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The Millennial Shopper: Rethinking Customer Experience in the Digital Age

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Declaration of Authorship

I hereby declare that the master's thesis presented herein is my own work, or fully and specifically acknowledged wherever adapted from other sources. This work has not been published or submitted elsewhere for the requirement of a degree program.

August 16, 2017 in Prague

Signature.....

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LIST OF ABBREVIATIONS

RBM	Retail Business Model
CLTV	Customer Lifetime Value
KPI	Key Performance Indicator
B2B	Business-to-Business
B2C	Business-to-Consumer
C2C	Consumer-to-Consumer
B2G	Business-to-government
OTC	Over-the-Counter
RFID	Radio Frequency Identification Device
CEE	Central and Eastern Europe
EU	European Union
POS	Point-of-Sale
mPOS	Mobile Point-of-Sale
NFC	Near Field Communication
MIT	Massachusetts Institute of Technology
4G	Fourth Generation of Mobile Technology Standards
LTE	Long Term Evolution
US	United States
WWII	World War II
BRICS	Brazil, Russia, India, China, South Africa
UGC	User-generated Content
WoM	Word-of-Mouth

Title of the Master's Thesis:

The Millennial Shopper: Rethinking Customer Experience in the Digital Age

Abstract:

The objective of the presented master's thesis is to investigate the shopping preferences of Czech millennial customers, who will soon represent the largest consumer segment in the marketplace. The theoretical part discusses different retail business models and their evolution over time, along with disruptive technologies, changing the traditional face of retail. To provide a theoretical basis for later analysis, this part also elaborates on the concept of customer shopping behavior and presents the model of channel choice. The practical part is built upon an empirical study, conducted as a two-stage research process consisting of in-depth interviews and a questionnaire. The final chapter summarizes the findings inferred about the studied sample of Czech millennials with regards to pre-determined hypotheses derived from secondary research. Additionally, practical implications for retailers and local businesses are addressed.

Key words:

retail, innovation, purchasing behavior, brick-and-mortar, e-commerce, digital, omnichannel

TABLE OF CONTENTS

INTRODUCTION	1
1 EVOLUTION OF MODERN RETAILING	4
1.1 THE MERCANTILE ERA	5
1.2 THE MODERN ERA	5
1.2.1 BIRTH OF SPECIALIST RETAILERS	6
1.2.2 SELF-SERVICE SUPERMARKET AND HYPERMARKET	7
1.3 LATE 20TH CENTURY AND THE GLOBALIZATION ERA	7
1.4 THE DIGITAL ERA	9
1.4.1 MOBILE SHOPPING	10
1.4.2 CURRENT STATUS OF E-COMMERCE FROM THE GLOBAL PERSPECTIVE	11
1.4.3 E-COMMERCE ADOPTION ACROSS INDUSTRIES	14
1.5 MULTICHANNEL RETAILING: E-COMMERCE MEETS BRICK-AND-MORTAR.....	16
1.6 IN-STORE TECHNOLOGY AS OMNICHANNEL RETAIL ENABLER	19
1.6.1 MOBILE POINT OF SALE.....	21
1.6.2 MOBILE PAYMENTS/ ELECTRONIC WALLETS	22
1.6.3 BIG DATA	23
1.6.4 LOCATION-BASED TECHNOLOGIES AND DIGITAL PROMOTIONS.....	24
1.6.5 RFID TECHNOLOGY	25
2 CONSUMER SHOPPING BEHAVIOR	26
2.1 CUSTOMER EXPERIENCE	28
2.2 MODEL OF CUSTOMER CHANNEL CHOICE.....	29
2.3 CHANNEL PREFERENCE IN THE MULTICHANNEL ENVIRONMENT	31
2.4 GENERATION AS A DISTINCT POPULATION COHORT.....	33
2.4.1 SILENT GENERATION	33
2.4.2 BABY BOOMERS	33
2.4.3 GENERATION X	34
2.4.4 GENERATION Y - MILLENNIALS	34
2.4.5 GENERATION Z.....	34
2.5 THE MILLENNIAL CONSUMER: THE GLOBAL APPROACH	34
2.5.1 UNDERLYING CONDITIONS	35
2.5.2 VALUES AND BELIEFS	36
2.5.3 SHOPPING BEHAVIOR.....	38
2.6 CZECH MILLENNIALS	40
2.6.1 SOCIOECONOMIC CONDITIONS OF THE CZECH MARKET	40
2.6.2 HOW ARE THE CZECH MILLENNIALS?	42
3 SHOPPING BEHAVIOR OF CZECH MILLENNIALS.....	45
3.1 RESEARCH METHODOLOGY	45
3.2 QUALITATIVE RESEARCH	50
3.2.1 BACKGROUND SETTING	50
3.2.2 PRELIMINARY CONCLUSIONS.....	51
3.3 QUANTITATIVE RESEARCH	54
3.3.1 DEMOGRAPHICS OF THE RESPONDENTS	54
3.3.2 DATA HIGHLIGHTS.....	56
4 IMPLICATIONS FOR LOCAL BUSINESSES	68
4.1 IN-STORE EXPERIENCE	68
4.2 ONLINE AND MOBILE SHOPPING	70
CONCLUSIONS AND LIMITATIONS	72
BIBLIOGRAPHY	74
LIST OF FIGURES, GRAPHS AND TABLES	84
APPENDICES	85

INTRODUCTION

In 2017, the retail industry continues to be an incredibly hostile environment. With 8,640 retail stores projected to close in 2017, the *Great Retail Apocalypse* is in full swing in the US (Bloomberg, 2017). Profits are declining, malls are emptying and traditional retailers are losing popularity with customers. The reason? Online commerce continues to take up an always bigger share of consumers' wallets. While global retail sales are forecasted to grow by 3.3% in 2017, e-commerce revenues are growing seven times as fast, by impressive 23% (Statista, 2017). On the other hand, store-based sales in most European countries remain flat or show negative growth¹. Most retailers still see brick-and-mortar and online as two separate channels. However, shoppers expect to seamlessly switch between the store and online, especially with omnipresent smartphones, blurring the lines between the two. With 90% of total sales volume still capped in brick-and-mortar stores (Statista, 2017), the physical stores are likely not going to vanish any soon, as *Netscape's* founder, Marc Andreessen, predicted (Shontell, 2013). However, traditional players will need to find effective ways to redefine their business models to stay relevant in today's convenience economy. Only those able to adapt by embracing technological changes are likely survive in the world's toughest marketplace.

Millennials, or "digital natives" are used to turn to technology to fulfil virtually all their needs, be it ordering a pizza online or booking an *Uber* ride with the help of their mobile phone. With their growing purchasing power and unparalleled digital affinity, this generation of highly demanding consumers is poised to continue disrupting the traditional buying patterns.

My personal motivation for this topic is twofold. Firstly, I have a profound interest in retail as such and have been amazed by the massive transformation of the retail landscape that we have been able to witness over the past years under the rapid pace of technology innovation. Secondly, I am eager to learn more about Millennials, the generation that I belong to and their potential role in shaping the future face of retail. From the International Management standpoint, which has been the primary subject of my master's studies, I was curious to learn how the shopping behavior of Czech millennials compares to their international counterparts, given the much-discussed homogenization of preferences in our globalized society. Thus, the topic of this thesis presented two attractive learning opportunities for the author: 1) learning about retail and various retail business models and 2) learning how global retailers should combine their integration strategies with local adaptation to fulfill the needs of the Czech customer.

The main objective of this master's thesis is to investigate the Czech millennials' consumer shopping behavior and the main drivers behind their purchasing decisions. These will be studied throughout the entire customer journey, from the purchase intention and its triggers, through the

¹ Store-based sales showed a decline of -1.4% in selected European countries in 2015 (Statista, 2016).

purchasing process itself, up to the after-sale behavior. Both online and offline purchasing behavior will be analyzed in the context of bridging the two by omnichannel experiences.

The thesis strives to determine the specifics of this generation in relation to where, how and why they shop for goods and services compared to other population segments. It is also of interest to investigate how similar, or dissimilar the Czech millennial shoppers are to this very cohort on the global level. As a parallel goal, the paper strives to describe the recent disruptive retail trends and analyze how these correspond with the expectations of millennial consumers. In its final part, a set of recommendations for companies will be derived, serving as a roadmap for effective engagement with millennial customers. Further questions that the empirical study strives to answer include, but are not limited to, the following:

- Which channels should companies utilize to keep up with the millennial customer?
- Are there differences in preferred retail channels between different product categories?
- Is the brick-and-mortar model likely to be fully overtaken by online/mobile shopping?
- What are the impacts of digital technologies on the classic brick-and-mortar model?

The thesis is evenly divided into two theoretical and two practical chapters. The first chapter discusses the evolution of retail over the course of centuries, from its primitive forms to today's omnichannel approach, driven by the need for a seamless online/offline experience in the technology-driven world. The chapter concludes with an overview of the main technological trends in the context of improving the experience of the millennial customer, who has become more demanding than ever. The second chapter provides a theoretical framework on consumer shopping behavior, introduces the concepts of customer experience and determinants of channel choice in the multichannel environment. Subsequently, the chapter proceeds with the topic of generations and elaborates on the values, beliefs and shopping behavior of global millennial consumers. Based on the secondary research, interim conclusions are drawn, which are to be validated or invalidated in the second part of the thesis on a sample of Czech millennial shoppers.

Third chapter commences the practical part of the thesis and familiarizes the reader with the methodology used in the research phase, consisting of a qualitative study conducted in form of in-depth interviews and its quantitative component, conducted in the form of a questionnaire, filled out by 236 Czech millennials. The qualitative study served to provide a high-level understanding of the millennial shoppers' priorities and their decision-making rationale and helped to construct the questionnaire for the quantitative study, allowing to extract information in the most efficient manner. The core of this chapter is the presentation of research results, grouped into thematic subchapters based on the hypotheses being studied. The last chapter and the second part of the practical part presents practical recommendations to retailers, managers and brand owners on how to best tailor their communication and retail strategies to this group

of customers. Practical examples and best practices of successful retail strategies are presented throughout the thesis.

The thesis leverages a variety of secondary literature and digital sources. The theoretical part builds upon the data available through *Statista*, *the European Commission*, *UNCTAD*, *Nielsen's* research and many others. *Verhoef's* (2009) extensive academic research on the topic of channel choice in the multichannel environment was equally heavily leveraged. Other literature sources included the work of Kotler and Keller (2011), Kumar (2010), Dholakia (2010) and others. To describe the leading technological trends, as well as gather existing knowledge on the millennial generation, reports and analyses of leading consulting firms (*McKinsey*, *The Boston Consulting Group*, *Accenture*, *EY*, etc.) and particularly their retail practice area, proved highly informative. Last but not least, retail-specific industry knowledge of *eMarketer* (2017), *Criteo* (2016) or *Ipsos* (2011) also yielded valuable insights.

1 EVOLUTION OF MODERN RETAILING

To understand the character of today's modern retailing, which has been defined as one of the partial goals of this thesis, it is inevitable to understand its specifics in the context of evolution of retail over the course of centuries. It is appropriate to define retail, which is understood as:

"The sale of goods to the public in relatively small quantities for use or consumption rather than for resale" (Oxford Dictionaries, 2017).

Although research does not offer any official definition, a business model can generally be understood as a *"well-specified system of interdependent structures, activities, and processes that serves as a firm's organizing logic for value creation for its customers and value appropriation for itself and its partners"* (Sorescu et al., 2011, p.4). A retail business model thus explains how a retailer creates value for its customers and appropriates value from the markets. The core of this definition is the realization that a business model is not about a mere determination of a firm's revenue and cost structure, resources, or value proposition, but most essentially about how these individual pieces "fit together" to create value (Magretta, 2002; Sorescu et al., 2011, p.4).

Most retailers agree there are two primary economic drivers in retail: (1) to foster customer loyalty, and (2) to achieve sales volume and growth. From the financial perspective, the goal of any retailer is therefore to "grow its customers" or to increase the customer's economic value to the firm, often measured as customer lifetime value (CLTV). CLTV as a KPI indicates the present value of the future cash flows attributed to each customer's purchasing pattern. Hence, this measure enables retailers to focus on long-term customer equity, as opposed to simply maximizing short-term sales (European Commission, 2013).

According to Sorescu et al. (2011), the RBM is based upon two underlying premises:

- 1) Most retailers sell products manufactured by other firms, thus their assortment might not necessarily be a source of unique competitive advantage. Retailers therefore not only need to focus on what, but also on how to sell.
- 2) Unlike manufacturers, retailers engage in a large number of interactions with customers. To provide the most customer-friendly interface during these interactions, the focus of retail has shifted from the transaction itself to approach focused on enhancing customer experience (Verhoef et al., 2009).

The RBM consists of three interconnected core elements: **1) retailing format 2) retailing activities and 3) governance** (Sorescu et al., 2011). Before the invention of the Internet, brick-and-mortar and catalogues were the two original business models. Today, business models can be classified as store-based (including brick-and-mortar, catalogue and TV shopping) and non-store based, represented by e-commerce. Particularly relevant for this thesis are the multi- and omnichannel models, integrating brick-and-mortar and e-commerce into a seamless solution.

In the broadest sense, the history of retailing can be divided into three main eras: the mercantile era, the modern era and lastly, the digital era, which will, inherently, be crucial in the empirical study of this work. From the perspective of shifting consumer power, Lewis and Dart (2014) divide evolution of retail into 5 major waves:

- Wave I was characterized by great producer power and supply's inability to meet demand coming from customers.
- Wave II saw the emergence of marketing-driven economy and demand creation efforts.
- Wave III was accompanied by a full handover of power to the consumer.
- Wave IV experienced rapid technology boom with such powerful brands as *Apple* or *Amazon*, redefining the laws of traditional retailing.
- Wave V, often referred to as the "Age of the customer" is marked by massive retail transformation, highlighting the importance of omnichannel strategies (Lewis & Dart, 2014).

1.1 THE MERCANTILE ERA

Retail, in the sense as we understand it today, was born in the Middle Ages and was represented by a traveling merchant. This middleman, whose origins can be dated back to the 13th century, was buying goods from their producers and selling them to consumers, traveling town to town. Under a general assumption, the merchant financed his freight operations by himself and utilized local markets and fairs for the distribution of goods. Discoveries of the 15th and 16th century enabled this merchant to not only geographically expand the scope of his operations, but also to gain access to an increasing variety of goods and services from formerly undiscovered parts of the world. Some of the newly tradable products encompassed tea and porcelain from China, luxurious fabrics from India or American tobacco. Emergence of agents, acting as transport providers, enabled the merchants to focus on their core selling activities and specialize as mercers, providing silk or linen, or grocers, trading with dry foods and household goods (Niemeier; Zocchi; Catena, 2013).

First separation between retailers and wholesalers came with the emergence of great trading enterprises such as *East India Company*, operating on the basis of auctions, as opposed to developing full retail activities. 18th century Europe saw the spread of craft shops in leading cities, with personalized selection of stock to meet the needs of merchants' customers. By late 18th century, the mercantile era had gone a long way. A prime example of the level of development of retail networks was Abraham Dent's store in Yorkshire, sourcing stock from over 175 suppliers located in 48 towns across England (Niemeier; Zocchi; Catena, 2013).

1.2 THE MODERN ERA

The beginning of the modern era is traditionally associated with the Industrial Revolution, which started the momentum of unprecedented technological innovations, lasting up to early 21st century. In this period, the provincial general store gradually evolved into super- and

hypermarkets and later to vertical retailing models (most commonly known through Spanish retail chain *Inditex*). Every step in-between (mail-order catalogue, birth of the department store, self-service supermarket) represented strengthening of the power of retailers, with their increasing importance as mediators between the forces of supply and demand. This unique ability to do so on a large scale enabled the retailers to sell goods at comparably lower prices, thus achieving sustainably positive profits. Arguably, the largest shift in comparison with the mercantile era came with the much larger scale of retailers' operations. Rapid technology advancement resulted in manufacturing automation and craft economy gradually shifted to mass production (Niemeier; Zocchi; Catena, 2013).

The Industrial Revolution also brought about social revolution, characterized by a growing class of industrial proletariat, gradually overtaking the agricultural society. These workers, along with the newly emerged functions of clerks and administrators, would soon constitute the basis of early consumer society. Improvements in infrastructure, development of trade routes and faster information flow equally fostered the spread of what is today referred to as "consumerism". (Niemeier; Zocchi; Catena, 2013). This period was marked by a number of innovations both on the European continent and overseas. Levi Strauss moved from Germany to San Francisco and opened a store to sell his newly designed cotton twill pants (later referred to as blue jeans) to farmers and gold miners (Lewis & Dart, 2014). John Pemberton composed a liquid known as *Coca-Cola* and started selling it in a pharmacy in Atlanta. In 1914, Thomas Burberry's enterprise designed the classic military officer's coat, which became a staple during World War I and remained an icon for many decades after (Ahrendts, 2013).

