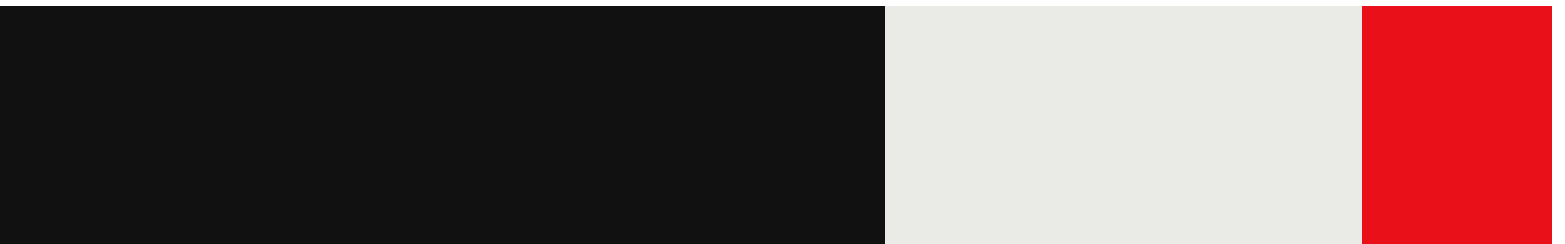


Reimagining Retail: How young people will change shopping by 2025, and the brands that will have staying power

Audio



On today's episode, in our "Retail Me This, Retail Me That" segment, we discuss the preferred shopping channels for Gen Z shoppers, what gets teens to buy, and which innovations in payments will influence spending. Then for "Pop-Up Rankings," we rank the top four brands that will have staying power with teens come 2025. Join our analyst Sara Lebow as she hosts analysts Sky Canaves and Blake Droesch.

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Episode Transcript:

Sara Lebow:

Hello, listeners. Today is Wednesday, April 5th. Welcome to Behind the Numbers: Reimagining Retail, an eMarketer podcast. This is the show where we talk about how retail collides with

every part of our lives. I'm your host, Sara Lebow. Today's topic is how young people are changing shopping.

Before we jump in, we are still running a contest. How does this work? For the past two weeks, we've asked a question and whoever sends in the right answer along with a screenshot of their podcast five-star rating and or review wins a Reimagining Retail branded gym bag. I still want one of these gym bags. Last week's question was name one of the two living egg-laying mammals, and the winner is Abby A. from Omaha with platypus. The other acceptable answer would've been echidna. Abby, look out for an email from Stu to claim your reward. Listeners still have two more chances to win this gym bag. This week's question is a double landlocked country is a country that is surrounded by landlocked neighbors such that you'd have to leave the country, cross through another country and enter a third country to get to the ocean. The question is name one of the only two double landlocked countries. Email that answer to podcast@emarketer.com along with a screenshot of your five-star rating and or review for a chance to win.

All right, let's jump into the episode. Let's start off with meeting today's guests. You already know them. Joining me for today's episode, we have senior analyst Sky Canaves. Hey, Sky.

Sky Canaves:

Hey, Sara. Great to be back.

Sara Lebow:

Also with us is senior analyst Blake Droesch. Hey, Blake, welcome back.

Blake Droesch:

Hey, Sarah. Hey, Sky.

Sara Lebow:

Okay, let's get started with our first segment, news and reviews, where I give the news and our guests tell me their reviews. Today's story is a March 29th story from Business Insider titled Walmart is rolling out a new perk to its \$98 annual Walmart Plus membership, early access to a new Oreo flavor. The headline kind of says it all. The new flavor is called Blackout Cake and Walmart is pushing this as a sort of bonus perk to boost subscriptions. Sky, your review of this story in 60 seconds is?

Blake Droesch:

I have to say this is one of the most creative kind of perks I've seen in a paid membership program. I know that Walmart has used early access to sales like Black Friday sales and it's held exclusive sales for members, which is pretty standard. That's kind of in the Amazon Prime model, and we've also seen early access to products from other membership programs or loyalty programs as a perk. But pulling in a third party brand and giving exclusive access to members to their products is pretty creative, I think, though it's probably not going to really entice people to become Walmart Plus members in the first place, it's just kind of a fun bonus that I think speaks to their attempts at expanding membership among younger consumers especially, which is somewhere we've seen Walmart Plus has gained a bit of traction. It might be its lower price point versus Amazon Prime and it's really targeted efforts.

