

## **GENERATION Z AND THE TRANSFORMATION OF ONLINE PURCHASING: THE ROLE OF E-COMMERCE IN CONSUMER PREFERENCES**

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### **Abstract**

This research examines Generation Z consumers' preferences regarding online purchasing and the influence of e-commerce on their shopping patterns. Through analysis of online shopping behavior and consumer responses, this study provides insight into how brands can optimize the online shopping experience for Generation Z.

### **Introduction**

Marketers need accurate information to be more effective and efficient in the marketing process. Accurate information is obtained from marketing research. Marketing research can be carried out with the aim of improving products to better suit consumer needs and desires. Different generations also have different consumer desires and needs, so marketers need to be more careful in determining marketing channels. Consumer needs and desires need to be identified in more detail because conventional purchases are now starting to be replaced by online purchases via e-commerce which is available from several digital platforms.

Often abbreviated as Gen Z, generation Z is often referred to as digital natives, natives of the digital world. This generation is the younger sibling of the millennial generation. Generation Z was born in 1997-2012(Widi, 2022)Based on the Indonesian Data article, Indonesia's population is dominated by generation Z. Based on data from the Central Statistics Agency (BPS), around 27.94% of the population comes from the generation born 1997-2012. According to data from the Ministry of Home Affairs

(Kemendagri), the population of Generation Z aged 10-24 years is 68,662,815 people as of December 31 2021. Based on surveys, Generation Z is the one who uses the internet the most.(Mahmudan, 2022). The percentage of generation Z who use the internet less than 1 hour per day is only 8.6%. As many as 29.7% of generation Z use the internet for 1-3 hours a day. Then, 27.4% of this generation uses the internet for 4-6 hours per day.

The Generation Z age group is currently a potential market for marketers to target. The purchasing decisions of this generation are said to have quite a big influence(Isnawati & Purwanto, 2022). Seeing that the oldest of this generation is already in the workforce, this means they already have their own income. However, with the habit pattern according to the data mentioned above, that they spend 4-6 hours a day surfing the internet, this means that as a target market living in the digital era, marketers must consider selling using an online system, namely using the internet network. The online goods sales system can use digital platforms, better known as e-commerce. Baethge (2019) in(Isnawati & Purwanto, 2022)identified that e-commerce with social media as an important channel of choice for consumer purchases, especially generation Z. As a generation that feels comfortable in the virtual world, this generation is very careful and selective in spending their money(Andriyanty & Wahab, 2019). Generation Z has very different habits compared to previous generations.Generation Z are not good listeners and lack interpersonal skills, communication with other people generally uses the World Wide Web(Kahawandala et al., 2020).Generation Z has a purchasing decision making style that is sensitive to brand, price, perfectionist, prioritizes quality, hedonistic, impulsive and loyal.(Utamanyu & Darmastuti, 2022). When this group of consumers feel trusted and like certain brands or goods, they rarely think twice when making purchasing decisions.

Subjective tastes which are measured by the level of usefulness of consuming products or services are the definition of consumer preferences. This theory shows that consumers have the power to rate a product or service that has been consumed(Andriyanty & Wahab, 2019). And it must be ensured that consumer preferences do not depend on income and price, nor purchasing ability. This preference is formed from consumer perceptions of the product (Munandar et al., 2012).(Andriyanty & Wahab, 2019). As a potential market generation, the preferences of Generation Z are interesting to research.Generation Z is the largest generation, covering around 32% of the global population (Miller and Lu, 2018) and is estimated to have a significant impact on consumer sales globally, therefore it is important to conduct research on this generational group that has strong potential (Wolf , 2020)in(Djafarova & Bowes, 2021). Therefore, the aim of this research is to determine the preferences of generation Z regarding the influence of e-commerce in conducting online shopping in order to provide marketers with insight into current shopping patterns so that they can optimize the online shopping experience, especially in Indonesia, using secondary data sources with study research methods. literature.