1.2.1 BIRTH OF SPECIALIST RETAILERS

Support of public authorities and initiatives of private developers, initially in the metropolitan areas of Europe and North America, enabled retailers to start focusing their activities on a particular range of goods, helping them create a distinctive value proposition. During this time, two new retail models, the department store and mail-order catalogue, arose and gradually started replacing the former general store format (Niemeier; Zocchi; Catena, 2013).

Department Store became the most widely spread concept of a specialist retailer, representing a product of natural evolution of textile retailers, seeking extension of their product portfolio. The stock of these venues, often described as "monster houses" well exceeded the scope of traditional textile merchants. *Bon Marché*, located on *Rue de Sèvres* in Paris, was regarded as the world's largest retail business measured by sales in the late 19th century. Not only did it surpass smaller department stores in terms of retail space, it also utilized a variety of innovative sales practices, such as fixed pricing or taking advantage of newspapers as its prime advertisement channel (LVMH, 2017).

This successful store format was gradually imitated by retailers around the world as *William Whiteley* and *Harrod's* arose in London, *Marshall Field's* in Chicago, *Macy's* in New York City

in 1858, *Hudson's* in Detroit in 1881 or *Dayton's* in 1902 in Minneapolis. These stores, with their large stock volumes and unbeatable breadth of range, quickly became a symbol of modernity and remained the dominant retail format until Wave II. Not only did they demonstrate effective return on invested capital and infrastructure thanks to leveraging economies of scale, they were also first to utilize cutting-edge retail technologies of their time, such as mechanical data-processing equipment to analyze sales, innovative methods of inventory control, credit policies or promotion techniques (Niemeier; Zocchi; Catena, 2013).

The mail-order catalogue's beginnings are associated with *Sears* and *Roebuck & Co.*, emerged in North America in 1890s as early predecessors of Internet business. They leveraged distributed network of customers and stores and heavily depended upon delivery and return logistics. These retailers adopted a strategy of targeting farmers and inhabitants scattered in small towns that had limited access to urban shopping areas. Mail-order catalogues, placed directly in consumers' homes, gained a significant competitive advantage over stores, located miles away and highlighted the importance of being as close to the consumer as possible. In the 1920s, as the rural population began migrating to small towns and cities, these retailers started opening outlets in these locations, setting the basis of multichannel strategy with both catalogues and physical stores, offering high-quality products for reasonable prices (Niemeier; Zocchi; Catena, 2013).

1.2.2 SELF-SERVICE SUPERMARKET AND HYPERMARKET

Introduction of elementary supermarkets, which enabled their customers to assemble goods independently, started the evolution of super-and hypermarkets, as we know them today. *Piggly Wiggly*, opened in 1916 in Memphis, is generally considered to be the first store of this kind. The concept was an immediate success, with *Piggly Wiggly* generating revenue of over \$114,000 in the first six months, carrying over 600 different product types (Ross, 2016).

Another natural progression in the evolution of retail venues was the hypermarket, being 10-20 times larger in size than a supermarket and having a stronger presence of non-food items. While the share of non-food items would represent 10-15% of overall sales in a traditional supermarket, it would reach up to 20-30% of a hypermarket's turnover. Early beginnings of modern-day hypermarkets are associated with *Carrefour* opened in France in 1960. *Wal-Mart* supercenters soon dominated the US, with key success factors being superior material logistics, accurate forecasting, information flow and their ability to charge rock bottom prices (Boone & Kurtz, 2010).

1.3 LATE 20TH CENTURY AND THE GLOBALIZATION ERA

End of the Great Depression in the US and revitalized post-war European economy enabled the boom of mass retailing, which became the signature business model of this period. Number of inventions stem from this period - rapid advances in nuclear energy, travel and aerospace or synthetic and nylon production originally developed for war purposes, which later revolutionized the apparel industry. Supermarkets and hypermarkets served as one-stop shops

for their customers, who no longer had to stop at the butchers for meat, street markets for fresh fruits and vegetables and a local general store for canned and dry foods. They offered a large selection at lower prices than traditional neighborhood stores ever could. The boom (especially in the 1960s) was enabled through a set of socio-economic and demographic changes in the society, such as: increase in the middle class, urbanizing society, rise in disposable income per household, greater share of female employment and lastly, increased car and refrigerator ownership (Lasserre, 2007). Following *Carrefour's* success, *Wal-Mart*, *Tesco* or *Ahold* soon started expanding internationally and hypermarkets overtook department stores on the grounds of cost leadership.

To get a clearer understanding of the success factors driving hypermarkets' success, it is necessary to elaborate on the self-enforcing benefits, which this business model leverages. The key principle of mass retailing is built upon the concept of buying large volumes and selling at low prices, while achieving fairly low profit margins (~2%) and high inventory returns (10-13x). Price leadership then transforms into competitive consumer prices, driving even greater volumes. Hypermarkets typically maintain a wide portfolio of suppliers, limiting their dependency. To support their large-scale operations, mass retailers are leaders in technology innovation - from their early origins heavily investing into satellite communications and stock-keeping systems to help them manage and track their inventory (Lasserre, 2007).

Table 1: Overview of major retail formats

Format	Size	Branches	Products	Range	Price	Location	Service
Convenience stores (7 Eleven)	Small	Many	Essentials (dry & frozen food)	Limited	High	Urban	Long opening hours
Department stores (Sears, Macy's)	Medium-Large	Few-Many	Branded non-food products	Large within categories	Average	Urban	Staff contact
Category specialists (Ikea, Toys 'R' Us)	Medium-Large	Many	Specialized in one non-food category	Extremely large within the category	Low	Suburban	Limited
Supermarkets (Tesco, Woolworth)	Medium	Many	Fresh & branded foods / Toiletry 500-10,000 SKUs	Large for food	Low	Urban	Self-service
Hypermarkets (Carrefour, Target)	Very Large	Many	Fresh Foods/ Consumer Durables 40,000-50,000 SKUs	Average within categories	Low	Suburban	Self-service
Discounters (Aldi)	Small	Many	Food	Limited	Very low	Urban	Self-service

Source: Author's illustration based on Lasserre (2007)

1.4 THE DIGITAL ERA

Both the mercantile and modern era were characterized by great power of retailers who could hardly foresee that things would take a dramatic turn with the emergence of e-commerce in the late 1990s and early 2000s. The same technology, that helped these retailers leverage their scale economies and make international expansion in the globalizing world markets possible, was suddenly empowering the increasingly educated consumers, threatening traditional retailers. In the broadest sense, e-commerce can be understood as:

“Commercial transactions conducted using an electronic device over the Internet”
(Oxford Dictionaries, 2017).

E-commerce can be divided into B2B (business-to-business), B2C (business-to-customer) and C2C (consumer-to-consumer) business models:

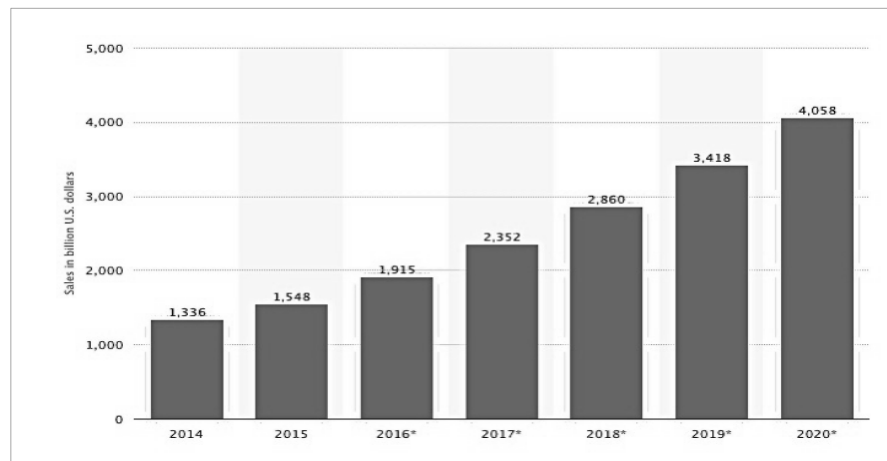
- B2B commerce should be understood as transactions between businesses, typically including the sale of raw materials, semi-finished products as well as the sale of products to wholesalers and retailers.
- On the other hand, B2C e-commerce refers to transactions conducted between businesses and consumers. Unlike in B2B commerce; the buyers in B2C commerce are not businesses, but individual consumers (Minkara, 2015). Even though B2B sales represent the largest share of the total e-commerce revenue, it is the B2C segment that is growing the fastest.
- C2C commerce model describes transactions completed between individual consumers and covers online auction platforms (e.g.: *eBay*, *Taobao*) and sales within online communities.
- *UNCTAD* also defines a fourth model, B2G commerce, where the buyer is a government entity, such as in case of public e-procurement (*UNCTAD*, 2015). Particularly relevant in relation to the millennial consumer is also mobile commerce (later referred to as m-commerce), including mobile media and content, mobile retail services, travel purchases and others.

The birth of e-commerce can be dated back to 1991 when Internet was open to commercial use. This step brought about an immediate wave of excitement amongst entrepreneurs and investors, who soon realized that all transactions between retailers and customers were now possible without customers being physically present on their premises (Niemeier; Zocchi; Catena, 2014). The Internet became available amongst the general public in 1994 but it was only after the security protocols were fully developed in early 2000s that a large number of companies presented their business on the *World Wide Web*. Originally founded as an online book retailer, *Amazon.com* is attributed as one of the pioneers of e-commerce. In 1995, this soon-to-become e-commerce giant made its first online book sale. Today, *Amazon* accounts for 26% of the overall online sales (HBR, 2017). In the very same period, Pierre Omidyar created a website called *Auction Web*, intended for the resale of people's goods. This primarily C2C platform was

later named *eBay* and sold \$7.3 million worth of merchandise by 1996, evolving into both an auction space and platform for merchandisers to sell their own goods. 1998 saw the birth of *eBay's* payment provider *PayPal*, which would soon revolutionize electronic payments.

By the end of 2007, e-commerce sales already accounted for 3,7% of overall sales volume (E-commerce Land, 2017). Consumers and retailers became aware that online sales represented a win-win situation for both parties. Consumers became able to compare a wide selection of products with a mere click of a mouse, compare various sites in search for the cheapest product, save their intended purchases into a virtual wish list and share these with friends. In return, online space enabled even smaller retailers to reach their customers without extensive advertising efforts, gain access to an endless pool of valuable data and preferences and tailor their marketing efforts to each user (E-commerce Land, 2017). As of 2016, 40% of all worldwide Internet users have conducted an online transaction and this is supposed to be just the mere beginning. Taking into account the growing potential of emerging markets and increasing penetration of digital devices, e-commerce sales are said to almost double in terms of revenue from today's \$2,352 billion to \$4,048 billion in 2020 (Statista, 2014).

Graph 1: Projected growth of e-commerce



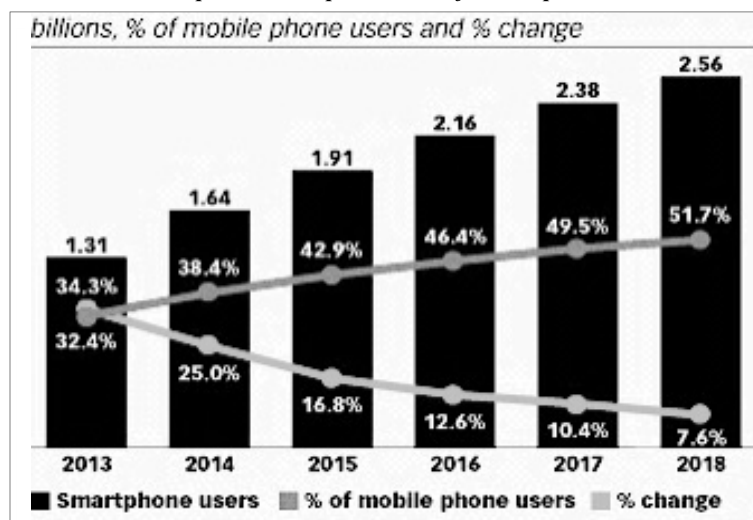
Source: Adopted from Statista (2017)

1.4.1 MOBILE SHOPPING

Mobile commerce, also mobile e-commerce or m-commerce is yet another generation of e-commerce and is understood as *“the use of wireless handheld devices such as cellular phones and laptops to conduct commercial transactions online”* (Investopedia, 2017). With the number of mobile phones exceeding that of computers and rapid advances in security and mobile interface, m-commerce is a highly attractive area to both consumers and retailers (Liam & Siau, 2003). Looking at verticals that are popular with mobile shoppers, apparel and fashion-related items remain to be most frequently bought through a mobile device, followed by sporting goods, electronics and mass merchant categories. Apps are projected to stay the most efficient mobile sales channel within m-commerce, converting 3x more visitors than mobile web (Criteo, 2016).

The single, most significant hurdle that has prevented mobile from becoming the shopping channel of choice up to this day has been poor shopping experience. Biggest factor contributing to shoppers' frustration and not finishing the purchase is the mobile phone's small screen. With many platforms, not being mobile-optimized, entering personal and credit card information is simply deemed as too much work by many shoppers. Secondly, insufficient LTE coverage makes shopping impossible on the go, making the buyers fully reliant on Wi-Fi networks. Lastly, security remains to be a concern for a substantial share of buyers. The ability of retailers to address these issues will determine, whether m-commerce worldwide will follow the case of the UK and Japan, countries where shoppers bought more via mobile devices than desktop in 2016 (Criteo, 2016).

Graph 2: Global penetration of mobile phones



Source: Adopted from eMarketer (2014)

1.4.2 CURRENT STATUS OF E-COMMERCE FROM THE GLOBAL PERSPECTIVE

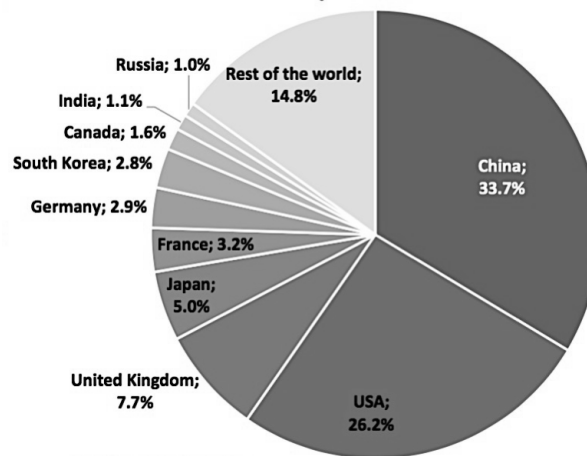
Looking at the global e-commerce market in broader terms, significant differences still persist between regions and countries, despite the overall rapid growth. As this thesis focuses largely on consumers, trends elaborated upon will focus on the B2C segment.

The **Asia Pacific** region remains to be the largest in terms of B2C sales with a turnover of over \$2,273 billion (46.5% of global turnover) in 2016, followed by North America (28.3%) and Europe (22.2%). It is reasonable to expect that e-commerce saturation would be correlated with the level of Internet penetration in a country. North America had a 78% Internet penetration in 2015, justifying its strong e-commerce position, followed by Europe with 75% of population having access to the Internet. However, the Asia-Pacific region scored amongst the lowest with regards to Internet penetration with only three countries (South Korea, Australia & Japan)

placed in the top ten for this measure. Once these rates increase, this market is expected to grow at even faster pace (E-commerce Foundation, 2015).

As can be observed from Graph 3, the three largest markets (China, US and UK) accounted for 68% of the overall global revenue. China, with its very own e-commerce giant *Alibaba*, maintains its leadership as the world's largest e-commerce market and contributes to almost 34% of the global B2C e-commerce turnover. In addition, while the growth in the US and UK has been slowing down (~12%), China continues to grow at pace of 33% (E-commerce Foundation, 2015).

Graph 3: Largest e-commerce markets



Source Adopted from E-commerce Foundation (2016)

Majority of developing countries (including the BRICS without China) still show low e-commerce penetration rates, despite heavy social media usage. This likely reflects poor purchasing power, lack of trust towards e-retailers, inferior online shopping platforms (e.g.: unavailability of the local language) or poor delivery conditions (UNCTAD, 2015). To dig one level deeper, the online behavior of consumers also reveals considerable differences around the world - regions differ in their platform and payment preference, choice of device and conversion rates², which serves as a key metric for online retailers. Some of the most interesting regional e-commerce megatrends will be highlighted below.