In our December Survey of Consumers, we saw that the Walmart Plus membership rate among those younger consumers in the 18 to 34 age group was especially high. It reached over 40%, which I think, is very notable and I'm sure Blake will have more to say about this since he's working on a report on membership programs.

Sara Lebow:

Yeah, I think this will definitely help to at least raise awareness of Walmart Plus. Blake, your review of this headline in 60 seconds is?

Blake Droesch:

Yeah, thanks for the plug, Sky, of the upcoming report. I think you summed it up pretty well, though. I think it's a fun idea. It's creative. In a world where all of these retail memberships, the core features are kind of overlapping, this is something that Walmart can put forth to stand out. Is one limited edition Oreo flavor going to drive a ton of signups? No, I agree with you, but if Walmart leverages its pretty deep partnerships with a lot of these CPG companies and Walmart Plus becomes known as a subscription where some of these fun, exclusive collaborations or limited edition flavors pop up and you can get access to it, I mean, that could definitely entice people over time if this becomes a little bit more of a trend. I think you're exactly right, that younger demographic is a place where I could really see Walmart Plus gaining some traction.

For all of the things you said, Sky, but I'll add sort of another layer is that this younger, like 18 to 25-year-olds, they're now becoming more financially independent and maybe growing up,

they had access to their parents' Amazon Prime account, but now that they're going out on their own, they have the ability for the first time to really decide what retail memberships they want to pay for out of their own pocket. With so much loyalty for existing Prime members, really making it hard for Walmart to crack into that, maybe they have a chance of breaking into the younger demographic that doesn't already have a reoccurring payment set up for a retail membership.

Sara Lebow:

We're going to talk more about how this younger demographic spends, but first a really important question. Does the Oreo flavor Blackout Cake sound good to either of you?

Sky Canaves:

Eh, I'm a little... It's not quite the level of the rainbow Oreo, I think in terms of its kind of viral appeal. I'm a little mixed. Oreo, I feel has so many flavors that come out regularly that Blackout Cake isn't really standing out for me in any particularly special way.

Blake Droesch:

Yeah, it's not the worst Oreo flavor I've heard of, but if I'm not one of those hardcore chocolate lovers, but I don't really even know what blackout cake is, but it sounds like it's like a chocolate bomb.

Sara Lebow:

I think it's two different kinds of chocolate cream inside the chocolate cookies. It does not sound good to me. I don't like chocolate flavoring. Love a chocolate bar. Don't like a chocolate flavoring. Oreos aren't my favorite, but it's still a fun perk. I love a kitschy flavor collab, so fun to see.

Now it's time for our next segment, Retell Me This, Retell Me That where we discuss an interesting retail topic. Today's topic is how young people will change shopping. Gen Z makes up about 20% of the US population right now and more members of Gen Z are adults than children according to census data. By 2025, the youngest members of Gen Z will be 13, the oldest members will be 28, so a lot will be adults, which means that they'll definitely be shaping the retail landscape. Let's start off with discussing the preferred shopping channels of Gen Z. What are they and how is this influencing retail?

Sky Canaves:

I think overall, shopping channels, the mix between retail, in-store and online is very largely skewed towards stores and will continue to be so. Even by 2025, 2026, we're still looking at 80% of retail sales taking place in stores. What's changing is really the discovery and the social commerce aspects of retail, where more of that is shifting to online and mobile and apps and especially the biggest influence we're seeing now shaping how young people shop is TikTok. That TikTok Made Me Buy hashtag is approaching 50 billion video views. Right now, it's around 48 billion and maybe a hundred million views a day. But mainly it's because search and discovery are moving onto new channels and TikTok has been the big beneficiary here for now, as long as it keeps its US business going, and it has bigger plans for social shopping with more integrated livestream commerce that it's testing out right now.

