YOUNG CONSUMERS’ BEHAVIOURS IN RETAIL MARKET AND THEIR IMPACT ON ACTIVITIES OF RETAIL CHAINS

Katarzyna Bilińska-Reformat & Magdalena Stefańska

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Summary

The aim of the paper is to show preferences of young consumers for commercial chains, in relation to their marketing offers. The paper shows particular strategic behaviours of retail chains occurring in the sphere of shaping relationships with young consumers. It focuses mainly on technological and marketing innovations. The methods applied to achieve the goal include a critical analysis of the literature on the subject, a direct study of young customers of retail chains operating in Poland, which focuses on their needs, and a profound case study showing marketing activities of retail chains targeted at young consumers. The recognition of the needs of target segments should lead to the creation of a commercial offer that satisfies final customers. Young consumers are using new technologies in their everyday lives and this is the reason why retail chains are developing their offers by using IT solutions(Knežević, Delić, and Knego,2015). The process of buying by this segment of customers requires deeper reconstruction, due to changes in the process of defining sources of information and its evaluation. In addition, the place of shopping is changing and this has implications on retailers’ strategies and ways of building competitive advantage. We may assume that in the course of next several decades it may happen that brick-and-mortar stores will perform the function of storehouses that hand over products, fitting rooms, places for returning products and making complaints. Separation of the financial and the product stream is going to occur, since payment will take place only in the virtual world. The paper contributes to the theory of retail innovation strategies and relationship marketing. It also contributes to the practice showing how global retailers should build relations with young consumers in creating online channel of sales.

Key words: young consumers, global retailers’ strategy.

1 Katarzyna Bilińska-Reformat, Ph. D., Assistant Professor, University of Economics in Katowice, Faculty of Management, Katowice, Poland, E-mail: kasiabr@ue.katowice.pl
2 Magdalena Stefańska Ph. D Assistant Professor, Poznań University of Economics, Faculty of Management, Poznań, Poland, E-mail: Magdalena.Stefanska@ue.poznan.pl
1. INTRODUCTION

The process of consumer decision is one of the basic models analysed in the context of shopping behaviour (Darden and Ashton, 1974; Westbrook and Black, 1985; Lyonski, Srini and Yiorgos, 1996). Changes that happen in technology and ways of communication, especially access to parallel online and offline offer, have modified consumer behaviour due to such benefits as “time, place, scope of assortment, attractive prices”. Young consumers especially, often constitute a very attractive group of buyers from the point of view of retailers. Knowledge about a new generation that has already entered, or will soon enter the labour market and will become „fully-fledged consumers” is the key to forming competitive advantage in relation to them. Previous experiences gained by commercial enterprises in providing services to already identified and described generations prove to be insufficient. As some authors notice (Brier 2004; Corbit 2005), the young generation has grown up in a technological environment that is very different from that of their parents. Since they have grown up in rather different conditions compared to their parents, their life style is also affected and they are defined as a different generation (Solomon, Marshall, Stuart, 2006). Their parents were shopping offline mainly in hypermarkets, supermarkets or in shopping malls, which is witnessed by a dynamic growth of this retail format in many countries. (Ahlert, Blut and Evanschitzky 2009; Dawson 2009).

The consumers of younger generation often change this shopping behavior by using the Internet while shopping. Thanks to Internet access and mobile technologies, the virtual world is as important and attractive for the Millennials as the real world. Therefore, if retailers are to remain in the sphere of their interest, they must implement the so-called multichannel (omnichannel) strategies. The term “multi-channel retailing” is a new way of referring to an “old” theme (Schramm-Klein, 2003). The food retail store has been using the stationary store format parallels for some time now. (Sonneck and Cirk Soren Ott, 2009). The idea of multi-channel used today refers to the Internet and e-commerce. Furthermore, considering for example the European market, many social and cultural changes resulting from the fact of accession of new countries to the EU are observed and connected to this migration process. For example, in 2013 3.4 million emigrants were migrating in Europe. (Eurostat, http://ec.europa.eu/eurostat/statistics-explained/index.php/Migration_and_migrant_population_statistics/pl, access 2016-05-02). Intensification of this processes that results in cultural and social exchange, and consequently an increase in demand for customisation of marketing offers that take into account consumers who are different with respect to social, behavioural or psychographic features, is one of the results of the freedom of population movement between countries. Variety concerns food, clothes, financial services, leisure activities. Retailers should take this into consideration.