Asia Pacific has fully embraced the convenience of online shopping and records high conversion rates, especially in the segment of durable items (Nielsen, 2015). Indonesia, with rapid annual growth of 50%, is projected to become Asia's next major e-commerce market in the future. Despite currently being at the stage of China's early e-commerce beginnings, high rates of mobile adoption (StatCounter reports 70% of all internet traffic originated from mobile devices in 2015), abundance of mobile-first platforms and booming digital entrepreneurial

² Conversion rates can be defined as "a measure of how effectively a website converts visitors into paying customers" (Croxe- John & van Tonder, 2017, p. 151).

initiatives make Indonesia well-positioned to achieve \$130 billion in revenues by 2020, making it the third largest market behind China and India (Harsono, 2016).

Latin Americans own a lead for browsing statistics, however inexistence of solid e-commerce infrastructure results in their low conversion rates. Brazil dominates the B2C e-commerce market with around 38% share of the region's total, followed by Mexico (19%) and Argentina (8%). Brazilian consumers heavily favor credit card usage when making online purchases, engage through posting product reviews and most commonly shop online for clothes and accessories. Mexico's market is less developed, to a large extent due to a lower credit card adoption and preference for cash payments. While e-commerce enthusiasts in Brazil and Mexico generally reach out to international websites, three out of four Argentinian shoppers stick predominantly to local e-commerce sites (UNCTAD, 2015).

The Middle East/ Africa region is the one with the lowest penetration of e-commerce, arguably attributed to the low disposable income levels. While 90% of adults in developed economies own a bank account, only 13.4% in low-income economies do so. In Sub-Saharan Africa, less than one in every five persons owns a bank account (ICT, 2017). Although e-commerce sales in Africa accounted for mere 2.2% of global sales in 2013 (UNCTAD, 2015), it is believed that the region beholds a large potential, suggested by increasing rates of internet connectivity and success of local e-commerce platforms such as *Jumia*, *Konga* or *Kara*. It shall be noted that e-commerce is primarily conducted using mobile devices in Africa; therefore, one of the key success factors for service providers remains to be making browsing user-friendly on a small screen. Kenya's mobile-based payment service today represents 50% of the country's GDP (ICT, 2017). These countries are following the case of Bangladesh, which pioneered the establishment of a market place accessible to feature phones (counterpart to a smartphone). Similar service has been pioneered in Uganda under the name *Esoko.com* in 2006, enabling rural farmers to access the marketplace via a simple short message service (UNCTAD, 2015).

Last but not least, let's take a look at **Europe**-specific statistics, which are most relevant for this thesis. The European e-commerce sector has been growing at a constant rate of 15% annually, forecasted to reach €609 billion by 2017. One of the overarching trends to watch is the flattening growth of mature markets, with growth being driven primarily by Central and Eastern Europe. Russia continues to be the fastest-growing market with a 25% growth rate between 2014 and 2015. Taking into account Central Europe only, with its population of 163 million people³, 79% of them had Internet access and 67% claimed to be e-shoppers. Despite large Internet and social media penetration, the overall share of e-retail revenue as a percentage of total retail sales remained fairly low at 7.1% (E-commerce Foundation, 2015). Europeans conduct 80% of online purchases on a PC, 11% on smartphones and 9% on tablets. Mobile purchases are projected to experience further growth relative to the PC, as 90% European

³ Central Europe includes Germany, Switzerland, Austria, Poland, Czech Republic, Slovakia and Hungary.

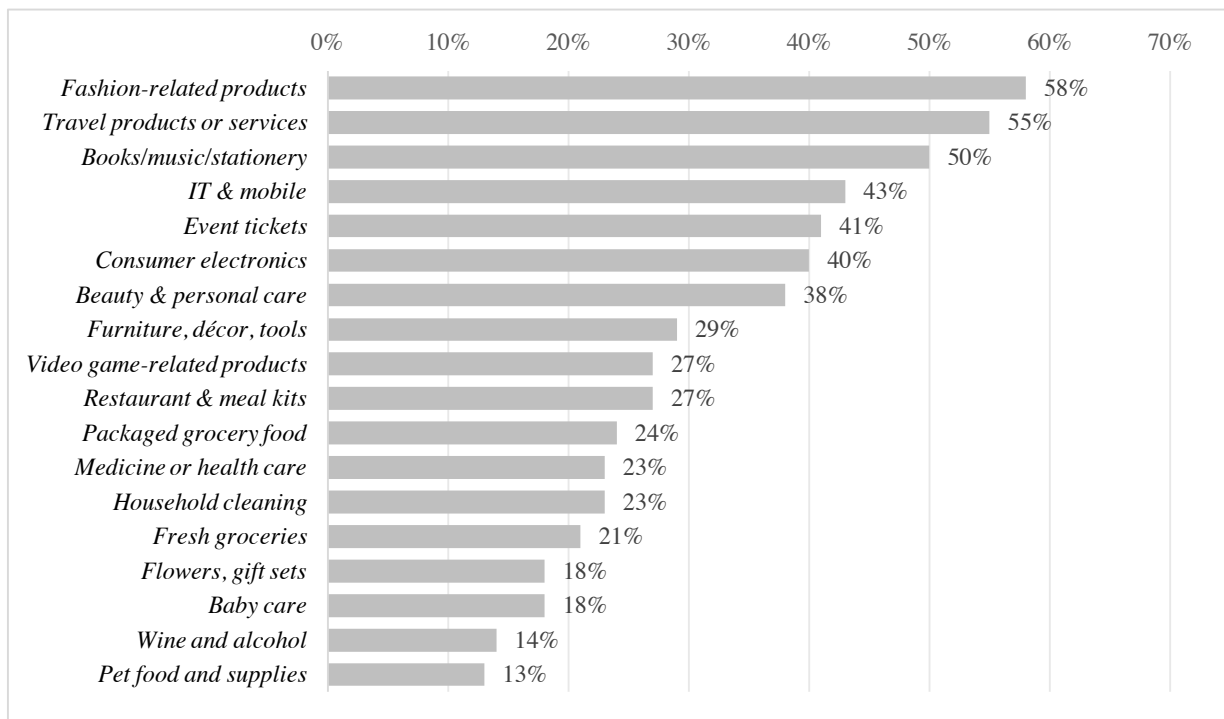
consumers aged 18-40 own a smartphone, and the 4G data coverage has been steadily improving (FACE Entrepreneurship, 2016).

1.4.3 E-COMMERCE ADOPTION ACROSS INDUSTRIES

Not all industries are created equal when it comes to e-commerce adoption and consumer spending. Level of sophistication that different industries have achieved varies from having a basic online presence to advanced online and offline channel integration. The following section will map the level of e-commerce development across the main industries to provide a better understanding of which goods and services are most commonly bought online globally.

Retail and consumer-packaged goods: Retail has traditionally been the backbone of e-commerce. Further recent growth of this category has been enabled through retailers' ability to meet consumers' desire for same-day delivery and bridging online shopping with in-store experience through online payments and in-store pick-ups (Vilaj & Kalita, 2014). Largest categories remain to be fashion-related products, travel products or services, stationery or books and consumer electronics. 58% of Internet users claim that they have purchased a fashion-related item online, making it the most popular category (Statista, 2016). Largest room to grow have baby care, wine and alcohol and pet care segments, with 18%, 14% and 13% of consumers who ever shopped for these categories online, respectively (Statista, 2016). *eMarketer* (2017) predicts the categories that will experience major growth in 2017 will be grocery and fresh foods, health and wellness, pet products, handcrafted goods and virtual reality items.

Graph 4: Largest e-commerce categories



Source: Author's illustration based on Statista (2016)

According to Jordan Rost, *Nielsen's* vice president for consumer insights, “[2017] will be the year that buying fresh foods – produce, meat, deli and dairy – online becomes mainstream consumer behavior” (Schiff, 2017). The main driver behind the rapid take off of fresh produce is supposedly the millennial consumer, who grew up into a digital native and is now ready to use his income for online purchases of all sorts, from clothing and insurance to fresh groceries (Schiff, 2017).

Travel and Tourism: Within B2C commerce, travel and events are sometimes treated separately and referred to as “digital travel”. Although the retail segment prevails in most developed countries, Brazil and Russia, this is not the case in India, where expenditures for digital travel account for almost 70% of total online spending (UNCTAD, 2015). Online platforms represent a perfect opportunity for consumers to compare different offers and prices, read users’ reviews and make an informed decision about their intended travel purchase. Therefore, the adoption of e-commerce in this segment shows a continually increasing trend. Wide availability of travel products (airline tickets, car rentals, hotels and events) has made it possible for suppliers to directly connect with customers, eliminate information disparity (travel agents and brokers), promote fair competition and reduce price discrimination (Vilaj & Kalita, 2014). One of the major trends of the past decade, collaborative consumption or the so-called “sharing economy” has been most visible in this very segment (UNCTAD, 2015). With *Airbnb's* \$10 billion valuation, surpassing that of *Hyatt's* hotels and *Uber's* \$18.2 billion valuation surpassing car rentals *Avis* and *Hertz*, sharing economy has revamped from start-ups to major businesses and is poised to continue disrupting business models (not only) in the travel industry (Hughes, 2017).

Telecom, Entertainment and Media: With digital incumbents such as *Skype*, *WhatsApp* or *Facebook* revolutionizing communications, telco's face stronger pressure than ever to remain competitive. If a customer dislikes a product or service in a brick-and mortar store, it takes time and effort for them to find a similar product at competitors. However, it might take no effort at all to find a similar product on another website. If customers struggle to navigate through a website, they are likely to lose confidence and shop elsewhere. With most telecom packages allowing little space for product and price differentiation, competition comes down to appealing value propositions, flexible plans and, last but not least, the online shopping experience (Coulson, 2013). Media and entertainment companies do not only market their products, but directly enable their website visitors to purchase tickets, goods and services online. *Walt Disney's* entertainment empire is famous for leveraging its brand to sell its Disney-branded merchandise on its website *Disneystore.com*, attracting over 30 million visitors monthly (Vilaj & Kalita, 2014).

Automotive: The automotive industry has yet to fully embrace e-commerce as a valid and independent distribution channel. Just as consumers' expectations of vehicles are changing, their

expectations of distribution channels allowing convenient and personalized shopping experiences are evolving too. According to *Capgemini's Cars Online* research, consumers will be increasingly in favor of buying vehicles online, shift driven predominantly by always connected millennial consumers and their desire for better price (45%) and easier transactions (23%) (Capgemini, 2014). Most dealerships have utilized online platforms solely as marketing channels, while keeping the actual sales at the dealership's premises. This is bound to change as dealerships' role shifts from advisors to intermediaries and larger portion of the overall transaction will be conducted online. *General Motors* pioneered their e-commerce platform "shop-click-drive" in 2013, enabling vehicle refurbishment with accessories of choice. While the deal is arranged online, the customized vehicle is delivered at customer's doorstep for a final test run, mirroring the advantage they would get at a physical dealership (Vilaj & Kalita, 2014).

Pharmaceuticals and Life Sciences: Similar to automotive, pharma's online market still has room to grow before reaching maturity. Barriers preventing it from attaining its full potential include pharma's complex industry ecosystem, heavily regulated operating environment making sales of pharmaceutical products online illegal in many countries, lacking online technology standards and not fully established consumer spending behavior. Pharmaceutical e-commerce has, however, fully entered its development stage, although at a slower pace than rest of commodity e-commerce (Deloitte, 2016). Several companies have started selling their OTC (over-the-counter) goods online, heavily leveraging social media. Hong Kong-based *Alibaba Health* has been looking to expand its operations into the pharma business after the buyout of *Guangzhou Wu Qian Nian Pharmaceutical Chain Company* in August 2016 and believes OTC online sales will soon become the prime source of its revenue. Moreover, the company has also introduced tiered online medical consultations, aimed to provide qualified lower-level health advice through a digital device. The company revealed its ambition to bring greater transparency into the pharmaceutical industry and to make supply chain of pharmaceutical products more efficient through internet-based solutions (South China Morning Post, 2016).

1.5 MULTICHANNEL RETAILING: E-COMMERCE MEETS BRICK-AND-MORTAR

With annual reports on declining store traffic, ever-growing online retail and intensifying competition, retail environment has become incredibly hostile. While many brick-and-mortar players are struggling, online retail including mobile sales grew at impressive 23% in 2015. When the dot.com bubble burst in mid-2000s, many predicted the doom of physical stores and complete dominance of online retailers. Retail profits started plummeting, foothold dropping and malls emptying. Many retailers started scratching their heads and feared that the Internet was going to kill the brick-and-mortar format completely, as the industry was set on the path of what Schumpeter called a "gale of creative destruction" (HBR, 2016).

Mobile commerce added an additional level of complexity into this environment. Prior to mobile boom, people were faced with a dilemma- stay at home, sit at the computer, browse and buy online or go to the store, look, shop and buy. Today, just about every shopper has a mobile phone connected to the Internet at all times. Even if the customer has already walked into a physical store, nothing will stop him from being able to search for a better deal online in real time. 20 years after the dot.com bubble burst, the pessimists' predictions have been discredited and retailers' hope in the future has increased. Apart from several categories that have vanished (e.g.: movie rentals), the transition has not happened and is not bound to happen overnight. It has become clear that instead of disappearance, brick-and-mortar stores will need to reinvent their business models and integrate internet-based tools that redefine how customers shop, search and buy and move to multi- and omnichannel strategies (HBR, 2016).

Despite the rapid proliferation of online retailers and increasing volume of online sales, it is the brick-and-mortar model, which seems to continue being the foundation of modern retailing. Looking at the overall transaction value, 90% is still captured in physical stores and 95% is captured by retailers with a physical store presence. It has been found that physical store indeed plays a crucial role in sale conversion for those retailers who have adopted several channels. In two-thirds of all online transactions, physical store was involved either before or after purchase. Decoupling of value creation and value capture is typical for omnichannel retailing and implies that the place where the value is created (most often a physical store) is often not identical with the place where value is captured (place where the transaction is realized) (A.T. Kearney, 2014). Many online retailers have realized the value that customers put on physical stores and are going "from clicks to bricks". One of the most well-known examples is *Amazon*, opening its first physical bookstore in Seattle in 2015, followed by a network of cities across the US.

Levy and Weitz (2009) define multichannel as "*a set of activities involved in selling merchandise or services to consumers through more than one channel*" (Zhang et al., 2010, p.1). According to Zhang et al. (2010), multichannel consumers should be understood as consumers who use multiple channels in the shopping process rather than those who buy products and services through multiple channels. In simple terms, multichannel retailers are those who sell their merchandise via multiple channels, i.e.: stores, online, catalogues, mobile websites or apps. With increasing importance of the mobile channel, tablets, social media, and the integration of these new channels into online and offline retailing during the past year, the retail industry is now moving from the multichannel to an omnichannel approach (Verhoef, Kannan and Imman, 2015). The main point of difference of omnichannel approach is the focus on a seamless, integrated, consistent and personalized experience that today's modern shoppers demand (Carroll & Guzman, 2015). Verhoef et al. (2015) emphasizes the importance of research shopping in the omnichannel context and stresses two popular phenomena:

- a) **Showrooming**, understood as a specific form of research shopping in which a shopper first searches for product information offline and subsequently purchases online. A

survey by Khan (2014) unveiled that over 50% smartphone users have researched product's price while in a store and roughly a third of these shoppers have converted their purchase at a competitor (Khan, 2014; Jinzhao, 2017). According to Charlton (2013), the two underlying reasons why buyers showroom are lower online prices (69%) and free shipping of online retailers (47%).

- b) **Webrooming**, which used to be the dominant behavior in the past, occurs when the consumer searches for information online and later purchases the product in a physical store (Verhoef, Kannan and Imman, 2015). The online shop serves as showroom of sorts, where shoppers research and compare prices for later in-store purchase. 70% of global consumers confessed to have practiced this behavior, also known as “reverse showrooming” (PwC, 2015).