## Literature Review

### Consumer Behavior and Consumer Purchasing Behavior

According to Malini (2021) Consumer behavior is a series of decisions itself, starting with a discussion about why people buy something, gathering information, evaluating the product before buying it, using it after buying it, weighing the quality, deciding whether the customer is good or dissatisfied, and deciding whether the customer will buy the same product. again or not. Consumer purchasing behavior is the behavior of individuals and households who buy goods and services for personal consumption. (Kotler et al., 2021) states that research on consumer behavior is to explore how individuals, groups and organizations choose, buy, use and dispose of goods, services, ideas or experiences to satisfy their needs and wants. In understanding consumer behavior, according to Kotler, a tactic is needed that shapes the offer and market context where the sales offer will be filtered based on the customer's cultural, social and personal aspects as well as what influences consumer motivation, perception, emotions and memory. All of these things influence the consumer purchasing process which is a journey that requires recognition of a need, search for the best way to meet the need and evaluation of available options to finally arrive at a final decision about what, when, where and how much to buy and how. how to pay for the purchase, which is called purchasing behavior. There are many factors that influence purchasing behavior. Understanding purchasing behavior is never simple but is an important task of marketers. One way in marketing to influence consumers to be willing to make purchases is through marketing communications. And there are several response steps in the marketing communications process, namely: Awareness, Knowledge, Preference, Recognition and Purchase, although the sequence is not always the same.

### Consumer Preferences

Kotler et al. (2021) in his book groups consumer preferences as one of the consumer responses to products or services from the marketing communication process or based on experience with goods or things that have been consumed. The target audience may like the product but when compared to other products they will dislike it. Consumer preferences can be built based on product quality, value, performance and features that the product has compared to competitors. In the KBBI, preference is defined as a liking or inclination towards something or a person's choice of likes and dislikes for a product, good or service consumed. Preferences have a goal which is the final decision in the purchasing process to be enjoyed by consumers so as to achieve consumer satisfaction (Nadja et al., 2023). And then obey Nadja et al., (2023) that the preference stage is the initial stage of the consumer loyalty stage. Kotler & Keller (2012) in (Nadja et al., 2023) There are 3 preference patterns that can be formed to identify preference segments, namely:

- Homogeneous Preferences, shows that all customers in a market have the same preferences.

- Preferences are spread out, indicating that customers differ greatly in their preferences
- Group preferences, where the market consists of several groups who have their own preferences within their groups.

Consumer preferences are also defined as subjective (individual) taste, which is measured by the level of usefulness of consuming a product or service. This theory gives consumers the power to rate the product or service. And it must be ensured that consumer preferences do not depend on income and price. The ability to buy goods does not determine whether consumers like them or not. This preference is formed from consumer perceptions of the product (Munandar et al., 2012). (Andriyanty & Wahab, 2019).

### Generation Z

Generation Z is a group of people born between 1997-2012 (Rakhmah, 2021) in (Karina et al., 2021). Generation Z has several names, namely, Gen Z, post-millennial generation, iGeneration, Gen Net, and Digital Natives. This generation was born amidst the use of the internet and sophisticated technology (Rastati, 2018). (Karina et al., 2021). According to Hellena Katherina, an Executive Director of Nielsen Media Indonesia, 86% of Gen Z use devices as online learning tools and play games (Ginting, 2020) in (Karina et al., 2021), this proves that Gen Z is very suitable to be called digital natives. There is even sarcasm that says that generation Z cannot live without a smartphone like oxygen for breathing. Generation Z's dependence on the internet influences their character and mindset. Generation Z has distinctive characteristics, including digital natives, expressive, multitasking, able to interact intensely via social media. Apart from that, Generation Z has a global mindset that tends to be open and tolerant of various views or perspectives. Likewise with shopping patterns, Generation Z has a strong preference for online purchases and is strongly influenced by e-commerce (Utamanyu & Darmastuti, 2022).