The goal of the paper is to explain the relationship between the process of shopping decision and behaviour of the so-called Millennials, and the processes of transformations in the strategies of global retailers. The paper first discusses the issues associated with features distinguishing buying behaviours of the new generation of buyers and then indicates innovations implemented in retail trade in response to new expectations of buyers. It focusses mainly on technological and marketing innovations.
2. CHARACTERISTICS OF YOUNG CUSTOMERS OF RETAIL TRADE ENTITIES

According to Ph. Kotler, in contemporary economies there are three types of purchasing clients. They are traditional customers (not purchasing on the Internet), cyberconsumers (usually purchasing via the network) and mixed-type consumers (the hybrid ones buying both online as well as in traditional stores). This information is an important clue for the development of retail distribution strategies that also have to apply the Internet channel if their goal is to increase sales (Bilińska-Reformat, 2012). Changes in attitudes and behaviours of generations are accompanied by the change in strategies of enterprises. It is not as much a challenge to implement the strategy that would consist in adjusting to new market demands, but to anticipate these preferences and steer this process. This forces the entities to act in a more active and innovative way. Because of this, retailers conduct the so-called diffusion of innovations, marketing, process, and of their technological or organisational nature (Kucharska 2014). Knowledge about the attitudes and buying behaviours of young consumers is particularly important for retailers who, while flexibly adjusting to new conditions of the environment, implement many technological, product, marketing or process innovations (Śmigielska 2014).

The profile of contemporary customer is definitely different from customers “of the past”. Therefore, retail chains also need to adapt themselves to new challenges related to the characteristics of active customers. One of the fundamental issues is to explain who young consumers are for retailers. The reference is made to the concept of Howe and Strauss, in which the authors describe this group of customers as the generation born after 1982 (Howe and Strauss, 2000). In practice, the so-called Millennials are those in population who are aged between 18 and 34 in 2016. However, it is quite a broad segment, because it comprises both the working people who have their own incomes and the people who are just becoming financially independent or are still studying, and who are not yet functioning on the labour market. In their description we may find that they are technologically advanced, close to their parents, self-confident, impatient, materialistic, and self-centred, and they “covet the most recent, quickest, flashiest, and smallest form of technology” (Worley 2011). According to sociologists and market analysts, generation Y has a greater variety of personal characteristics and life styles than other generations. To several researchers, this generation is the biggest global generation. They have such an understanding that they are open to multiculturalism and ignore international borders (Ercis, Unal and Bilgili 2016).

In Poland this generation is the generation of people born between 1986 and 2010, and in other countries, like for example in the USA, they are the generation of the population boom of the 80s and 90s of the twentieth century. They are also called the “Millennium generation”, “next generation”, “digital generation” and the “generation of flip-flops and iPods”. This notion occurred for the first time in 1993, in “AD Age” magazine. (http://www.e-mentor.edu.pl/artykul/index/numer/25/id/549 accessed August 10, 2015). Unlike the previous generation, referred to as the Generation “X”, they have “tamed” the technological innovations and are actively applying digital media and digital technologies. They are considered an audacious generation that is open to new challenges.
The authors, Howe and Strauss (1991) used the following words to describe Millennials: optimistic, cooperative team players, rule followers, and racially and ethnically diverse. This generation is “possessed of rational minds, a positive attitude, and selfless team virtue”. They are also protected both by their parents and by the society. At the same time Millennials are under strong pressure, because this generation must perceive that everything its representatives want in life is critically dependent upon their own performance (Howe and Strauss, 2000). What’s more, the Millennials have a high regard for adults, especially their own parents. All this creates new challenges for retailers who got used to offline customers using the Internet mainly to do research, but who prefer to do shopping offline.