Zhang et al. (2010) identifies three major sources of motivation for retailers to adopt a multichannel approach:

- 1) **Low-cost access to new markets:** particularly in case of brick-and-mortar retailers, their operating area is typically limited to the local area of their physical stores. By deploying additional channels (Internet, catalog or mobile), they are able to expand to new markets without the necessity to build capital-intensive physical stores. Additionally, multichannel consumers constitute a highly attractive and constantly growing market (Zhang et al., 2010). *Harvard Business Review's* research on consumer behavior of 43,000 respondents found out that consumers utilizing several channels were more valuable for a company than consumers adhering solely to online or physical store. Consumers who used several channels were found to spend on average 4% more at every purchase occasion and showed 10% higher online spending than single-channel consumers (HBR, 2017).
- 2) **Higher customer satisfaction and loyalty:** by combining channels, the retailers can exploit synergies created by channel integration and eliminate the deficiencies of separate channels. Physical stores offer a range of benefits- they engage the customers' physical senses, offer personal assistance, cash payment and immediacy of purchase. On the other hand, they require an investment of shoppers' time and energy and cannot compete with e-tailers in terms of width or breadth of goods. Some of these deficiencies can be easily offset by a wide array of advantages that non-store channels (i.e.: Internet or mobile) offer. Non-store channels allow the customers to shop virtually whenever and wherever, from the comfort of their home. They provide access to a larger variety of goods and services and also enable the shopper to gain information about his intended purchase. Consumers using two or more channels were found to be more loyal, likely to recommend the product to family or friends and made 23% more repeat purchases at the retailer's store (Zhang et al., 2010; HBR, 2017).

3) Creation of strategic advantage: Omnichannel retailing is built upon the belief that ensuring a seamless shopping experience by combining brick-and-mortar stores and online retail channels gives retailers a competitive edge over their peers using solely online channels or offline assets (HBR, 2017). Multichannel approach allows retailers to gain a unique competitive advantage against their competitors, stemming from two sources: 1) Gaining access to customer information and 2) Providing a seamless interface (Zhang et al., 2010). Access to information on customer's online search, product preferences or contact details are unique benefits that single-channel retailers can hardly replicate. Similarly, giving customers the possibility to research products online and pick up in store or order products online if they are not available in a physical store is a unique point of differentiation. Today, the omnichannel activities are drivers of customer engagement and play a crucial role in driving the customers to the physical store. Shoppers, who researched their intended purchases online (on company's website or competitor's), were found to spend more on average in the physical store (Zhang et al., 2010).

Omnichannel activities entail additional levels of complexity reflected in the need for more sophisticated logistics, order fulfillment, marketing and increased costs (Zhang et al., 2010), which become apparent if an e-tailer decides to establish a physical store presence. Rowell (2014) differentiates between seven core models of omnichannel purchasing process.

Table 2: Overview of omnichannel retail models

MODEL	PRE-TRANSACTION	TRANSACTION	POST TRANSACTION		
			PROCESSING	DESTINATION	DELIVERY
1	Browse Internet	Order	Pick from warehouse	Deliver direct to home	Courier/ Postal Service/ Retailer
2	Browse Internet/ Retail Store	Order	Pick in store	Deliver direct to home/ office	Couriers/ Postal Service
3	Browse Internet	Order	Pick in store	Collect at Retail Store	Shopper
4	Browse Internet	Order	Pick from warehouse	Collect from "Click and Collect" store	Shopper
5	Browse Internet	Order	Pick from warehouse	Collect from local store	Shopper
6	Browse Retail Store	Order in Store / Shopper mobile phone	Pick from warehouse	Deliver direct to home	Courier/ Postal Service/ Retailer
7	Browse in Public Space	Order in Public Space- mobile phone	Pick from warehouse or in store	Deliver direct to home	Courier/ Postal Service/ Retailer

Source: Author's illustration based on Rowell (2013)

1.6 IN-STORE TECHNOLOGY AS OMNICHANNEL RETAIL ENABLER

Use of technologies in retail has become associated with terms such as artificial intelligence, virtual reality, big data and other groundbreaking technologies, transforming the face of retail

at an unprecedented speed. However, technology has played a crucial role in the evolution of retail as we know it today and has helped retailers create value for consumers from its early origins. Looking back into the 19th century, department stores were synonymous with modernity and were amongst the first industry players adopting innovations of the time such as escalators and elevators, advanced lightning, or electricity for illumination (Niemeier; Zocchi; Catena, 2013). Naturally, these achievements seem somehow negligible compared to the advances that retailers have adopted over the past decades.

The two main drivers behind these rapid technological advancements have been efficiency improvements on one hand and desire to understand customers on the other hand, with information as the common denominator. Retailers have managed to scale up their operations massively over the past decades, involving large-scale physical and information flows across extended networks, which would hardly be possible without computing technologies, data transfer and storage, telecommunications and integrated software (Niemeier; Zocchi; Catena, 2013). These and other technologies allow retailers to optimize their operating costs and keep track of stock on an end-to-end basis. In parallel, technology allows vendors to aggregate large amounts of data on consumer spending habits and preferences and consequently utilize these to optimize their POS advertising efforts. As online retail continues its growth trajectory and jeopardizes profitability of traditional businesses, today's retailers are asking themselves two major questions:

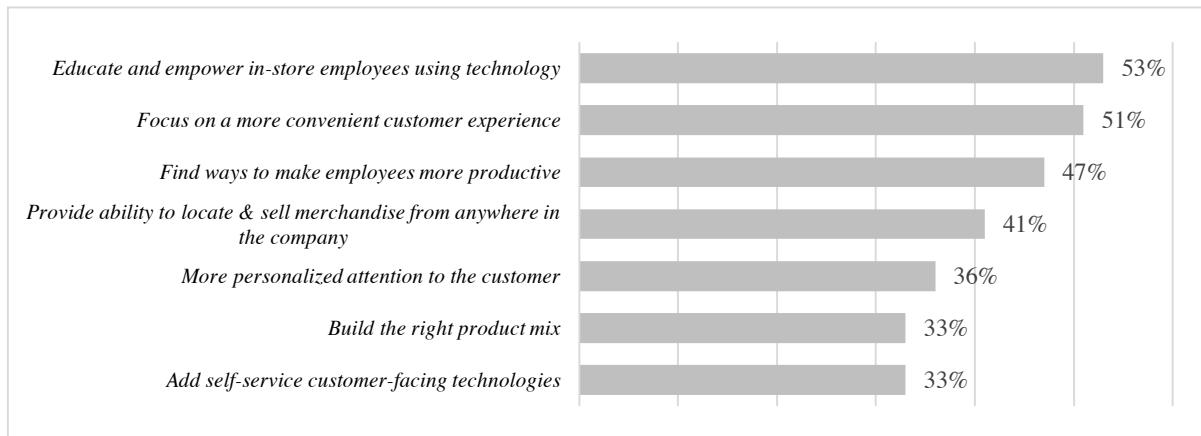
- 1) Where is the growth going to come from in the future?
- 2) How to increase (staff) productivity (Accenture, 2016)?

According to *Accenture's Technology Vision Survey*, 88% of business executives believe that the pace of technology innovation will increase at an unprecedented speed over the next three years (Accenture, 2016) and *Gartner's* research testifies, that 85% of all customer interactions will be powered by artificial intelligence (Mazumdar, 2017). Technology in retail is increasingly being used to bridge the gap between brick-and-mortar and online shopping and is bound to play a crucial role in the future, as the store experience continues to many customers who enjoy the feel of the physical product and seek real-time, personal interaction with the shop assistant (Wolf et al. 2008).

Use of technology in retail enables the retailer to better map the behavior of the consumer, assess the level of customer satisfaction and gather up-to-date information with regards to their needs and expectations. Based on the gathered information, various actions can be designed and implemented to improve the customer experience in the retail environment (Vijay, 2016). Kotler (1972) emphasizes that customer experience is strongly associated with atmospherics, influencing psychological and behavioral outcomes of the shopper, such as his willingness to repurchase, as well as the perceived value of the transaction (Babin, B.J.; Darden et al., 1994; Kumar, 2016). Technology serves to make the purchasing experience more engaging, attractive

and memorable, make the merchandise more accessible and integrate the overall experience (Drapers,2012; Kumar, 2016). A study of 125 retailers showed, that improvement of customer experience indeed was the second most desired objective (47%) that retailers followed with in-store technology implementation, placed right after increasing current customer retention and also gaining new customers, as confirmed by 58% of these retailers. Tactics that are believed to help them improve the abovementioned customer experience are presented in Graph 5.

Graph 5: Retailers' tactics to improve in-store customer experience



Source: Author's illustration based on Retail Systems Research (2016)

The following paragraphs will highlight selected prevalent technologies shaping the retail landscape today and analyze their potential impact on increased value creation and improved customer experience for the consumer.

1.6.1 MOBILE POINT OF SALE

Most retailers have understood that digitalization of retail is no longer an interesting trend to watch, but has become critical to increasing efficiency, sales and profitability. The abundance of new consumer-driven payment technologies like near field communication (NFC) or mobile wallets are affecting the global payment industry and forcing retailers to reconsider their payment systems. Mobile POS is said to be the single trend in retail with the largest potential, outpacing the second most sought-after solution, big data, by almost 20% (Holman, 2012). The market for mPOS devices is expected to grow from 3.2 million devices in 2014 to 27.7 million by 2020 (Wagner, 2016).

POS transformation started in 1970s with replacement of static cash registers and introduction of credit card payments. POS terminals used today give retailers the possibility to process payments virtually anywhere and with any sort of card- credit, debit, gift or loyalty cards. Unlike stationary POS, they usually consist of a handheld portable device and a portable device, enabling the cashier to print the receipt on spot once the transaction is authorized (Zebra Technologies, 2012). Tablets and smartphones are commonly used as mPOS nowadays, executing payments, tracking inventory, sharing menu and location. Further functionality

additions are also to be expected as the system transitions to cloud computing solutions (Accenture, 2012).

Mobile POS systems have a high potential to improve customer experience by providing a faster and smoother checkout, allowing staff to engage with customers and allowing retailers to influence the purchasing process in the moment when the purchase decision is made - on the floor (Oracle, 2012). These devices represent a win-win situation for both retailers and customers, by enabling staff to be more proactive in their behavior towards the customer, provide recommendations regarding complementary or substitute products, access the purchase history of a specific customer and cross- or up-sell the customer's purchase. mPOS might also prove beneficial with regards to potential cost savings, compared to building additional static POS that need to be manned by people. At the same time, especially younger customers and those of higher economic status are continuously becoming more cautious of their time and are likely to get irritated if they are forced to queue. mPOS have the potential to shorten waiting times for these customers by making transactions at the POS more agile and flexible. Efficiency of this technology is correlated with the size of the shopping basket and while it may seem redundant for large purchases (supermarkets), it has the potential to result in significant time savings for very small purchases (Prepletany, 2013).

Apple, JCPenney, Sephora or Home Depot announced initiatives to implement mobile POS already in 2012, with some chains such as *AT&T* claiming to gradually eliminate all stationary POS (Zebra Technologies, 2012). These and other retailers are hoping to follow *Nordstrom's* POS transformation success story. The retailer deployed over 6,000 mobile devices through its 117 major stores in 2011 to provide a "more technology-enabled store experience". This investment supposedly not only improved the shopping experience for customers, but also increased the average selling price and number of items sold, and most significantly, resulted in a quarter-to-date revenue increase of 15.3% in 2012 compared to the previous year (Clay, 2012).

1.6.2 MOBILE PAYMENTS/ ELECTRONIC WALLETS

Mobile payments revolution began in 2014 with *Apple's* introduction of *Apple Pay* being the first proper mobile wallet. Ever since, *Samsung Pay*, *Chase Pay*, *Android Pay*, *Microsoft Wallet*, *Walmart Pay*, *Kohl's Pay* and others followed *Apple* with the vision of creating a seamless customer experience (Business Insider, 2016). These technologies allow shoppers to pay with their mobile phones thanks to a chip with embedded credit card information, processing the transaction as the device is held against a POS system, all happening within a fraction of a second. Thanks to constant advancements in mobile technologies, the market for mobile transactions is expected to grow rapidly from \$75 billion to \$503 billion by 2020 in the US only (Business Insider, 2016). In the world with seven billion people, five billion mobile phones but only two billion bank accounts, mobile payments will very likely stay on retailers' radars.

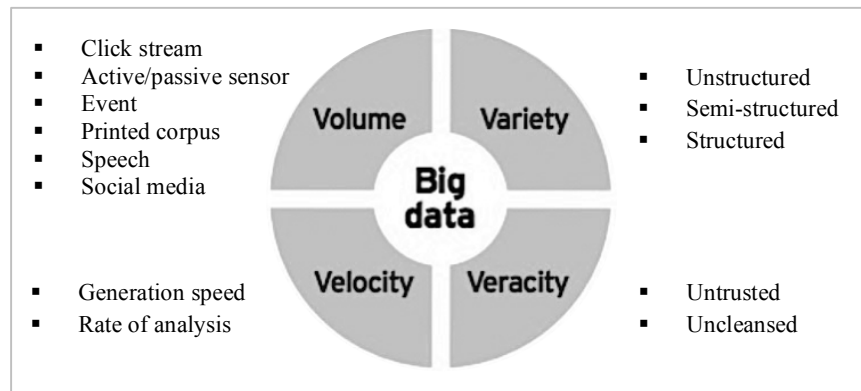
Google Wallet, as arguably the most successful mobile payment provided, has come a long way from being a mere means of electronic payment to a fully functional digital wallet, storing information about a customer's purchases in a cloud, while also enabling to store credit cards, debit cards, loyalty and membership cards, just like a physical wallet would. Additionally, customers can equip the wallet with discount coupons, which they would otherwise likely forget about. Functionality of *Google Wallet* goes beyond brick-and-mortar stores, as it can be used across a range of e-commerce channels and managed online to track one's purchases. To bring the wallet even closer to consumers, Google has partnered with *Citi Bank*, *Master Card* or *Visa* and is bridging the gap between banks, payment providers and merchants (Prepletany, 2013).

Electronic payments are expected to deliver substantial revenue and cost improvements, reduced customer acquisition cost, higher customer lifetime value, and decreased infrastructure and operating costs for merchants. Despite the convenience that mobile wallets promise to users, their adoption remains low at less than 10% and enthusiasm amongst consumers stagnates. Full leverage of benefits, such as loyalty points and discounts remains hindered by high level of fragmentation across providers and low common acceptance by merchants. Customers' security of data likewise presents a challenge to be tackled by joint efforts of all stakeholders involved. Particularly merchants-driven wallets are experiencing credibility issues, while solutions such as *PayPal* or *Amazon* score highest for trust and overall customer satisfaction (McKinsey, 2014).

1.6.3 BIG DATA

Big data refers to “dynamic, large and disparate volumes of data being created by people, tools and machines” (EY, 2014, p.2). Due to the sheer complexity and vast volume of data, innovative and scalable technology is required to gather and process the information and consequently derive real-time business insights to enhance consumer experience, boost profits, improve discount pricing models, maximize operational productivity and enhance shareholder value. This information stems from different sources - social media, internet-enabled devices like smartphones or tablets, machine data, video and other structured and unstructured data. Big data is often characterized with 4Vs as shown below (EY, 2014).

Figure 1: Four Vs of big data



Source: Author's illustration based on EY (2014)

In a nutshell, big data enables companies to better understand consumers' behavior at every stage of their decision journey and harness multichannel data to obtain a 360-degree view of the customer. As businesses across industries move to a more customer-centered model and customer retention tops most CEOs' agendas, big data can help businesses drive customer loyalty. By tracking customer behavior, companies can obtain valuable information regarding factors customers consider when purchasing online and offline and alternative offerings, thereby identify suitable up- and cross-selling opportunities. Similarly, they can monitor customers' engagement on social media and their responsiveness to different marketing campaigns. More accurate decision trees then enable them to gain a deeper understanding about which products from their portfolio are substitutable or complementary, thereby refining their cross-channel offerings (Breuer; Forina; Moulton, 2013).

Amazon has mastered the usefulness of big data to analyze what items a customer has placed into their basket and compare these against their past purchases. Thanks to information from over 152 million accounts, the e-tailer has generated 29% of their overall revenue through a recommendation engine, suggesting items to specific customers (Wolfson, 2013). *McKinsey's* and *MIT's* joint research suggests that companies that leverage data analytics outperform their peers by 5% in productivity and 6% in profitability. UK's largest retailer *Tesco* was the first chain to pioneer loyalty cards in the 1990s. By embedding over 20 advanced analytical tools into its day-to-day operations, the food chain managed to triple its turnover between 2000 and 2012 (Breuer; Forina; Moulton, 2013).