We saw a recent Jungle Scout report, their latest consumer trend survey that found that among Gen Z, 43% are starting their product searches on TikTok and that's a higher number than those who start on Google. This was just among adult Gen Z users. I should know 18 to 26 year olds, so I would think that among the younger teen users, it would be even higher.

Blake Droesch:

Yeah, I think the other side of that as well is we're seeing influencers which have been around and have an impact on many generations before Gen Z. It's not new, but it's shifting from the old school celebrity doing an advertisement to these creators and these stars that are coming out of platforms like TikTok that are not only driving purchases but also creating their own brands and some of those brands are becoming quite popular.

I definitely wanted to bring up this example that I came across a month ago, this Prime Energy drink that was one of the Logan Paul or his brother. This is just an energy drink that basically they developed and released and it just became massively popular overnight and to the point where it's been banned in schools in Australia, people were spending 20 pounds for a six-pack of it in the UK. I think that the other side of it is not only just the shopping discovery and the search on social networks, but also the culture of celebrity that is coming out of these platforms that has a lot of impact on younger generation's buying behavior.

Sara Lebow:

Yeah. Prime Energy. That's Logan Paul's drink, I think not his brother Jake. That was the first influencer product to have a Super Bowl ad, right?

Blake Droesch:

Oh, interesting. Okay. Yeah, I think it came out of nowhere and just as a retail analyst, I was like, I'd heard about it, I'd heard it was going for, it is so expensive and I was like, what is the story behind this? How do you get a brand to blow up this way? Then sure enough, I find out that it was created by these ultra popular influencers and that made perfect sense to me.

Sara Lebow:

Yeah. Something similar's happening with MrBeast's candy bars right now, which are sold at Walmart, where there's I think young people or fans of MrBeast craze around them. Is that new, the idea of a craze around a creator-driven product? I mean, it is, but that happens with celebrity products, right?

Sky Canaves:

But more so with products where the celebrity has a really loyal following. In beauty. We've seen recently there have been so many celebrity beauty brands and by far the most popular is Selena Gomez's Rare Beauty. It really stands out or there's also Rihanna's Fenty Beauty. I think there really has to be a connection between the celebrity and their brand and their fans that they can all relate to or they all are interconnected and the fans will follow the celebrity as long as they believe in what they're doing and it really gets back to authenticity. Fans want to believe that the celebrity or influencer is creating a product because they believe in it, not just because it's a popular or trendy thing to do.

Blake Droesch:

I think see this happen all the time, particularly in the spirits industry, and that's something that is not targeted to young people at all. When you think of George Clooney's, Casamigos tequila, which is extremely popular, I would imagine George Clooney, it still is good for him, but not super relevant to the 18 to 25-year-olds at this point. I mean, when I was younger growing up, it was like when 50 Cent had this Vitamin Water, that was a huge thing and it was hard to get your hands on, so this stuff is around, but just the creator economy is enabling and I think probably a quicker route to stardom and popularity for these products that creators release because of the fact that the digital world moves so quickly and creators have these tools to create and instantly market in a really viral way these products that they're coming out with.

Sara Lebow:

Okay, so young people are influenced by TikTok, influenced by creators. It's not necessarily new stuff, but we're expecting that to stick around. I want to shift gears slightly and talk about how innovations in payments are influencing spending. Obviously we've seen a huge trend with buy now pay later, and Apple just released its own buy now pay later product. How do we expect this to influence how people shop long term and how does that tie into how young people think about money?

Sky Canaves:

I think right now, from what we see, Gen Z is still spending. They may have a bit less financial anxiety, maybe a bit more fear of missing out or YOLO, you only live once, after going through the pandemic during such formative years, so they're really still buying and especially prioritizing experiences, but they're also looking for value just because their budgets are smaller. They're also shopping online a lot more than older counterparts. We saw in the Jungle Scout survey, I think 32% said they shop online at least once a day, which seems huge and that's a bit higher than Millennials where they said about 25% were doing the same. But that's really been driven by mobile commerce and how much easier it is becoming to buy things on your phone through apps and mobile payment solutions like Apple Pay.