Characteristics of contemporary active consumers imply that commercial chains need to gather knowledge about them. This knowledge is acquired for the purpose of creating specific commercial offers and of determining the strategy of cooperation with suppliers who are an integral part of the value chain that contributes to the shape of offered product. It should be mentioned here that in practice, retail trade enterprises apply measures that aim at better identification of target customers. Customers of these companies are representatives of various generations. The questions of where young people do shopping, in what circumstances, what guides them in the process of making a buying decision, what they expect from products, services and buying place, what forms of payment they prefer, etc. constitute the starting point for strategy adjustment. Studies conducted so far on Millennials brought about many interesting observations. Representatives of this generation have buying expectations and behaviours that are different from those of their parents. They are:

- Less interested in buying, but more interested in availability. This explains the popularity of services such as “lending”, “joining” and “sharing”. For example, research confirms that Millennials want to work in open, flexible offices that are conducive to intensification of workers’ interactions. Nearly 1/3 of them do not mind shared deskig („Y generation do not want to buy. Young people will revolutionise global trade” 13.05.2015), http://forsal.pl/artykuly/870770,pokolenie-y-nie-chce-kupowac-mlodzi-zrewolucjonizuja-swiatowy-handel.html). This factor is very important for businesses, which provide for customer ownership. The idea of „sharing” creates the necessity of developing new services, which customers purchase in parallel with purchasing another product;

- They do not want to sign permanent agreements and therefore the importance of „independence” („freelancers”) and „co-working” is growing. („Y generation do not want to buy. Young people will revolutionise global trade” 13.05.2015), http://forsal.pl/artykuly/870770,pokolenie-y-nie-chce-kupowac-mlodzi-zrewolucjonizuja-swiatowy-handel.html). This factor is important for assessing customers’ financial credibility. Lack of customers’ financial credibility will reduce development of credit cards emitted by retailers;

- Mobile phone was the first among ten most important devices they could not live without; computer and tablet were respectively on the third and seventh positions. Smartphone is the most important product for 55% teenagers (Owczarek, 2015). This supports the development of online shops.
- Considering buying behaviors, 45% or respondents look for the price and opinions about the product. Slightly less frequently, teenagers look for information about product details – 39%, and make use of promotional vouchers – 33%. What is more, Millennials are people willingly sharing various content on the network. In particular, they most frequently use YT, FB and Instagram channels for this purpose (Owczarek 2015);

- 75% of shopping by Millennials is still made in brick and mortar stores. However, e-commerce orders in US grew from 12% in 2012 to 33% in 2014 (http://www.cushmanwakefield.com/~/media/reports/corporate/Global%20Reports/RET_BB_Millennials_May2015_FINAL2.pdf, 2016-02-06). By observing the development of shopping centers, we can state that they will became more “service” than “shopping” centers. They are offering customers many services such as entertainment, culture, sport etc. and this tendency is growing. Customers do shopping „by the way”;

- There is no longer such a thing as an offline or an online journey of Millennials to purchase, as every journey is a combination of both. This is a generation that expects convenience, and brands need to be able to connect the dots between supplier, location, customer and product information in real-time, anytime (http://www.chasepaymentech.co.uk/documents/millennial-retailer-statistics.pdf, 2016-02-06). Millennials are open to new brands and new solutions and that is a great opportunity for online shops.

Changes in shopping behaviors concern different generations, but they also concern the evolution in understanding the so-called ROPO effect. The so-called ROPO (Research Online Purchase Offline) effect is an important phenomenon which must be taken into consideration by commercial networks when discussing young customer behaviour (http://www.google.co.uk/think/research-studies/understanding CUSTOMER-JOURNEY.html, access 08/12/2014). Apart from this effect, the so-called reverse ROPO effect (Research Off-line Purchase On-line) can be observed more and more often. In practice, this means that customers purchase via the Internet the products that have been tried on, or tried out before, in brick and mortar stores. These effects refer to the purchasing path of customers and constitute an incentive to develop an online sales channel for many commercial chains. When customers make the decision to purchase a product (while the value of the product does not matter), they go to the Internet and analyse information about the product they have selected. Under the influence of collected information, they may change their decision or check product relevance (Reformat 2013). Searching for information about offers occurs on a large scale, and experts predict that this phenomenon will be intensified. Consumers will look for knowledge, opinions and recommendations they can find on the Internet more and more eagerly. For commercial networks, controlled and subjective content presented on the Internet is therefore not sufficient.