### Ecommerce

In the beginning, e-commerce according to Jony Wong (2010) in (Magdalena & Jaolis, 2018) is the purchase, sale and marketing of goods and services through electronic systems such as television, radio and computer networks or the internet. In (Putra et al., 2021) e-commerce is a business activity that involves information technology in providing a new platform for delivering goods and services, increasing efficiency and sales in business (Išoraitė and Miniotienė 2018). (Nugraha & Arijanto, 2022) then wrote that e-commerce is a process of buying and selling services or products that mediates between two parties via the internet (Commerce-net) as well as a type of electronic business mechanism with a focus on individual-based business transactions that use the internet as a medium for exchanging goods or services either between agencies or individuals with agencies (NetReady) (Kasmi & Candra, 2017). So currently e-commerce is better

known as an internet-based platform that mediates buyers and sellers who focus on business transactions. Thus, it can also be said that e-commerce is a digital market.

#### Shopping Patterns and online purchasing transformation

Shopping patterns or purchasing patterns show how consumers buy goods or services (Kahn, 2012). (Vanessa & Japutra, 2017). How consumers purchase can be shown by frequency, quantity, duration, etc. Purchasing patterns can also be related to customer demographics, geography, and psychology. Further understanding of purchasing patterns will provide benefits for companies for decision making in the areas of strategic marketing, segmentation, distribution and promotion (Kahn, 2012) in (Vanessa & Japutra, 2017). Shopping patterns are also included in consumption patterns because consumption patterns are the process by which people search for, buy and consume products in a certain way to fulfill all their needs or desires (Olutola & Ojakorotu, 2016) in (Nugraha & Arijanto, 2022). Consumption patterns are also defined as an arrangement of a person's needs for goods and services consumed based on income within a certain period of time (Nugraha & Arijanto, 2022). (Kotler et al., 2023) stated that rapid technological and digital advances have disrupted traditional buyer-seller relationships and consumer purchasing patterns. Kaplan et al. (2010) in (Adawiyah & Amirullah, 2023) states that digital transformation is a change caused or influenced by the use of digital technology in every aspect of human life. Technological changes will affect all aspects of human behavior, society will depend on developments in the world of technology, including transformations in shopping patterns. This change in consumer behavior (shopping patterns) certainly occurs due to conditions that force them to adapt to these conditions (Desanuari & Ludtriani, 2022).

#### Discussion

The topic of Generation Z and the transformation of spending has been researched before, although not comprehensively, therefore in this section a number of related research results will be presented.

##### Relationship between Generation Z's preferences for online purchases

In the results of research by (Utamanyu & Darmastuti, 2022) Generation Z thinks that online shopping is more practical and efficient. This is also supported by research results (Isnawati & Purwanto, 2022) which states that Generation-Z in Indonesia has a strong tendency to shop online and they show special behavior, especially when shopping for clothes, food & drinks. (Malini, 2021) states that Generation Z prefers digital purchases, namely ordering and paying digitally.

In determining the choice of goods/services to be purchased by Generation Z, they are greatly influenced by KOL (Key Opinion Leader) / influencer spread across social media. These reviews from KOLs or influencers are then trusted by Generation Z to be a consideration in their purchasing decisions (Utamanyu & Darmastuti, 2022). However, Generation Z still pays great attention to the security of the e-commerce they use, the next aspects to pay attention to are promotions, product variety, ease of use (Putra et al., 2021).

According to (Kahawandala et al., 2020) 66% of Generation Z agree that they research products before purchasing. Furthermore (Haryaji Catur Putera Hasman et al., 2023) analyze the factors that influence Gen Z's e-loyalty in shopping on e-commerce, namely e-WOM (Word of Mouth), e-servqual and e-satisfaction have a positive and significant influence on Gen Z's e-loyalty in shopping on e-commerce. commerce both partially and simultaneously.

A literature study by Baethge et al., (2019) in (Isnawati & Purwanto, 2022) identified that e-commerce with social media as its preferred channel is important for consumer purchasing. (Putra et al., 2021) also identified that the e-commerce platform that is the top choice for generation Z in Indonesia is Shopee, followed by Tokopedia, Lazada and Blibli.