1.6.4 LOCATION-BASED TECHNOLOGIES AND DIGITAL PROMOTIONS

Thanks to location-sensitive technologies, even brick-and-mortar retailers can now leverage customers' data and withstand the competition from their online counterparts. Location-sensing technologies in joint efforts with mobile apps and advanced analytics intend to improve the in-store experience for customers, typically using a retailer's or third-party app authorized to track customer's movement while promising a reward or discount. Customers' location within a store is then determined via Wi-Fi or hardware transmitters called beacons, communicating with their mobile devices using a GPS technology (Haslehurst & McKone, 2015).

Continuously increasing proliferation of smartphones, rising 4G LTE coverage and Wi-Fi and rising consumers' acceptance of push notifications are also speaking in favor of location-based advertising. According to *Accenture's* survey on personalization in retail, 57% consumers would be willing to receive push recommendations, reviews or promotions when browsing for a product in the aisle (Accenture, 2014). Number of smartphone owners is projected to almost double from 1.57 billion in 2014 to 2.87 billion in 2020 (Statista, 2017) and the market for location-enabled marketing is expected to follow the trend with a jump from \$8-12 billion in 2014 to between \$40-43.3 billion in 2019 (Juniper Research, 2014). Beacon-based devices therefore possess a huge potential for improving the satisfaction and loyalty of the customers by moving brick-and-mortar retailers closer towards the omnichannel (Thamm et al., 2016).

1.6.5 RFID TECHNOLOGY

As the name implies, RFID is an identification-enabling technology, enabling customers to leverage the unique “touch and feel” benefits of brick-and mortar stores with those of RFID and eliminate their service, information or inventory flaws. Global cost of goods going out of stock is estimated to be \$120 billion a year globally. By tagging pallets and individual pieces of merchandise, RFID brings immense value to retailers by helping them gain a deeper understanding of inventory movement and improve forecasting accuracy to a robust 99.9% (Zebra Technologies, 2014). Increased item availability is then inherently converted into higher revenues. *Wal-Mart* and *Metro* began integrating RFID into their supply chains already in 2003 (Evdokinov et al., 2011). Vertical retail giant *Inditex* also got onboard of the RFID trend. After its annual general management meeting in 2014, the Group’s CEO announced that after an initial pilot across 700 *Zara* stores, the technology would later be rolled out across the rest of its chains as “one of the most significant changes in how the group’s stores operate” (Inditex, 2014).

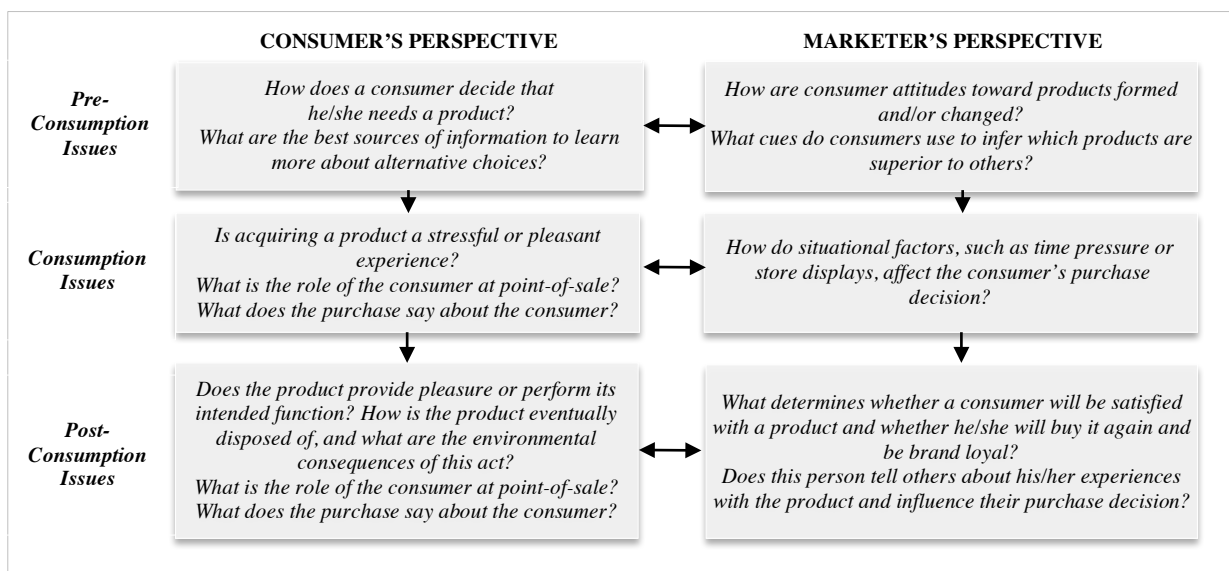
Benefits of RFID go beyond inventory levels optimization. RFID systems have seen a number of use cases where the technology is helping to redefine customer experience with innovative personalized solutions such as personal shopping assistants or “smart mirrors”. *Burberry* uses RFID to enhance the fitting room experience- as the customer tries on a piece of clothing, a video describing its journey from production to the catwalk is triggered. RFID also enables customers to leverage the popular “buy online, pick up in store” option or vice versa, as the industry moves towards omnichannel (OCS, 2016). The main issues for the future of RFID remain to be security concerns with tracking customers’ behavior on the shopping floor and in the after-sale stage. These privacy issues need to be carefully assessed by retailers for every RFID application (Evdokinov et al., 2011).

2 CONSUMER SHOPPING BEHAVIOR

To be able to analyze and understand the shopping preferences of a studied sample of Millennials in the empirical part of this thesis, it is necessary to provide a theoretical framework on the relevance of consumer behavior as such. Kotler and Keller define consumer behavior as “*Study of the ways of buying and disposing of goods, services, ideas or experiences by the individuals, groups and organizations in order to satisfy their needs and wants*” (Kotler & Keller, 2011, p.130). Similarly, Kumar understands consumer behavior as “*the buying behavior of final consumers, both individuals and households, who buy goods and services for personal consumption*” (Kumar, 2010, p. 218). The common theme of both definitions implies that consumer behavior as a study strives to explain what, why, how, when and where consumers buy. All these decisions are essential along the entire value chain of the product- designers need to understand whether there is a desire for a concrete good, while marketers must provide shoppers with the most convenient distribution channel and trigger the need to purchase a specific product. Today, consumers own absolute market power and are the ones to decide which products and brands will succeed in the fierce marketplace competition. If a company creates a revolutionary product, but there is no demand for it in the marketplace, the company is set up for failure.

Solomon (2013) stresses that consumer behavior is a process, as opposed to being a mere act of purchasing a product of service. This process consists of pre-consumption, consumption (exchange) and post-consumption and marketers need to study consumers’ needs holistically throughout the process to understand how value can be created at every stage. Some of the essential questions relevant to both consumers and marketers in all three stages of product or service consumption are highlighted in Figure 2.

Figure 2: Model of consumer behavior

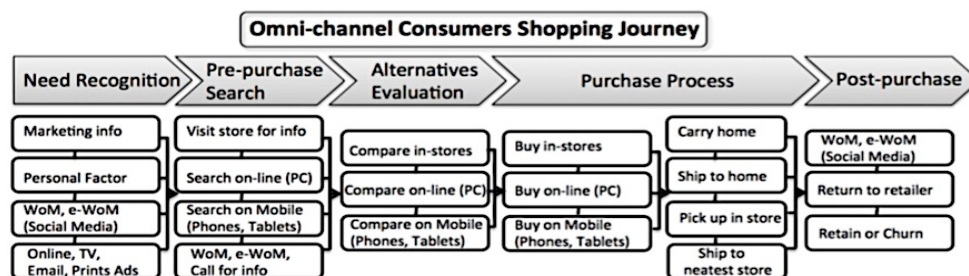


Source: Author's illustration based on Solomon (2013)

Amongst numerous models structuring consumer decision-making behavior, also understood also as a customer journey, the *Engel-Blackwell-Kollat* model, first developed in the 1968, remains to be the most prominent one. This model, dividing the purchasing process into **five steps**, makes it apparent that the customer's engagement with a specific product or service begins long before the actual purchase.

- First step is the **need recognition** (e.g.: hunger or thirst), when the consumer recognizes the difference between his current and desired state by forces of internal or external stimuli.
- Second stage is the **information search**, often further divided into 1) Heightened Attention and 2) Active Information Search. The length of this stage depends largely on the character of product in question, while buying a chewing gum might occur on a largely spontaneous basis; purchase of a vehicle will typically entail an extensive prior research. Source of information has greatly evolved along with the retail evolution. While previous generations relied on sales assistants' advice and the word-of-mouth, today's consumers (foremost Millennials) have a variety of online channels accessible to them with a single click.
- Third step, **evaluation of alternatives**, involves the consumer comparing amongst several brands or product lines of a concrete good. Marketers must know, who the competitors of their brand are and how to differentiate themselves through unique product characteristics.
- In the **purchase phase**, buyer decides on a specific product based on his preferred criteria.
- In the fifth, **post-purchase phase**, the consumer experiences satisfaction or disappointment with his decision. The satisfaction (S) is a function of his initial expectations (E) and product's perceived performance (P); $S = f(E, P)$ (Tyagi & Kumar, 2004).

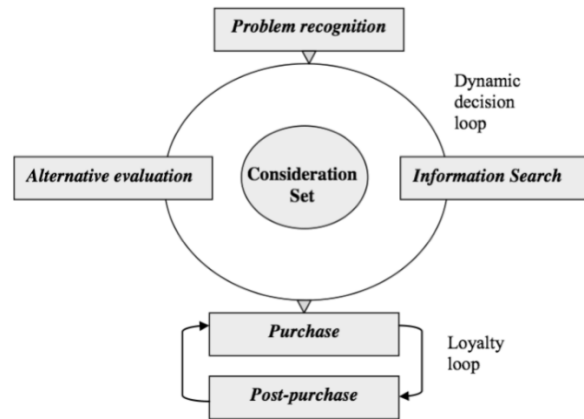
Figure 3: Customer journey in the omnichannel environment



Source: Adopted from Lu (2017)

The above linear character of the consumer journey has been criticized for no longer being applicable to today's digital environments. Marsden (2011), supported by Edelman (2010) and *McKinsey's* consulting research approves the traditional stages of the journey but argues that the journey is of cyclical nature rather than linear. He believes that consumer journeys nowadays start with a problem recognition and are followed by a dynamic decision loop. Consumers leverage access to a wide variety of information and flexibly add and eliminate alternatives along the way. The most desired outcome is then for every journey to result in a loyalty loop (Heinze et al., 2017).

Figure 4: Cyclical model of customer journey



Source: Adopted from Lu (2017)

Behavior in every step of the customer journey differs for various types of consumers in terms of demographic, socioeconomic and psychographic criteria, therefore it is necessary for marketers to acknowledge the differences across these segments and tailor their efforts accordingly. Belch defines segmentation as *“the process of dividing the market into distinct homogenous groups that have common needs and will respond similarly to a marketing action”* (Belch, G. E., Belch M.A, 1995, p. 133). One of the existing and commonly recognized buyer segments are Millennials, whose purchasing preferences are the object of this thesis and will be elaborated upon in the next section.

2.1 CUSTOMER EXPERIENCE

The customer experience is understood as a set of interactions between a customer and an organization, which is a combination of the organizations’ physical performance and the customers’ emotions across the entire duration of contact (Shaw & Ivens, 2002). Verhoef et al. (2009) adds that the customer experience construct is of holistic nature and involves the customer’s cognitive, affective, emotional, social and physical responses to a specific retailer. He conceptualized customer experience as a function of several factors including: social environment, service interface, atmosphere, price and assortment. He also acknowledges consumer’s past experience and the experience with various channels in the multichannel environment. Furthermore, the experience is formed not only by controllable elements (e.g.: service interface, retail atmosphere, assortment, price), but also by elements outside of the retailer’s control (e.g.: influence of other people, purpose of shopping). Customer experience, which also might encompass several retail channels (online and offline) should be understood in a broader context as the total experience, including the search, purchase, consumption, and after-sale phases of the consumer journey (Verhoef et al., 2009).

As Peter Drucker stated, *“What gets measured gets managed”* (Prusak; HBR, 2010). Despite the fact that most organizations seem to have grasped the importance of customer experience,

few have formally defined it and even fewer have an effective system of customer experience measurement in place. Most of the previous researchers used two dimensions to conceptualize the measurement of customer experience – the utilitarian and hedonic value. The utilitarian value measures the consumers' goal-driven accomplishments in terms of time investment and cumulative effort that was exerted. On the other hand, the hedonic dimension reflects the entertainment and enjoyment that consumers obtain from the purchasing process as such. Accordingly, utilitarian consumers are driven by achieving a predetermined goal, while hedonic consumers experience joy from the shopping process and are more focused on the experience as such than on the final result (Lu, 2017). Hedonic value becomes particularly important when it comes to products with strong hedonic attributes such as clothing, jewelry or art, however utilitarian and hedonic value always have to be considered together to best predict purchase intention (Blázquez, 2014).

Hedonic value has traditionally been associated with brick-and-mortar store, while online shopping has been described as utilitarian. This appears to be no longer true as it has been found that there is a considerable share of emotion involved in online shopping. In case of brick-and-mortar stores, the hedonic value leads to stronger consumer loyalty and has a positive influence on the channel and repurchase intention. Similar to online shopping, previous experience with the channel increases the repurchase probability as the buyer becomes more comfortable with the channel. In the multichannel environment, both in-store and online customer experience have to be considered, as consumers look at experience holistically and seek an integrated solution across channels (Blázquez, 2014).

2.2 MODEL OF CUSTOMER CHANNEL CHOICE

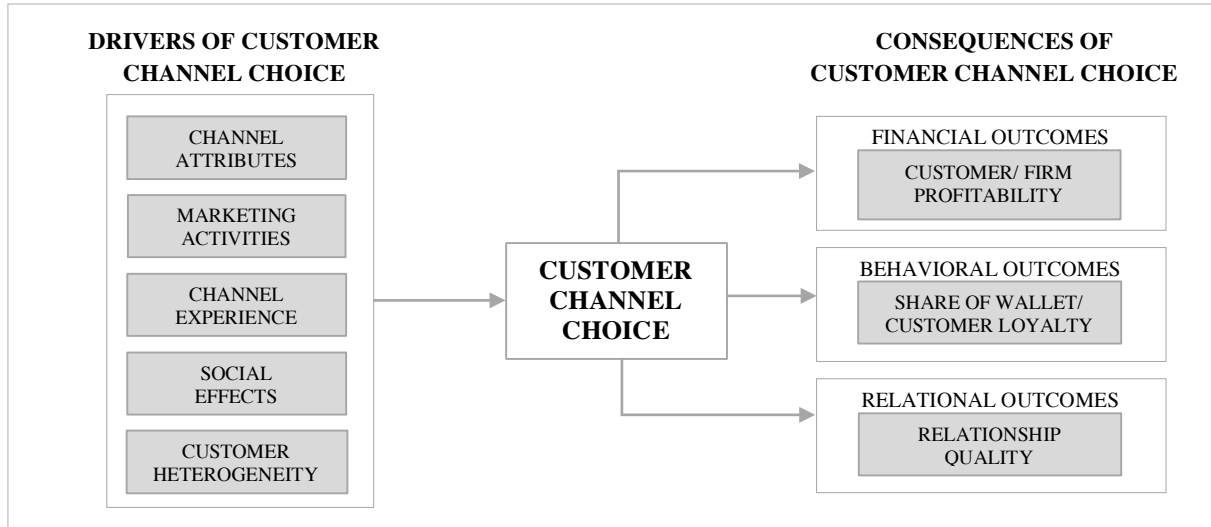
The customers' preference for a certain channel over another has been an object of recent research in the field of consumer behavior and retail management. Although considerable attention has been given to separate online and offline channels (brick-and-mortar, catalogue, online, mobile), few models have been presented which would explain the interaction of these channels in the omnichannel ecosystem. Understanding which channels and why are most favored amongst customers can help companies better allocate their resources and improve their customers' shopping experience. Balasubramanian et al. (2005) recognizes five distinct goals consumers try to achieve with their choice of specific channel:

1. **Economic goals** (obtaining the best deal available)
 2. **Self-affirmation** (expertise in channel selection and usage)
 3. **Symbolic meaning goals** (thoughtfulness during the process)
 4. **Socialization/experiential goals** (belonging to a community or environment)
 5. **Routine/ maintenance goals** (familiarity or regularity in the shopping process)
- (Dholakia et al., 2010).