According to research conducted in Poland in 2012, the ROPO effect is already experienced by commercial entities (ROPO effect in shopping centres. Report on Poland-wide consumer survey, May 2012, Market Side). The study was conducted in the
form of CATI (Computer Assisted Telephone Interviews) interviews from the CATI studio Market Side in Warsaw. The study was performed on a representative Poland-wide sample of N = 1,010 respondents. It stemmed from research findings that suggested that every fourth Polish person looked at some product in the shopping centre, but they made their purchase elsewhere. Such a behaviour was mostly exhibited by young, single people, people with higher education and well off. This shows that they belong to the aforementioned “Y” or “Z” generation. Products “sensitive” to the ROPO effect included footwear (mainly people aged 18-29 years) and clothing (mostly women). These categories are most important for shopping centres. Women also frequently bought cosmetics/perfumes and household appliances in this way, while men bought audio, television and computer equipment. It should be observed that specialist stores located outside centres, as well as the Internet, were the main places of purchase outside the shopping malls. The ROPO effect (research online, buy online) concerned every eleventh (9%) adult Polish person. Lower price was definitely the prevailing reason for buying outside the mall. It should be stated that in a few years, single people aged 18-29 will start a family, will have greater purchasing power and may make an important part of an already larger, family shopping basket on the Internet.

Taking into consideration the above comments, the Authors conclude (tab. 1), that retailers should develop a new communication strategy with customers. This new strategy should better match retailers’ offer to the customer buying decision process.

Table 1: Operations of commercial chains with reference to the stage of buying decisions of young consumers

<table>
<thead>
<tr>
<th>Stage of the process of making a buying decision</th>
<th>Retailers’ activities online</th>
<th>Retailers’ activities offline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stating the lack, and the feeling of necessity to satisfy the need</td>
<td>Sources of need identification – communication tools – social media, twitter, applications of virtual stores</td>
<td>Mass commercials on TV, magazines, inserts, brochures, information in-store, personal selling,</td>
</tr>
<tr>
<td>Searching for information</td>
<td>Product internet pages, price comparison websites, blogs, vlogs, social media, applications enabling “product testing”, customised offer, incentives increasing the product value, portfolios of “many added values”</td>
<td>Mass commercials on TV, magazines, inserts, brochures, information, in-store communication activities, sales persons’ support, visiting stores, using celebrities in promotional campaigns,</td>
</tr>
<tr>
<td>Assessing alternative solutions and selection</td>
<td>Social media, price comparison websites, offline stores bloggers’ opinions, sellers’ opinions</td>
<td>Sales persons’ support, recommendations of accompanying person(s), comparison of the offer between stores,</td>
</tr>
<tr>
<td>Purchase</td>
<td>Applications ensuring secure online purchase, free deliveries</td>
<td>Sales persons’ support, physical evidences of services</td>
</tr>
<tr>
<td>Post buying behaviours</td>
<td>Applications ensuring buying security, free deliveries</td>
<td>Sales persons’ support</td>
</tr>
</tbody>
</table>

Source: Own work.
3. STRATEGIC BEHAVIOURS OF RETAIL CHAINS TOWARDS YOUNG CONSUMERS

The new generation is in fact a challenge to global retailers who developed, over the years, competences creating their competitive advantage among well-recognised buyers and their needs. Similarly, service-providing enterprises see their chances in the segment of young consumers (Wolny 2006). All of them implement a series of innovations that help to form a competitive advantage (Śmigielska and Stefańska 2015). The attitudes of customers are important factors of uncertainty, and could also be presented as specific factors influencing the activities of the enterprise (Komańda, 2015). However, it happens that what constitutes as the source of power in the real world does not necessarily translate into success in the virtual world. Therefore, retailers must meet several conditions to adjust their business model. They should:

- Start to exist in the virtual world. In fact, 96 per cent of online retailers are planning to invest in some area of e-commerce within the next 12 months (http://www.chasepaymentech.co.uk/documents/millennial-retailer-statistics.pdf, 2016-02-06);

- Integrate communication between many channels and buyers, in particular to use social media;

- Simplify and ensure transaction security (one in five online retailers plan to invest in optimising payments for smart technology (18 per cent), adding new payment methods (19 per cent) and creating a simplified payment process (19 per cent) (http://www.chasepaymentech.co.uk/documents/millennial-retailer-statistics.pdf, 2016-02-06);

- Increase added value of brands preferred by the generation, for example through targeted information, vouchers, etc.

Change in retailers’ strategies should aim not only at integrating and synchronising both trends, but also at being a step ahead of the needs of young people. Retailers could suggest to them what they need. This means that they should create their needs while providing tools facilitating the process of making the buying decision. We can accept the thesis that technology has the greatest impact on changing the retail environment and the buyers themselves (Sztangret and Bilińska-Reformat 2014).

Access to online stores and their offer, information about products and its features comes from blogs, vlogs and fun pages, products’ opinions at discussion forums. In addition, the possibility to compare store offers has changed the ways of online information distribution to young customers. Direct contact with store personnel is often limited and takes place when most of the information is already collected or access to online information is limited or seems to be overly controlled by the company. Augmented reality will be simplified in the future, because customers can see only what is showed on the Web side. Not all senses used in traditional shops will be used in augmented reality. This creates the necessity of very effective retailer positioning. International retailers’ experiences from last decades confirms the meaning of image in
maintaining sustainable competitive advantage. The image building dimensions, such as range of assortment, brands, localization, price, promotional activity, atmosphere, any facilities for customers or social factors – connected with CSR are successfully used by retailers and let distinguish them from other market players (Stefańska 2011). However nowadays virtual world is a new or rather additional (and probably in the future main) space for continuation of this image. Retailers will function online and offline in order to be available to customers. They will develop their positive image and reputation in the distribution channel. They will change global thinking to local thinking through cooperation with local partners.

Next stage – buying has also forced retailers to implement new solutions. Proximity cards (pay pal system), electronic purse system (IKO) and mobile applications let buyers compare prices. For example while being in the store, you can scan the barcode of a particular product and compare it on the dedicated website with similar or identical offers in other stores, not necessarily traditional ones, or download an application on a smartphone that will respond to messages sent via Bluetooth about promotions in the shopping centre where shopping is done. These are just some examples that strongly interfere with consumer habits (Shopping Show, Purchasing habits of Polish people 2013).

After shopping, the post-purchase stage is very important for developing relations with customers. Using FB in promotional activities is a very good example of building relationships especially with young customers by involving them in network activities. Customers become loyal advocates of a particular network and they often lobby for its benefit by encouraging friends to like it (Fanpage Trends, June 2013, Sotrender). Similarly, associated with the growing number of mobile devices, development of m-commerce is the area of innovation in retail trade. We can conclude that thanks to new technology consumers are becoming unpredictable, less loyal and more and more sensible in their approach to purchasing. New consumers are described as “technological” and have knowledge about available market offers. Retailers have to analyse the process of shopping decision and find out how young and younger customers will behave in the future. At the same time, they have to keep the link with older generations.

4. CONCLUSION

Retail trade chains operating in Poland intensely struggle for customers. Chain marketing activity brings increase in trade competition and results in growth of consumers’ demands. Commercial chains gather knowledge about customers’ needs, and this is evident in the expansion of product offer, implementation of brands of domestic producers and creation of offers adjusted to particular market segments, while they apply technological achievements more and more frequently.

Customers of commercial chains are better and better educated. They compare offers of shops and „follow” global trends.

