested in installment plans as they desire upscale clothing outside of their budgets ([see story](#)).

"Luxury brands are already ahead of the game in many regards," Oracle's Mr. Rhodus said. "Despite these brands seeing tremendous success online, they have always still kept and maintained the ever-important physical location that a luxury shopper is looking for.

"Luxury shopping, for many, is an event," he said. "Therefore they can already capitalize on the aspects they have already been doing in the area of personalized shopping.

"In the luxury category, I would not say that there is a need for more self-help or self-service, but rather the elements of combining the physical and digital spaces more seamlessly."

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