Blake Droesch:

Yeah, I think once again, buy now pay later is one of these things that is not new, but the accessibility of it is just so much more prevalent to the shop and so heavily ingrained in our shopping now that it is creating a whole new area for a buy now pay later model for products that are not need to have but want to have and that's a pretty big difference. People say that buy now pay later is basically just the new version of layaway and that's very true, but I think when most people were younger, the idea of layaway is something that you would use for an emergency situation. Like your refrigerator breaks and you need to buy a new refrigerator and you can't shell out the massive amounts of money so you pay it off over time.

But every time now a young person or anyone really goes to look at a shirt or any piece of clothing or a gadget or whatever, and you always see that little Klarna payment thing right next to the checkout window, that is introducing a whole new use case for the type of buy now pay later model that is available to younger people in a way that really wasn't top of mind previously, so I think that's opening it up a lot more and is going to be something that is going

to be used in a variety of situations for the next generation of new shoppers because of its availability.

Sara Lebow:

Yeah. Sky, you talk a lot about how digital wallet adoption is a major unlock for mobile commerce and I think that Apple integrating buy now pay later is probably going to look the same.

Sky Canaves:

Yeah, and it's going to be right up there when people go to use Apple Pay, I'm guessing, or when they have their credit card store, if they're making a purchase, we might see an option, like would you like to split this payment into four and it's going to be very seamless and frictionless, I would expect.

Sara Lebow:

Before we go to the next section, I want to talk about Gen Z's shopping habits and how much we expect them to stick around and influence the next generation. How do we expect things like eCommerce and thrifting to influence the next generation, Gen A?

Sky Canaves:

I think resale has already gone so mainstream among Gen Z. They've grown up with it and they know it has strong appeal on many levels. I think key is just the savings aspect of it because they can get products for less money. I think Gen A will be growing up taking resale for granted, taking things like thrifting and those trends for granted and incorporating them into their shopping. There's also that very strong community and social appeal that platforms like the fashion resale platform Depop really tap into, where now you're getting Gen Z influencers and celebrities, even like Olivia Rodrigo selling their closets on Depop and using it as a way to connect with fans as well.

Sara Lebow:

Are there celebrity resale platforms specifically?

Sky Canaves:

There is one, I forget what it's called, but there's one that was started just to source items from celebrity closets. It's pretty small and I think a platform like Depop where 90% of their users are under the age of 25 or 26. It's like so skewed towards Gen Z is really where celebrities would want to be.

Sara Lebow:

Interesting. All right, let's keep moving. Now it's time for pop-up rankings, where we take a look at specific examples and we rank them. Today, we'll be ranking in no particular order for brands that will have staying power with young people come 2025. We're looking a few years out, not too far, but seeing which brands we expect to stick around and why. Let's start off with one from you, Sky.

Sky Canaves:

Sure. We've already touched on it briefly, but I think Apple. I think this company has the best shot of creating the first super app to take off in the US, and that's really thanks to the hold of the iPhone on US teens and the integration of payment services. As we know in China, the super apps really took off, WeChat in particular because mobile payments were integrated into the app and it became very easy for people to pay, especially people who didn't have credit cards. In China, credit card adoption was much lower and of course, most teens don't have credit cards, so I think that will be a really big one. Already we have close to 90% of US teens use iPhones and we know that for better or worse, there's actual social stigma attached to not using one. Anecdotally, I know last year, my husband offered his 12-year-old nephew a hand-me-down phone that was not an iPhone and he said, "Thanks, but no, thanks. I'd rather not have a phone. I'll wait for my iPhone."

Sara Lebow:

No way!

Sky Canaves:

Yeah, yeah. Once you're in the iPhone ecosystem, using things like Face ID to sign into apps and double clicking to pay, they just become second nature. It's so frictionless. And from there, Apple has expanded into financial services with credit cards and now buy now pay later, so I think that's going to continue to make it an important part of the Gen Z consumer journey.

Sara Lebow:

A super app which would combine payments, social, some sort of chat element, you think Apple is going to introduce a new app with this?

Sky Canaves:

They might find ways to integrate more stores, more brands, more shopping features into their app, more discovery features are a big part of it. How they tie in messaging may tie into it to create groups, things that tie into shopping, but really integrating payments and shopping and social aspects.