According to Verhoef et al. (2016), differences in customers' behavior in the presence of several channels of interaction can be explained as a function of several variables:

- **Channel attributes:** Characteristics of individual channels are crucial for channel choice and usage (Verhoef et al., 2016). Channels differ in a multitude of factors, some of them being whether the channels are physical or virtual, degree of accessibility and convenience or travel and switching costs associated with a specific channel (Dholakia et al., 2010). The distinction between physical and virtual nature of channels is of high importance as certain consumers show a high preference towards sensory trial experience before a purchase (Peck & Childers, 2003).
- **Marketing communication:** Existing research shows that the amount of expenditures invested into marketing communication had a positive influence on customer channel behavior and channel choice (Dholakia et al., 2010, Thomas & Sullivan, 2005). Additionally, with higher marketing investment, customers were more likely to adopt a second or third buying channel (Venkatesan; Kumar & Ravishanker, 2007).
- **Previous channel experience:** Experience with a channel most often leads to learning or forming a habit and can lead to a higher likelihood of repeating the use of the channel used in the past (Valentini; Montaguti, & Neslin, 2011). For inertial customers, the effect can be triggered by above mentioned marketing activities (Valentini; Montaguti and Neslin, 2011).
- **Social effects:** Van den Bulte and Lilien (2001) state that exposure to other actors' knowledge, attitude, or behavior affects the behavior of an individual. This notion equally applies to adoption of purchasing channels. It shall be noted that social influence plays a role to different extents for various channels. It has been found that Internet adoption is more likely to be impacted by social influence than brick-and-mortar adoption and use (Verhoef et al., 2016).
- **Customer heterogeneity:** Kumar and Venkatesan (2005) attribute channel choice to differences in 1) customers' demographic and psychographic specifics and 2) customer buying behavior. Different authors found that age and income played a role when opting for a certain channel, with older customers being less prone to using online channels (Ansari; Mela, and Neslin, 2008; Bilgicer et al., 2015). As demonstrated with the above factors, customers vary in their channel choice, which directly translates into differences in relational, behavioral and financial outcomes. These outcomes are critical for a firm's profitability, so their understanding is critical for management of interactions with a specific group of customers across all channels (Verhoef et al., 2016).

Figure 5: Model of customer channel choice and channel consequence



Source: Author's illustration based on Verhoef et al. (2016)

2.3 CHANNEL PREFERENCE IN THE MULTICHANNEL ENVIRONMENT

The importance of understanding customers' channel choice has been further emphasized in today's dynamic omnichannel environment. Following the declining sales figures of numerous brick-and-mortar stores, the competitiveness of the physical channel in the online-driven marketplace has been at the forefront of researchers. *A.T. Kearney's Omnichannel Customer Preferences Study* mapped shopping preferences of 2,500 US consumers across each step of the customer journey, consisting of five major phases:

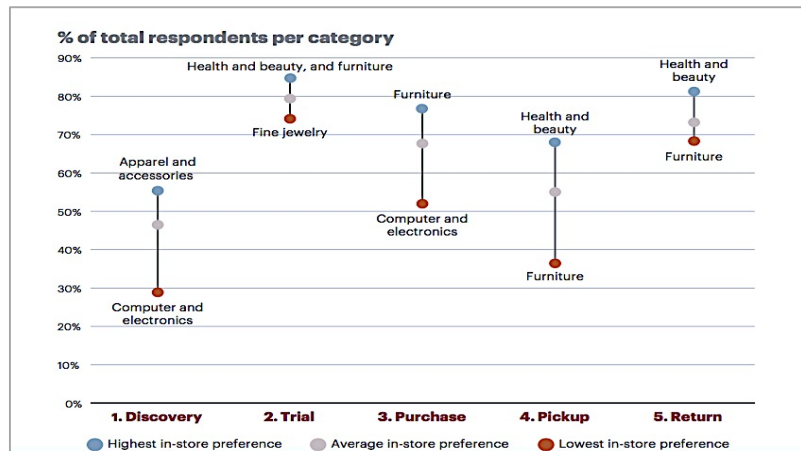
- 1) Discovery
- 2) Trial and Test
- 3) Purchase
- 4) Pick-up and finally
- 5) Return.

The underlying goal was to identify which channel was most popular with shoppers in every part of their consumer journey. The investigation across the shopping journey found that the physical store remains to be the preferred channel throughout all steps of the customer journey, apart from the discovery stage, being well in line with the aforementioned webrooming phenomenon of researching products online.

Varying results were found amongst categories, with "high touch and feel" categories such as Apparel and Accessories showing significantly higher preferences for the in-store channel at every stage of the journey. Expectedly, highest preference for in-store channel was recorded for the age segment of seniors, with teenagers and Millennials being significantly more in favor

of online channels. Main differentiating factors giving physical store an edge above online retail was found to be immediacy of purchase, accuracy of testing and customer service. Physical stores were also found to play a central role for returns, for both online and brick-and-mortar retailers. While physical venues represent a sole cost for online retailers, they can potentially trigger new purchases and are an opportunity for omnichannel retailers (A.T. Kearney, 2014).

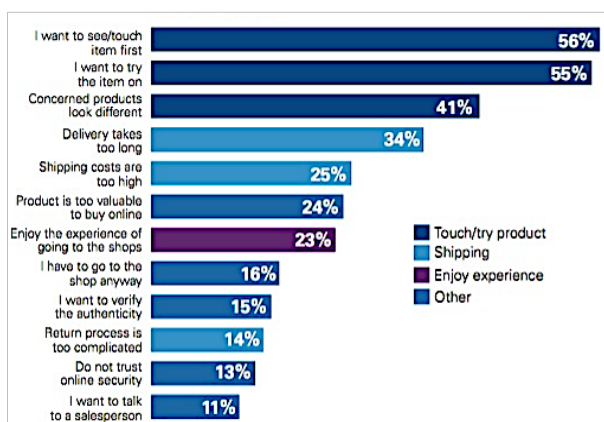
Figure 6: In-store preference across customer journey



Source: Adopted from A.T. Kearney (2014)

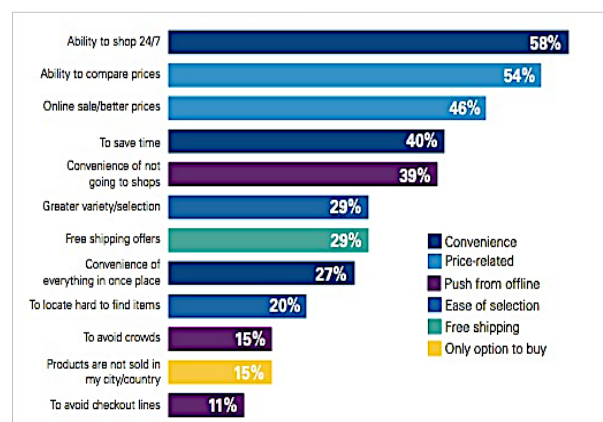
Similar results were confirmed by *KPMG's* research on consumer shopping behavior, which found that the ability to touch and feel the product, immediacy of purchase and motivation to avoid shipping costs were the most frequently mentioned reasons for shopping in a physical store. On the opposite side, the most frequently stated arguments for affinity towards online shopping included cost savings and the inconveniences of shopping in physical stores such as the required time investment, having to wait in queues and shopping crowds. To overcome the deficiencies of online purchases, e-tailers are expected to increasingly adopt strategies such as comprehensive sizing and measuring charts, detailed photographs with 360° viewing, satisfaction guarantees, or easy returns (KPMG, 2017).

Graph 6: Reasons why consumers buy in-store



Source: Global Online Consumer Report, KPMG (2017)

Graph 7: Reasons why consumers buy online



Source: Global Online Consumer Report, KPMG (2017)

2.4 GENERATION AS A DISTINCT POPULATION COHORT

As inferred from previous research, age is likely to influence shopping habits. According to Kotler and Keller, people are influenced by the period, in which they grew up, with major influences being music, movies, politics and the most defining events of a certain period (Kotler & Keller, 2009). People exposed to similar influences are referred to as generations. Generation experts Strauss and Howe define a generation as a “*cohort-group, whose length approximates the span of a phase of life and whose boundaries are fixed by peer personality*” (Strauss & Howe, 1991, p.60). They also add: “*A generation is a group of people who share time and space in history that lends them a collective persona*” (Strauss & Howe, 1991, p.63). McCrindle and Wolfinger (2009), however, believe that the traditional life stages are no longer applicable to today’s children and youth and the relevance of this definition is limited. Undoubtedly, childhood has been getting shorter and the average age for marriage or house purchase has increased. Due to the proliferation of technology, geographical distances between same cohorts in different countries are diminishing. For the purposes of this thesis, generation will be understood as a “*cohort, united by age and life stage, conditions and technology, events and experiences*” (McCrindle & Wolfinger, 2009, p.19). Research acknowledges that there are currently five primary living generations (GenHQ, 2017).

2.4.1 SILENT GENERATION

Howe and Strauss define Silent Generation as the population born between 1925-1942 (Howe & Strauss, 2007). This generation, known also as “The Greatest Generation” or Veterans, lived through World War II and The Great Depression in the US. They tend to value traditional relationships and adhere to hierarchy and structure (Brennan, 2010). They are traditionalists, relying on tested and proven ways of doing things and are relatively slow to embrace change. They are typically patriots, valuing conformity; loyalty towards employers and family coherence is one of their most cherished values. Most of them have retired now and accumulated significant wealth and equity during their lifetimes (Williams & Page, 2010).

2.4.2 BABY BOOMERS

Baby Boomers, the term referring to the rapid increase in birth rates after WWII, are the demographic cohort born between years 1943-1960 (Howe & Strauss, 2007). The sudden increase in population caused a spike in demand for consumer goods, thus stimulating the post-war economy (Investopedia, 2017). They tend to value authority and are idealistic and optimistic. Due to their large number, they were raised in a competitive environment, experienced fierce competition for entry-level jobs and the “lay off” phenomenon (Brennan, 2010). They have reinvented themselves and are the generation to most often be considered workaholics. Many of them have retired, with health and wellness being their priorities (Williams & Page, 2010).

2.4.3 GENERATION X

Generation X, born between 1961-1981 (Howe & Strauss, 2007) is often labeled as a “sandwich” generation, often neglected due to the preoccupation with larger cohorts of Boomers and Millennials. They are often characterized by skepticism, individualism and informality (Brennan, 2010). Applicable particularly to the US, Gen Xers often grew up as “latchkey” children of divorced families, making them seek work-life balance in their own professional careers, which they never saw from their parents (White, 2014). Event such as the Cold War, Soviet Union or Lockerbie shaped their world perspective (Reeves & Oh, 2007). Often labeled as the most misunderstood generation, this cohort is self-reliant, resourceful and tech-savvy.

2.4.4 GENERATION Y - MILLENNIALS

Howe & Strauss (2007) define the millennial generation as cohort born after 1982. Tapscott (2009) recognizes the beginning of this generation as early as in 1976, similar to Martin and Tulgan (2002) in 1978. In this thesis, Millennials, the demographic cohort following after Generation X, will be generally assumed to be individuals born between years 1980 and 2000 (Goldman Sachs, 2017). Other frequently used synonyms include Gen Y, Digital Natives, Generation Y (or Why?) or MyPod Generation, referring to their strong desire for personalization of products and services. The term “Millennial” was invented in the 1990s by Strauss & Howe, but started being widely used only a couple years ago (Bank of America Merrill Lynch, 2015). Values, beliefs and shopping behavior of this first truly global and digital generation will be elaborated upon in detail in the latter part of the thesis.

2.4.5 GENERATION Z

The next generation after Generation Y, also known as the iGeneration, was born roughly after 1995, and grew up exposed to terrorism, economic recession and environmental crisis from their early years. Although some authors define the start of this generation as late as in the 2000s, the single most defining characteristic is the generation’s digital affinity and constant connectedness. They are growing up into pragmatists, most often equating success with money in the workplace (Fuscaldo, 2016). This is the generation who grew up with a smartphone in their hand, multi-screen-users and native to consuming large amounts of media from multiple touch points at the same time (HBR, 2015). According to Ruhl (2017), their overreliance on social media and the Internet has made them a lonelier generation than ever (Fuscaldo, 2016). This generation expects personalization in all aspects of their life and although not as much emphasis has been put on studying The Gen Zers, this is bound to change as they mature and disrupt not only workplaces but also the retail environment.

2.5 THE MILLENNIAL CONSUMER: THE GLOBAL APPROACH

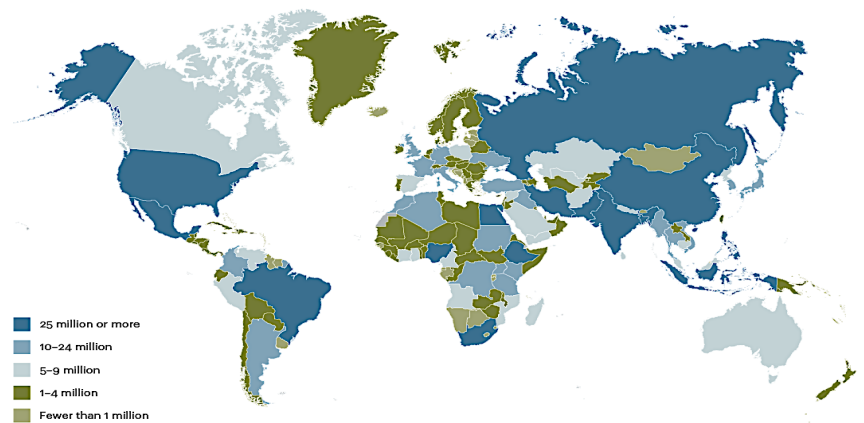
The Millennials grew up in a “global village” or a borderless world, connected through digital devices and social media. It is therefore to be expected, that they share many common attitudes, ideals and expectations. Increasing global mobility gave them an international worldview and it is common that this generation maintains friendships with people all around the globe. Despite

the apparent homogenizations of global Millennials and largely globalized culture, research has found noteworthy differences across regions and even countries that shall not be underestimated by employers and marketers. The following section will examine high-level characteristics of Millennials from the global perspective, inherently shaping the ecosystem of Czech Millennials.

2.5.1 UNDERLYING CONDITIONS

To grasp the magnitude of purchasing power of this generation, there are approximately two billion Millennials worldwide today (27% of the global population), with 86% of them living in emerging markets (Bank of America Merrill Lynch, 2015). In 2015, Millennials (aged 18-35 in the respective year) have overtaken the Baby Boomers (aged 52-70) and now comprise the largest living generation in the US, projected to further grow in size and peak in 2036 at 81 million (Pew Research Center, 2017). 58% of the world's Millennials live in Asia, predictably with India being home to the largest global millennial cohort. The five most heavily populated economies alone (India, China, The United States, Indonesia, and Brazil) account for almost 50% of the millennial population in absolute terms.

Figure 7: Concentration of global millennial population



Source: Adopted from UN World Population Prospects (2015)

Millennials grew up in the period of rapid change and instability. Many of them entered adulthood during the worst recession since the Great Depression and those younger ones saw their parents fighting through the poor economy, causing them anxiety about future employment and financial stability (Zendesk, 2017). The modern knowledge-based economy forced them to become the most educated generation in history, yet the most heavily indebted one, with two-thirds of US bachelor degree graduates burdened with student loans in the average height of \$27,000 (Pew Research Center, 2017).

One the most dominant characteristics of this generation is digital affinity. Millennials were born into the digital era and use multiple digital devices as an inseparable part of their daily life. They are much more likely to be adopters of new technologies and constantly multitask when using devices, confidently switching across platforms- mobile, social, PC or gaming (BCG,

2012). 86% of all US Millennials own a smartphone and 83% admit they use it more to send text messages and use social media than to make phone calls (DMR, 2017).

2.5.2 VALUES AND BELIEFS

There is hardly any other generation that has been studied in such detail as Millennials. Being the last generation of the past decade and first true digital one, Millennials think and behave differently (Accenture, 2013). As these consumers are venturing out and will soon constitute the largest purchasing power in the marketplace, understanding how they make purchasing decisions, eat, shop and interact with brands has been of utmost interest to marketers. To accommodate this group, often labeled with stereotypes such as narcissistic, entitled or lazy, companies will have to redefine their value propositions, operating models, communication strategies and marketing.