Despite a very dynamic growth in interest in virtual commercial activity, enterprises still invest in brick-and-mortar stores. Many customers purchase mainly of-
The Y generation meets their different needs in various retail formats. Switching from offline to online shopping will depend on the diffusion of technological innovation among representatives of different generations. In the perspective of several decades, it may prove that brick and mortar stores will perform the function of storehouses that hand over products, provide fitting rooms and become places for returning products and making complaints. The separation of financial and product stream is going to occur, because payment will take place only in the virtual world. After this, it can be anticipated that commercial centres will evolve into multifunctional centres in which typical commercial services will accompany other services of social nature – entertainment, culture, education, accommodation or recreation, and young consumers will participate in them while doing shopping in the meantime.

The meaning of shopping through Internet will continue to grow, mainly by smartphones or tablets. It’s necessary to create solutions such as applications for those mobile devices both for communication and sales purposes. Applications has to available mainly for free and navigation should be easy to use. It’s also important to create solutions which secure transactions made by customers to minimize risk and build trust.

The ubiquity of retailers’ both online and offline let young customers’ comparison of their offers, evaluating alternative solutions of satisfying needs and choosing the best option. This obligate retailers to be more oriented on unique image and build it on values, which are important for this generation. Taking into consideration growing importance of Y generation (as the relatively new segment for retail chains not fully recognized) it’s a challenge to get knowledge about needs and behaviour of young customers.

Presented results based only on secondary data are important limitation in the study. Therefore it seems necessary to continue the field study in future as well as developing research tools that allow for the identification of influence of „Y” customers behaviours on strategic behaviours of retail chains. The future research could concentrate on recognition the motives and perceived benefits from shopping by Internet, also how to overcome threats such as perceived risk.

REFERENCES:


Ponašanje mladih potrošača na maloprodajnom tržištu i njihov utjecaj na aktivnosti maloprodajnih lanaca

Katarzyna Bilińska-Reformat & Magdalena Stefańska

Sažetak

Cilj ovog rada je prikazati sklonosti mladih potrošača prema trgovačkim lancima i to u odnosu na marketing trgovačkih lanaca. U ovom radu opisuju se određena strateška ponašanja maloprodajnih lanaca u području stvaranja odnosa s mladim potrošačima. Pri tome se poseban naglasak stavlja na tehnološke i marketinške inovacije. Korištene metode uključuju kritičku analizu literature na ovu temu, izravnu studiju o mladim potrošačima maloprodajnih lanaca u Poljskoj koja se usredotočuje na njihove potrebe te studiju slučaja koja prikazuje marketinške aktivnosti maloprodajnih lanaca koje su usmjerene na mlade potrošače. Prepoznavanje potreba ciljnog segmenta trebalo bi dovesti do kreiranja trgovačke ponude koja zadovoljava krajnjeg kupca. Mladi potrošači koriste nove tehnologije u svakodnevnom životu te stoga maloprodajni lanci koriste IT rješenja za razvoj svoje ponude. Dosadašnja saznanja o procesu kupnje od strane ovog segmenta kupaca treba detaljnije istražiti zbog promjena u postupku definiranja izvora informacija i njihovog vrednovanja. Osim toga, mjesto kupovine se mijenja i to utječe na strategije maloprodajnih lanaca i na način stvaranja konkurentne prednosti. Možemo pretpostaviti da bi se tijekom nekoliko sljedećih desetljeća moglo dogoditi da trgovine „od cigle i cementa“ postanu samo skladišta za preuzimanje proizvoda, garderobe, ili mjesta povrata proizvoda odnosno reklamacija. Dogodit će se odvajanje financijskog toka i toka proizvoda, jer će se plaćanje odvijati samo u virtualnom svijetu. Rad doprinosi teoriji strategija inovacija maloprodaje te marketinga odnosa. Također doprinosi praksi koja pokazuje kako bi globalni maloprodajni lanci trebali graditi odnos s mladim kupcima kroz online kanale prodaje.

Ključne riječi: mladi potrošači, strategije svjetskih maloprodajnih lanaca.

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3 Dr.sc. Katarzyna Bilińska-Reformat, docent, University of Economics in Katowice, Faculty of Management, Katowice, Poljska, E-mail: kasiabr@ue.katowice.pl
4 Dr. sc. Magdalena Stefańska, docent, Poznań University of Economics, Faculty of Management, Poznań, Poljska, E-mail: Magdalena.Stefanska@ue.poznan.pl