Sara Lebow:

Yeah. If there's a way that Apple can bring that blue bubble effect into everything it does, then it can definitely have winning power. That's not a thing people say, Apple will win. Blake, give us another brand that you think has staying power with young people for the next few years.

Blake Droesch:

Yeah, I mean similarly to Apple, I think we'd be remiss if we didn't talk about Nike and I know there's sort of always the consistent example of the gold standard and this is across generations, but their ability to maintain their relevancy as well as innovate within the new trends for the younger generation is always really second to none. Not only are they still very culturally relevant, the Gen Zers that I know in my life, Nike is their favorite shoe brand. It's my generation's favorite shoe brands, the generation above us, favorite shoe brand. I mean, that doesn't really happen. And then just how they don't rest on that.

I mean, Nike has done a lot of experimentation in the Metaverse and unlike other brands that have swung and missed, everywhere that they check in has always seemed fitting and it seems like they've always not only set the standard for brand experimentation in the digital space, but have done it in a way that is actually productive. Whether it's their Roblox, the Nike Town Sky, is that the name of it? All of the other digital collaborations that they've done, it always seems to stick and resonate. They'll be in that space if that space takes off, but they're not putting all of their bets on something like the Metaverse. They're doing all of the other things that are necessary to maintaining a high quality brand affinity with younger generations as well.

Sara Lebow:

Yeah. I wonder if Nike has an approach to other up and coming or established shoe brands, things like HOKA or other brands that we're hearing about right now on cloud.

Blake Droesch:

Yeah, I'm not really sure. I don't know, Sky, you're the kind of running expert, right? HOKA is primarily a running brand. I've heard that Nike maybe doesn't have the best reputation among serious runners, but maybe they're just so big in the lifestyle space that that doesn't matter to them.

Sky Canaves:

No, they did change and revolutionize the high-end performance running shoe category with their carbon. It's the carbon fiber insert shoe, the carbon fiber foot plate shoe that really has enabled world records in the marathon and made any athlete who's not a Nike athlete feel that they're at a competitive disadvantage.

Sara Lebow:

Interesting.

Sky Canaves:

At least in road races, yeah. Then, all the other major running brands have introduced carbon fiber plate shoes as well in the aftermath of Nike's major product development. Supposedly, this shoe helps reduce times by as much as 4%. I think it started out as the 4% shoe. What they don't have is the running meets trend aspect that HOKA and On have where it's a trendy cool shoe. You can't wear some of these very high performance Nike shoes out in public because they have these huge angled pieces that jut out of the heels.

Sara Lebow:

Sure.

Sky Canaves:

Yeah, they're really out there.

Sara Lebow:

This won't affect me, as I do not go for runs. Okay. Moving along. Sky, give us another brand that will have staying power with young people come 2025.

Sky Canaves:

I think my next pick is going to be a slightly smaller brand than Apple, but still one that's very relevant among Gen Z and that's e.l.f. Cosmetics. This was the most popular cosmetics brand among teens in Piper Sandler's last teen survey from last fall. That's really no fluke because the company is so committed to engaging Gen Z. They were one of the first movers on TikTok several years ago and they have a huge brand following there and that's really carried over to their loyalty program and their app and that usage has been continuing to drive sales. Their sales were up around 50% in the last quarter that they reported for. Their membership program has like three and a half million members already. One of the key things that makes them appealing to Gen Z and teens is that their price points are really affordable and they've committed to not increasing prices very much. It's a product where you feel like you're getting something that's nicer than what you paid for.

They've also been very creative with collaborations. They've worked with Chipotle, Dunkin' Donuts. They just did a collaboration with American Eagle on some merch, which American Eagle is another top-ranked fashion brand among teens. Even more important I think is that they really pay attention to the consumer. They read reviews, they listen to feedback and that impacts the products they develop and even the rewards that they offer in their program.