The influence of E-Commerce on generation Z shopping patterns

Rapid technological and digital advances have disrupted traditional buyer-seller relationships and consumer purchasing patterns (Kotler et al., 2023). Kaplan et al. (2010) in (Adawiyah & Amirullah, 2023) states that digital transformation is a change caused or influenced by the use of digital technology in every aspect of human life. Technological changes will affect all aspects of human behavior, society will depend on developments in the world of technology, including transformations in shopping patterns. Generation Z, who grew up alongside advances in digital technology, makes their shopping patterns follow what is in their digital world. E-commerce is the result of the transformation of online purchasing. Initially people were familiar with traditional markets, then they developed into modern markets and finally e-commerce or digital markets.

In research results (Nugraha & Arijanto, 2022) E-commerce has a significant influence on generation Z's shopping patterns. They are greatly influenced by reviews from trusted people in deciding to purchase online (Utamanyu & Darmastuti, 2022). But there are also research results that show that E-customer reviews do not significantly influence online purchasing decisions (Simamora & Islami, 2023). Other factors that influence generation Z shopping patterns are price, location and advertising. Consumer behavior also significantly influences generation Z's consumption patterns, then e-commerce and consumer behavior have a significant influence on generation Z's consumption patterns. Generation Z in Indonesia has a strong tendency to shop online, especially when shopping for clothes, food & drinks, because it is easier (convenient), lower price perception, product variety and more efficient time (Isnawati & Purwanto, 2022). Generation Z are consumer buyers who tend to spend money if they have a desire for certain products, especially Generation Z women (Isnawati & Purwanto, 2022). On the other hand, Generation Z customers expect that marketers understand consumer behavior regarding online shopping (Priporas et al., 2017). Priporas et al., (2017) found that generation Z respondents asked for an increase in intelligent information technology that could help in finding constant product offers that fit their needs, they also felt uncomfortable with online sales security issues and worried about human interpersonal relationships which were influenced by human-computer interaction and the possibility of technology replace actual employees.

In subsequent research, several attributes of e-commerce were studied by (Simamora & Islami, 2023) identified that the e-customer review attribute does not

significantly influence online purchasing decisions, the e-customer rating and e-payment attributes positively and significantly influence Generation Z's online purchasing decisions.(Sudirjo et al., 2023)investigate e-commerce features that influence generation Z's purchasing behavior, namely, shopping site features and privacy security features each influence impulsive online purchasing behavior, and each also influence online shopping enjoyment in generation Z. Furthermore, online purchasing service features influence shopping enjoyment online and the enjoyment of online shopping influence impulsive online purchasing behavior(Sudirjo et al., 2023).

## **Conclusion**

From these findings, it was identified that generation Z has a strong tendency to make purchases via e-commerce, both at the ordering and payment stages because they feel it is more practical and efficient. In making choices, generation Z relies on influencers or currently known as KOL (key Opinion Leader) which is one of e-WOM. But generation Z will not be influenced just like that, but in choosing appropriate e-commerce they consider security, promotions, product variety and ease of use, as well as e-quality and e-satisfaction from e-commerce platforms making this generation e-loyalty or loyal. .

E-commerce is a transformation from conventional to digital. Generation Z as digital natives is very dependent on e-commerce platforms for shopping activities. The attributes and features of e-commerce that shape the shopping patterns of generation Z are, e-customer reviews, although the influence is not significant because generation Z needs more information to be more confident in making purchasing decisions. Price, location and advertising attributes also influence the shopping patterns of generation Z. Then in other research it was stated that the attributes of e-customer rating and e-payment significantly influence purchasing decisions. and from shopping patterns formed from e-commerce attributes and features, can influence impulsive online purchasing behavior and shopping enjoyment.

For marketers who want to optimize the online shopping experience for Generation Z, a unique strategy is needed. Conventional marketing no longer suits this generation because they spend a lot of time on the internet. Increasingly intelligent information technology can be utilized to assist in carrying out targeted marketing.The attributes and features of e-commerce are the focus of marketers that need to be adapted to the shopping patterns of generation Z.Targeted marketing will play an important role in shaping the purchasing experience of this generation of consumers. And this will have an influence on the formation of consumer preferences and then on the purchasing decision making process, and will play an important role in maintaining customer loyalty.

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