2.5.2.1 RELUCTANCE TO OWNERSHIP AND EXPERIENCE ECONOMY

Arguably due to income uncertainty and greater international mobility, millennial consumers have become less prone to making a housing investment early in their careers. Their willingness to stay in their parents' nest has increased to 30% and the peak home buying age has risen from 25 to 45 years. Generation Y are also hesitant to purchase music or cars and are inventors of the new "sharing economy", enabling them to utilize goods through platforms such as *Airbnb* or *Uber* without an actual ownership. This trend seems highly correlated with postponing committing life decisions such as engagement, marriage or children. Today's Millennials are in no rush to settle down early in their life journeys, which has resulted in the median marriage age rising from 23 to 30 years of age between 1970 and 2010 (Goldman Sachs, 2017). They have not abandoned traditional family values, but live a more "scattered" life trajectory, not necessarily following the traditional life stages in a linear fashion (Bank of America Merrill Lynch, 2015).

Having grown up in a turbulent world with little future guarantees, Millennials live in the present more than other generations, tend to avoid long-term planning and heavily favor experiences over material possessions. According to *Bloomberg's* research, 78% Millennials will rather spend their money on an experience - traveling, concerts or eating out - than on a material good, which is rather worrying to marketers. The trend of living a minimalist lifestyle is causing them to "declutter" their life - donate unworn pieces of their wardrobe, move into smaller apartments and reduce shopping as a free-time activity (Weinswig, 2016).

2.5.2.2 ACTIVE LIFESTYLE

Millennials are dedicated to eating healthy and leading an active lifestyle. They have made wellness an integral part of everything they do in their daily lives. Unlike Boomers, they see healthy as beyond "not falling sick". They use apps to track their health statistics, sleep, sports performance, daily nutrition intake and condemn smoking more than previous generations (Goldman Sachs, 2017). They are willing to invest in brands that promote health as a core value.

According to *BCG* (2012), food, fashion and friends are three of Millennials' greatest passions. They are slowly rewriting the rules of the food industry worldwide, showing a much higher preference for non-pre-packaged and less processed food labeled as "GMO-free" or "locally-sourced" than previous cohorts (Cheng, 2017). Based on *eMarketer's* research, more than three-fifths of Millennials said they were willing to pay more for organic, natural and sustainably sourced food (Cheng, 2017). This is resulting in the fact that many generic, non-premium producers are losing relevance with Millennials, while many chains are introducing premium organic product lines to their portfolio. It will likely be socially conscious and environmentally aware brands that will win with Millennials as their purchasing power increases.

2.5.2.3 SENSE OF PURPOSE

The Millennials' desire for finding purpose and empowerment across all areas of life reflects in their behavior in the workplace. It is their work, where they feel most accountable and demand fast and performance-based career progression. They are less comfortable in rigid corporate structures and value flexibility, innovativeness, mentorship and constant feedback. They desire perpetual learning and personal development and are cautious about employers' work-life balance promises not being kept. 71% of them are open to an international career or assignment (PwC, 2011). Millennials are often accused of showing little loyalty to their employers. According to *Deloitte's* 2017 research, 38% Millennials expected to leave their present employer within the next two years (Deloitte, 2017). This simply reflects their flexibility and desire for change and new experiences.

Contrary to the popular belief, Millennials tend to believe that businesses' success should be measured in ways beyond financial results. They value working for a cause and like to engage themselves in big issues (BCG, 2012). They tend to favor workplaces, which support causes they believe in, such as environmental responsibility or fair trade. Not only do they like to engage themselves in their employer's charitable initiatives, but they also tend to stay longer with those companies, who are not indifferent about social issues (Deloitte, 2017). They believe they can make the world a better place and that collective actions can make a difference. They are more likely to engage in initiatives they believe in, but also encourage others to support them than non-Millennials (BCG, 2012). Millennials value purpose over everything and just like they seek purpose in their choice of employer, they like to use their skills in those volunteering activities they believe in. While Baby Boomers are more likely to donate a certain amount of money to a specific charity, Millennials will spend more of their income on purchasing groceries from sustainable sources, favoring products positioned as ethical, sustainable and environmentally friendly (Millennial Impact Report, 2014).

2.5.2.4 FUTURE OUTLOOK

When asked about the future, Millennials' opinions vary greatly according to where they live. Millennials living in developed nations are generally rather skeptical about the future. Conflict, terrorism and unemployment remain to be their top concerns with 25% Millennials worried about their future income (Deloitte, 2017). In the US, Millennials are the nation's most distressed generation, with money being their primary stressor. To relieve the stress, the generation most frequently turns to Internet or videos to escape their problems, explaining newly emerged phenomena such as "binge-watching" (Bank of America Merrill Lynch, 2015).

On the other hand, Millennials in developing markets expect to be better off in the future than their parents were and express a greater level of optimism about solving some of the world's challenges. They also tend to believe that access education is the number one enabler to let them do so (Deloitte, 2017). Millennials in most developed markets are less religious than their predecessors, with BRICS Millennials referring to themselves as "spiritual" over religious (Bank of America Merrill Lynch, 2015).

2.5.3 SHOPPING BEHAVIOR

The following chapter will elaborate on the specifics of millennial shoppers as a distinct market segment, projected to spend \$1.4 trillion in the US annually by 2020 and representing 30% of all retail sales (Accenture, 2013).

2.5.3.1 SEAMLESS EXPERIENCE AS A PRIORITY

It is a common myth that the millennial generation only cares about online shopping. In fact, 82% of them still said to prefer brick-and-mortar stores for most product categories (Accenture, 2013). This means they like both online and physical stores, with 68% of them prioritizing a seamless and frictionless experience, enabling them to transition from online to PC to brick-and-mortar, as one of the most important factors, (Accenture, 2013). Omnipresent smartphones enable Millennials to stay connected at all times, even when shopping for goods and services in physical stores. *Telefonica's* research claims that Millennials spend on average six hours per day online, trend led by North and Latin America and Asia (Bank of America Merrill Lynch, 2015). According to *Accenture's* study, 41% of these consumers practice "showrooming", meaning they check out a product at a nearby brick-and-mortar store and subsequently search for the best deal online (Accenture, 2013).

2.5.3.2 USER-GENERATED CONTENT

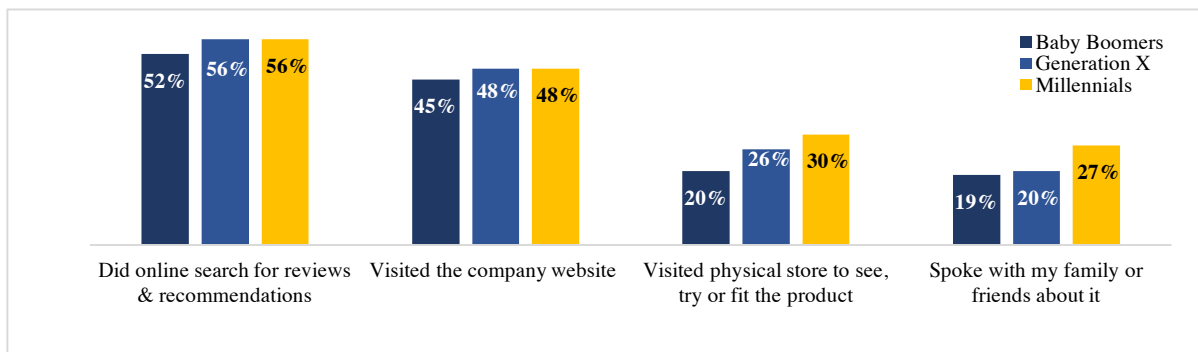
Millennials constantly seek peer affirmation and are far more engaged in activities such as rating products and services online (60% vs. 46% of non-Millennials) as well as sharing videos, images, and blog articles (BCG, 2012). They are content creators and expect their brands to empower them and enable them to voice their opinion by creating user-generated content (Barkley, 2016). When searching for product reviews or recommendations, they are 3x more likely to turn to social networks than other generations. They typically do not rely on company's own website, but intentionally search for user-generated content and in number of cases, they will not make a purchase if UGC is missing (particularly in the product categories of major

electronics, hotels or holiday arrangements). 51% Millennials claim to trust reviews from other users, even though they might be complete strangers, more than brands' own websites (16%) or articles published about the brand or company (15%) (Bazaarvoice, 2012).

Compared to other generations, they have become extremely immune towards advertisement with 63% using ad blockers to prevent pop-up ads (DMR, 2017). In fact, only 1% trust ads, and it is authenticity and proven focus on customer experience that will keep them coming back for more (Smith, 2015). These consumers have all desired information available to them at their fingertips, therefore it is the brands who are transparent that will win their loyalty. More than half of them reports getting the best deal is of highest priority to them and they will utilize all channels to find it (Accenture, 2013). This is a concern to retailers, who constantly need to align their online and brick-and-mortar prices. On average, Millennials own three digital devices and many of them rely on social media as their main information source. This puts them in contrast with Generation X or Baby Boomers, who still heavily use the TV and newspapers (Huffington Post, 2016).

As previously stated, Millennials are constantly seeking validation on social media, which is said to make their life richer and prevent them from “missing out” on the social buzz in their communities. They are much more likely to use *Facebook*, *Instagram* or *YouTube* than non-Millennials (79% vs. 59%) and love to share their meals, purchases and travels with their peer group over social media. 33% of them also confessed they favored brands with *Facebook* pages (BCG, 2012). Apart from using them to keep up with brands' innovations, they commonly use it to find out about public opinions on a product or service, commonly referred to as “crowdsourcing”. Before making a purchase, Millennials are likely to research the product online, read other users' reviews and also seek first-hand experience on social media. Consequently, if they have a positive experience with a product, they are likely to share it online, creating a much more authentic buzz than any advertising could do (Friedman, 2016). Knowing what appeals most to these consumers is equally crucial. 57% of them admitted that if they had to choose between reading an article or watching a short video due to time constraints, it would be the article they would skip (Friedman, 2016).

Figure 8: Information sources and different generations



Source: Author's illustration based on KPMG (2017)

2.5.3.3 CUSTOMER LOYALTY AND CAUSE MARKETING

Similar to their attitude towards employers, it is a common myth that Millennials cannot be loyal to their brands. They demand a tailored customer experience, personalized coupons and promotions and warm welcome during the in-store time. If satisfied, they are likely to make repeated purchases (Accenture, 2013). Millennials demand their brands to truly understand and fit their lifestyle and those that will manage to help them have a more convenient, fulfilling and experience-filled life are bound to win (Barkley, 2016). This is where big data comes into place as the best source of generating valuable insights. Brands can no longer succeed purely with product characteristics; today's consumers are most enthusiastic about creating and preserving experiences. Brands who will enable them to create rich and unique experiences will win the hearts of Millennials, the generation who invented and fully embraced the "YOLO" ("You Only Live Once") lifestyle.

Millennials admire companies committed to facilitating positive social and economic difference and are largely responsive to cause marketing. They are the generation with as many as 82% believing they can change the world (Burstein, 2013). According to *Nielsen's* research, more than half of all Millennials are willing to pay extra for a product or service if it is intended for a specific cause. They are conscious of product labels, packaging and monitor socially responsible activities that companies are involved in (Nielsen, 2014). Out of all living generations, they are the most dedicated advocates of the 3Ps- people, planet, and products- and seek social and environmental responsibility in all aspects of their lives- from their employers, but also brands they identify with. *TOMS Shoes* represent a solid example of a brand popular with Millennials and committed to social good at the same time. For each pair of shoes sold, the company donates a pair to people in need in the developing world, mostly those, who have never owned a pair of shoes (Burstein, 2013).

2.6 CZECH MILLENNIALS

As the primary research of this thesis relies heavily on the analysis of a Czech millennial sample, it is inevitable to familiarize the reader with the basic characteristics and environmental conditions relevant for this geography-specific segment. Despite the much-discussed cultural globalization, it is believed that there are existing specifics of the Czech Millennials, which have an impact on their consumer behavior. These will be elaborated upon in the following section, along with high-level macroeconomic characteristics of the Czech market, impacting their purchasing power as such.

2.6.1 SOCIOECONOMIC CONDITIONS OF THE CZECH MARKET

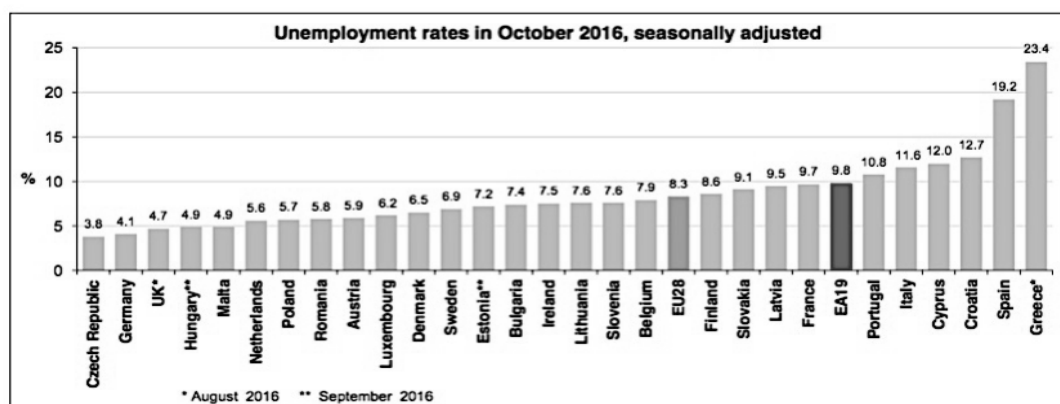
While the western world saw a rather continual historical evolution in the 20th century, Czech Republic along with several other countries in Eastern Europe were dominated by the communist regime until the last decade of the century. Today's Millennials, growing up after the Velvet Revolution and the fall of the Iron Curtain never experienced the limited freedom of

mobility or unavailability of western goods that their parents faced in their early years. What their parents took for a privilege they take for granted. The rapid technological progress and emergence of a borderless world in the 90s have opened up countless opportunities for Czech Millennials and as a consequence, the differences between them and this generation in the western countries have been steadily diminishing. Arguably, Velvet Revolution, birth of the Czech Republic in 1993 as well as the country's integration into the EU, will be the dominant events shaping the worldview of Czech Millennials (Cibulka, 2015).

In 2017, the Czech economy continues to grow at a relatively steady pace with a forecasted GDP growth of 2.6% in 2017. The main driver behind this increasing trend should be private consumption coming from households. Unemployment rate is at 3.5%, projected to stay flat compared to the decreasing past trend and thus remains to be amongst the lowest in the EU. Employment growth rate is said to gradually reach 0% in 2018, due to the shrinkage of population cohort in working age. As there are reports of existing vacancies and skill shortages, it is likely that the employment market has reached its saturation (European Commission, 2017). Youth unemployment is deemed as less of a pressing issue compared to some of the EU countries in Southern Europe. In October 2016, 18.4% of young people below 25 years of age were unemployed across the EU, with Germany showing the lowest rate at 6.9% and Greece, Spain, Italy being the countries with highest share of unemployed young people at 46.5%, 43.6% and 36.4%, respectively.

Czech Republic was the country with third lowest youth unemployment, with 10.7% or 35,000 of Czech population below 25 years unemployed (Eurostat, 2016). The graph below shows a comparison of total unemployment rates across the EU in October 2016, when the unemployment was at its lowest since 2009.

Graph 8: Unemployment rate comparison across the EU



Source: Adopted from Eurostat (2016)

2.6.2 HOW ARE THE CZECH MILLENNIALS?

There were 2,808,429 Millennials (born between 1980-2000) as of 2016 in the Czech Republic, representing roughly 27% of the overall population (CSÚ, 2017). The youngest of them have not reached adulthood yet and are still largely financially dependent on their parents, while the older ones are several years into their professional careers and have established own families.

One of the most defining characteristics of the Czech millennial population is the constantly-increasing percentage of university-educated individuals. There were 1.3 million people in total with a university degree in 2016, compared with 134% less twenty years ago (CSÚ, 2016). This statistic is not limited to Millennials, but it is reasonable to assume that it is largely driven by this demographic cohort. Accordingly, the number of females with a finished university degree has risen by 25% between 1995 and today. In 2016, there were 38% university educated females (aged 25-34) and 24% males with a university degree within the same age range, compared to 12% and 17% for the older generation (aged 55-64). Even though this share is still not on par with Western markets, it is bound to quickly follow, as the university diploma becomes a necessity rather than a valuable asset (CSÚ, 2016). The average age of a Czech university graduate is 28 years for public universities and five years older for private universities. The average period between finishing their education and starting a full-time job after graduation is four months, however, many Millennial take some time off to travel upon concluding their university studies. Thus, the average age for Millennials to build their careers, consequently settle down and set up their own families is inherently higher than for all the prior generations (Zelenka & Koucky, 2013).