Most beauty rewards programs, most rewards programs in general, you earn points and it's kind of earn and burn. You use the points to get more of their product. With e.l.f.'s loyalty program, you can get cash, you can get a Chipotle gift card. Some of that has been based on feedback from consumers and what matters to them. I think that points to one of the bigger challenges for brands that really want to win over Gen Z loyalty. It's going to be that giving the younger consumers the level of personalization and the options that they want. I think young consumers, because they've grown up in this fully digital and interactive environment, they're going to want to have a say in what brands offer and how they do it.

Sara Lebow:

Sure, so e.l.f. is succeeding because young people expect brands to listen to them and e.l.f. is doing that.

Sky Canaves:

Yeah, they really engage the community.

Sara Lebow:

Okay, let's close this out with our last brand we expect to have staying power with young people come 2025. Blake.

Blake Droesch:

Yeah, so I'm going to go with another shoe brand that's been on my mind or footwear brand that's been on my mind this week, which is Crocs. There is just a pretty big article in The New York Times about the pandemic resiliency of Crocs. They've sort of bucked the trend for all of these brands like Peloton that were highly relevant during the pandemic but have since really fallen off. The sales for Crocs spiked during the pandemic and they're staying high even as people have returned to work and have gone back out into the world. They're also very popular with Gen Z. The Piper Sands report that Skye just alluded to found that it was the fifth favorite footwear brand for US teens and I think that that's going to continue.

We were talking about Crocs and it was mentioned that it's a product that parents generally like to buy their kids because they're the easiest shoes in the world to clean. They're very durable and that's been going on for a while. As kids grow up, I think they'll associate Crocs with feelings of nostalgia. They'll recognize the practical use for them, and there's also this perfect combination of practicality with the fashion element of Crocs. They, of course, have the pins where you can accessorize and there are instances where celebrities, like Questlove are wearing them on the red carpet, so they kind of have that unique, surprising, maybe sort of ironic fashion forward sense that they've developed and I think they just have a lot of good things going for them, which all have lasting power.

Sara Lebow:

Blake, you keep calling them pins. All true Croc fans know they're called Jibbitz.

Blake Droesch:

Sorry. I have to admit I've never owned a pair of Crocs, but I admire them from far.

Sara Lebow:

I have owned the same pair of Crocs since around the time Crocs came out in the early 2000s, so can attest to Crocs having staying power. That said, I haven't given Crocs more money

since I was a child.

Blake Droesch:

But you just gave them a free advertisement.

Sara Lebow:

Yeah. I wear them around the house. They're good shoes. Crocs got really ahead of what you said, this ironic sort of ugly fashion as fashion. They were way ahead of that and they rode that wave all the way to now, so I definitely agree.

Blake Droesch:

There was huge backlash on how ugly they were when they first started to come into prominence and everyone thought, I think it was just going to be one of those things where yes, it sort of got that ironic, ugly, fashionable thing, but that doesn't really last. I can't think of really another example where that sort of cultural clout, that particular flavor has lasted as long as Crocs does where they've really turned that narrative on its head and it's stuck around which is impressive.

Sara Lebow:

Maybe Ugg Boots, but I think they've fallen off a bit.

Sky Canaves:

Uggs were out of fashion and then they just recently came back in and now they might be more on that fashion trend. They might not stay around as long, but I feel Crocs have gone from that occasionally trendy, fashionable status to a permanent fixture that's always going to be useful in some way or stylish or wearable. Kind of like Levi's Jeans where it really becomes a classic or staple of the modern wardrobe.

Sara Lebow:

And like Levi's, Crocs are really popular in certain work environments like the close to emergence.

Blake Droesch:

Yes, good point. Yeah.

Sara Lebow:

Okay, that is all we have time for today. Thank you so much for joining me, Sky.

Sky Canaves:

Thanks, Sara.

Sara Lebow:

And thank you, Blake.

Blake Droesch:

Great to be here.

Sara Lebow:

Please give us a rating and review wherever you listen to podcasts and follow us on Instagram @behindthenumbers_podcast. Thank you, listeners and to Victoria who edits the podcast and is one of Crocs' number one fans. We'll be back next Wednesday with another episode of Reimagining Retail, an eMarketer Podcast. Tomorrow, join Marcus for another episode of the Behind the Numbers Daily.