

## Chapter 3

# Shifting of Paradigm in Buying Behaviour of Digital Natives

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### **ABSTRACT**

*Digital natives are Millennials and Gen Zs who grew up under the ubiquitous influence of the internet and digital technologies. As these generations come of age, they represent the largest group of consumers with spending power on the rise, commanding \$360 billion in disposable income, and are expected to take the lead in global market growth on online retail sales. As that figure increases, it raises a question in the business community on ways to market to these digital natives as their spending habits differ drastically from the previous generations. The focus of this chapter is to undertake a more in-depth study on the predictors of their buying behaviour and the relationship between the predictors and their determinants.*

### **MAIN FOCUS OF THE CHAPTER**

Digital natives are Millennials and Gen Zs who grew up under the ubiquitous influence of the internet and digital technologies. As this generation come of age, they represent the largest group of consumers with spending power on the rise commanding \$360 billion in disposable income and are expected to take the lead in global market growth on online retail sales. As that figure increases, it raises a question in the business community on ways to market to these digital natives as their spending habits differ drastically from the previous generations. The focus of this chapter is to undertake a more in-depth study on the predictors of their buying behaviour and the relationship between the predictors and their determinants.

### **INTRODUCTION**

Millennials and Gen Z are digital natives (DN) who grew up surrounded by internet, digital gadgets, and the world of social media. Using digital devices and web apps have become second nature to them. It is not surprising that this generation is synonymous with e-commerce market boom in the early 2000's

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when consumers were given greater access to an increased variety of e-commerce options available on the internet. Social media accounts for 80% in influencing digital natives' buying decision (Worldline, 2020). They are more creative, curious, and possess agility traits with a higher competence score that set their distinctive consumption characteristics apart from other generations such as Millennials and Gen X (Oxford Economics, 2021).

Different names are used for these new generation of consumers. Tapscott (2008) called them the Internet generation, which is characterized by good know-how and application of information and communication technologies. They are also known as digital natives (DN) because they were born in the computer age (Prensky, 2001). Others called them Millennials and Gen Z due to their high understanding of internet technology and actively using it for entertainment and socialization.

One of the significant contributions of this generation is their active engagement in social media attributed to the revolution of technology and ubiquitous adoption of digital devices. The way digital natives interact and use social media when making online shopping decision has changed consumer behaviour significantly. Mobile channels are now favoured over internet web access. This new norm of integrating shopping apps, location-based services, and mobile wallet is forcing commercial marketing to adopt online platform for brand engagement, online retailing, and market research (The ASEAN Post Team, 2020). Companies are increasingly relying on digital media platforms by incorporating machine learning, real-time data, and smart digital technology into their marketing strategies offering new ways of informing, reaching, engaging, learning, selling, and providing services to these digital natives. Their strong influence of the digital economic culture has resulted in them taking a lead among the 1.6 billion users of eWallet that will surpass 5.2 billion users globally by 2026 (Thistle Initiatives, 2022).

With the entrenchment of 4G telecommunication technology providing seamless connectivity across smart gadgets, digital natives are expected to take the lead in global market growth on online retail sales. The incoming 5G technology once it is broadly available will drive consumer demand even further especially for applications that require high broadband speed such as virtual reality (VR), and augmented reality (AR) shopping and entertainment. Studies such as Ramachandran (2020) have shown that these younger consumers already own the highest number of connected devices. With the advent of 5G technology, it will spur increasing streaming activities among these digital natives.

This phenomenon is exacerbated by lockdown control measures taken by governments during Covid-19 pandemic. The restricted movement in countries worldwide has impacted physical activities. Community events were cancelled, employees were required to work from home, and malls, wet markets, and schools were forced to close to reduce person-to-person contact and human density within confined areas. These actions set off a tsunami wave of social disruption altering market buying behaviour and physical retail business model creating a paradigm shift towards online retail business. Consumers in many instances were forced to purchase products and services online. Over time these consumers adapted to the new way of convenient and time-saving shopping resulting in an influx and growth of online stores. With their familiarity in digital environment, digital natives took the lead and became a big part of the disruptive force. As Gen Z come of age, they represent the largest group of consumers with spending power on the rise commanding \$360 billion in disposable income. In Malaysia, Gen Z monthly disposable income is predicted to amount to \$327 million (Tjiptono et al., 2020). As that figure increases, it raises a question in the business community on ways to market to these digital natives as their spending habits differ drastically from the previous generations.

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