Generally speaking, Czech Generation Y is more open to other nationalities and cultures and politically liberal than previous cohorts. 89% Czech Millennials expressed a sense of European identity and 69% strictly opposed any thought of the Czech Republic leaving the EU. Most agreed that borders should be open for educated immigrants and also refugees from conflict zones, with only 11% stating they would prefer not to let any foreigners in (GenerationWhat, 2017). Czech Millennials are generally open to foreign cultures and religions, with 78% claiming they would be open to marry someone of a different religious belief than their own. A significant level of disagreement with the government persists to exist, with as many as 78% stating the government's beliefs and values do not reflect their own (Telefonica, 2013). Looking into the future, top three most concerning issues named by Czech Millennials are the economy (22%), social inequality (17%) and poverty (17%). According to *Telefonica's* research, climate change was deemed as a less pressing issue by Czech Millennials in comparison with the Western countries. Only 28% believed climate change was a pressing issue, compared with the global average of 53% (Telefonica, 2013).

Generation Y in Central and Eastern Europe seems arguably more preoccupied with finding a meaningful, yet financially sustainable job. Highest of all world's regions at 65%, compared to the global average of 45%, Millennials in the CEE area expressed their belief that having a

decent paying job was a “privilege” as opposed to a “right” (Telefonica, 2013). On the positive note, unlike most Southern European countries, Czech Republic has been comparatively less affected by youth unemployment in the levels faced by Spain or Greece and steadily shows one of the lowest unemployment rates across the EU. Likely, this is one of the reasons why two-thirds of Generation Y respondents see their future as rather optimistic (Ipsos CASI Pannel, 2011).

The Czech retail market grew by 6.6% year-on-year in June 2017 and continues to be largely driven by online sales, which increased by more than 20% compared to the previous year. It was apparel, footwear, culture and leisure products, which experienced the fastest growth (ČTK, 2017). Czech e-commerce market is growing at a pace which belongs to the fastest in the EU. The Czech shoppers’ trust in online payments is also showing an increasing tendency, with 64% online shoppers now willing to use their debit card for online purchases in comparison with the previous year’s 59%, as reported by payment provider *GoPay* (Acomware, 2016).

Czech e-commerce market continues to be driven by desktop, as 86% of all conversions originated from computer devices. However, the Czechs increasingly experiment with mobile purchases, which showed a 67% year-on-year growth in Q2 2016. Interesting trend to watch to satisfy this cohort are omnichannel initiatives by Czech retailers, enabling these consumers to purchase products or services online and pick them up in a physical store afterwards, along with the rising popularity of online retailers of fresh produce and groceries, pioneered by *Tesco* and *Rohlik.cz* and showing month-on-month double-digit growth rates (Acomware, 2016).

Research conducted by *Ipsos* showed that Czechs as consumers are highly enthusiastic about trying new brands and services and purchasing them online. 25% regularly shop online compared to 18% non-Millennials (Ipsos CASI Pannel, 2011). 87% Czech millennials admitted to using social media every day, compared to the general population’s average of 67%, with video scoring as their most favored content format (MediaGuru, 2016). To keep up with their always-online lifestyle, many brands started targeting them through collaboration with YouTube bloggers (e.g.: Viral Brothers or Fatty Pillow), popular with 39% Millennials.

Mobile internet is deemed as a necessity by 85% Czech millennials, which is 19% more than for the rest of the population (Mediaguru, 2015). Items that are most commonly purchased online are apparel and shoes, followed by holidays, cosmetics and food supplements. Their average basket size is estimated to be 250-300 CZK for small purchases and 1,250-1,650 CZK for larger baskets (FaktorS, 2016). A study of a Czech Generation Y sample found out that searching for information online and subsequently paying a visit to a brick-and-mortar store was the most popular form of the shopping process, as testified by 37% studied Czech Millennials. Interestingly, only 7% respondents from the sample reckoned checking a product in store and purchasing it online afterwards, thus showrooming (Klapilova, 2016).

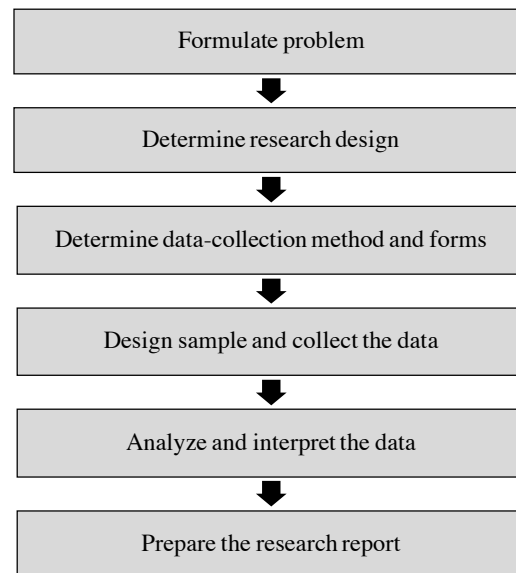
As evident from the above data, not a substantial amount of research has been dedicated to Czech millennial consumers. Although several consulting and market research agencies debated about this generations' behavior in the workplace, thorough and up-to-date research on this generation of buyers appears to be missing. The author's primary research therefore strives to fill the existing information gaps and provide a comprehensive overview of these customers' preferences in the marketplace. Due to this thesis' limited extent and to ensure maximum rate of return of the survey, the study will focus on selected aspects of these buyers' purchasing behavior, as outlined by predetermined research questions. Any future research can afterwards dig deeper into any behaviors of specific interest.

3 SHOPPING BEHAVIOR OF CZECH MILLENNIALS

3.1 RESEARCH METHODOLOGY

The following chapter of the thesis strives to identify the shopping preferences of Czech Millennials, who have been defined as individuals born between 1980-2000, of Czech origin and currently residing in one of the regions of the Czech Republic. The overall research methodology will follow the approach presented in Figure 9. The process of data collection for the purposes of this thesis can be divided into three major phases described below.

Figure 9: Marketing research process



Source: Author's illustration based on Wiid & Diggines (2010)

Phase 1: Secondary Research

To form a substantial theoretical base, research gathered by researchers, market research agencies and management consultancies has been presented in the previous chapter. The studies elaborated upon focused on global Millennials' shopping preferences with regards to shopping channels (physical stores, online & mobile), their decision-making process and the underlying motivations for their behavior. Additionally, broader socioeconomic conditions have been presented to understand the shaping influences and economic context of these consumers. Unfortunately, the lack of existing research on the country- and generation-specific level made it impossible to draw reliable conclusions about this very cohort of shoppers in the Czech Republic. As the vast majority of investigation of Generation Y's buying habits has been conducted on the global or continental level, the author's primary research strives to validate or invalidate whether the global findings can be considered applicable to the millennial cohort of Czech consumers.

Phase 2: Qualitative Research

Qualitative research in form of in-depth interviews was identified to be the most suitable method to uncover the reasons behind the shopping behavior of Czech millennial consumers. In-depth interviews, together with focus groups, grounded theory, protocol analysis, projective techniques and others constitute the most popular tools of qualitative research, used to find out what is going on in a person's mind (Schmidt & Hollensen, 2006). In-depth interviews are semi-structured and non-directive interviews, in which the person being interviewed is encouraged to talk about the research object in detail and freely, rather than simply responding "yes" or "no" (Schmidt & Hollensen, 2006). This method has been selected primarily based on the following advantages:

- No peer pressure (especially compared to focus groups)
- High focus and attention of the respondent throughout the interview
- More suitable for uncovering hidden motives and feelings
- Suitable for dealing with issues of sensitive nature (Faarup, 2010).

As stated above, the main reason behind favoring in-depth interviews is to allow the interviewer to reach a greater level of depth, as opposed to quantitative testing, which focuses on validating pre-determined hypotheses using a large sample. Additionally, this format guarantees the possibility to generate insights from respondents independently, without the risk of "groupthink"⁴. As the topic touches upon technology literacy, it is deemed crucial that interviewees get an opportunity to express their unbiased opinions in a relaxed and friendly atmosphere, rather than potentially feeling pressured or embarrassed within a peer group, which would hinder the questioning process.

The interviewer is the author in this case, who has conducted extensive secondary research on the topic and is aware of the generational specifics of the sample group. Information was collected during 1-hour long, semi-structured interviews, based on a predetermined scenario, while allowing the respondents to deviate from the rigid structure and dig deeper into any areas of special interests. The conversations were led during a face-to-face meeting or virtually over Skype in case of candidates residing outside the city of Prague. They were recorded using a voice-recording device to allow for deeper analysis by the author after the interview has been conducted.

Convenience sampling and snowball sampling have been used to select the sample respondents, with age (17-37) and nationality (Czech) being the main decisive criteria. For the sample to be most reflective of Czech population as a whole, the interviewer's objective was to include respondents of various ages within the millennial cohort, from diverse regions across the Czech

⁴ Groupthink describes the process in which bad decisions are made by a group because its members do not want to express opinions, suggest new ideas, etc. that others may disagree with (Cambridge Dictionary, 2017).

Republic, with varying levels of highest attained education and different professional backgrounds.

The overarching goal of the qualitative research was to understand the reasons behind the preference of certain shopping channels amongst Millennials as well as the existing barriers to channels which are used comparatively less. The qualitative research should provide the author with substantial understanding of factors, which are important to millennial shoppers throughout the shopping experience. The interviews strived to answer four underlying research questions:

Research Question 1: Which channels are preferred for shopping across various product categories? Which products are Millennials most/ least likely to buy online/ offline?

This question sought to establish certain patterns behind the reasons why millennial shoppers purchase certain product categories online/ offline more than others. Based on the secondary research, it has been concluded that buyers typically favor shopping for high “touch and feel” categories, such as clothing, cosmetics or furniture in brick-and-mortar stores, while online shopping is popular for electronics, travel products and event tickets.

Research Question 2: Which factors are crucial in the online/offline shopping process?

Price, availability of goods and convenience have been tentatively concluded to be the dominant factors when selecting a specific channel. Millennials are said to be constantly on the lookout for the best deal and will choose the channel, which will enable them to obtain a good or service for the most reasonable price and with the minimum amount of effort.

Research Question 3: What do Millennials base their decisions upon when purchasing goods and services and what tools do they use in this process?

Secondary research suggested that millennial shoppers heavily favor user-generated content and are relatively proof to advertisement when shopping for goods and services. They are considerably more likely to purchase goods that their friends, family or online influencers use and utilize the Internet as their main information source almost exclusively.

Research Question 4: How do Millennials combine different shopping channels?

Secondary research also suggested, that Millennials are comparatively more likely to combine several shopping channels and naturally alternate between shopping online and in a physical store. It has also been concluded that millennial shoppers are likely to favor retailers, who have implemented a multichannel strategy and allow their customers to leverage both their brick-and-mortar store and e-commerce site. Two different behavior patterns, webrooming and showrooming, have been introduced in this context and are to be further verified by Czech Millennials.

Figure 10: In-depth interview scenario

INTRODUCTION	1. Meeting the respondent (Personal or Skype)
PROJECT PRESENTATION	2. Presentation of research goals 3. Confidentiality assurance 4. Consent to using a voice-recorder
RESPONDENT'S PROFILE	5. Age 6. Region of residence 7. Highest attained level of education/ profession 8. Hobbies
CLASSIFICATION	9. Which channels do you reckon using to make purchases?
BRICK-AND-MORTAR	10. Are there any product categories you always buy in a physical store? If so, why? 12. How do you make decisions about a purchase? (before visiting the store and in-store) 13. What are the elements of a good shopping experience? 14. Are there any disadvantages to physical stores?
ONLINE SHOPPING	15. Are there any product categories you buy mostly online? 16. What are the main benefits of shopping online? 17. Are there any disadvantages? 18. Describe your best / worst online shopping experience? 19. What are some of your favorite online retailers and why? 20. How do you make decisions when shopping online? 21. What aspects are most important for a positive online shopping experience?
MOBILE SHOPPING	22. What are some of the activities you most often use your mobile phone for? What apps do you use most often? 24. How many times have you made a mobile phone purchase in the past 12 months? 25. What are main disadvantages of mobile shopping? 26. Do you use your mobile phone when shopping in store and if yes, what for?
CHANNEL INTEGRATION	27. Have you ever purchased goods or services online from a retailer that traditionally sells in a physical store? 28. Are there any services Omni channel retailers offer that you are particularly aware of? 29. How do you keep up with your favorite brands? How do learn about new product and innovations?
CLOSURE	30. Expressing appreciation for respondent's time & ending

Source: Author's illustration

Phase 3: Quantitative Research

Following the qualitative data collection, quantitative approach was undertaken to further validate the results of both secondary research and qualitative phase on a larger population sample. Another goal was to be able to derive recommendations for retailers and brand owners on the most appropriate retail strategy towards this group of buyers. A survey was chosen as the most appropriate method to obtain data points from a substantially large millennial sample.

Survey can be understood as *“a method of primary data collection in which information is gathered by communicating with a representative sample of people”* (Wiid & Diggines, 2010, p.107).

The type of questionnaire used by the author was the structured, non-disguised questionnaire, most commonly used in marketing studies. In this type of survey, the structure and order of the questions is logical and pre-arranged, and the object of the study is revealed to the respondent. Compared to unstructured and disguised questionnaire types, the structured non-disguised survey has a number of advantages, several of them being:

- Questions have been determined in advance, therefore information collection can be facilitated in an orderly and systematic manner.
- The straight-forward and structured format allows for less demanding requirements on the skillset of a particular interviewer.
- The structured form of the questionnaire makes it easy to extract and interpret data.
- The questionnaire can be pre-tested and modifications can be made after the pilot (D’Amico, 1957).

The questionnaire, distributed online and answered by 248 respondents, strives to validate or invalidate the following hypotheses:

- **Hypothesis 1: Brick-and-mortar stores are becoming “showrooms” for online purchases, while their actual popularity for converted purchases decreases.**
- **Hypothesis 2: Millennials are avid mobile phone users and heavily leverage these in the purchasing process to compare prices and reviews online. Therefore, user-generated content plays a crucial role in the Millennials’ decision-making process.**
- **Hypothesis 3: Compared to older generations, Millennials are more likely to favor services of omnichannel retailers (e.g.: in-store pick up) and are more likely to be loyal to retailers who have adopted a multichannel/ omnichannel approach.**

Figure 11: Overview of research phases



Source: Author's illustration

3.2 QUALITATIVE RESEARCH

3.2.1 BACKGROUND SETTING

A total of eight respondents were interviewed during the qualitative part of the study, with an average duration of the interview of 45 minutes. This number of participants was selected as appropriate to allow for substantial variety of answers but also to enable making generalizations, further utilized in the quantitative study. Around 50% of respondents were interviewed in a personal setting (their home, interviewer's home or a café) and the remaining 50% of interviews were conducted over *Skype*, predominantly with respondents residing in regions outside of the city of Prague. Six out of total fourteen regions were covered in the interviews, with Prague being overrepresented compared to others. Due to the effects of convenience and snowball sampling methods, the majority of respondents were university students or graduates.

Table 3: Interview respondent's profiles

RESPONDENT	AGE	EDUCATION LEVEL	ECONOMIC ACTIVITY	REGION OF RESIDENCE	INTERVIEW LOCATION
KAMIL	24	University (Ing.)	Entrepreneur	Královehradecský	Café
FILIP	23	University (MSc.)	Student/ Intern	Prague	Home
KATEŘINA	24	University (Ing.)	Student/ Intern	Prague	Café
LENKA	21	University (Bc.)	Student	Prague	Home
MICHAL	17	High School	Student	Zlínský	Skype
EVA	22	University (Mgr.)	Fresh Graduate	Brněnský	Skype
JANA	29	University (Mgr.)	Maternity Leave	Moravskoslezský	Skype
VERONIKA	32	High School	Sales Assistant	Pardubický	Skype

Source: Author's illustration

3.2.2 PRELIMINARY CONCLUSIONS

Electronics and travel drive the online shopping market for men, apparel for women

The interviews revealed that flight and event tickets, electronics, IT equipment and apparel were the most popular categories to buy online. All interviewees (100%) named the above from top of their head when asked what they most often buy online and mentioned shopping online for the above categories at least once in the past 12 months. Interestingly, a subtle difference has been spotted between the two genders- while all female respondents listed apparel and accessories as their most prevalent category when shopping online, buying clothing online was not popular amongst male respondents, citing inability to try the products on as the primary reason. Secondary research determined that groceries and fresh produce were amongst the least developed online categories, with only 21% online shoppers to have ever purchased these online. This trend seems to be equally valid amongst Czech Millennials, as none of the persons surveyed claimed purchasing groceries online on a regular basis, explaining their concerns about the quality of fresh fruits, vegetables and meat and preference to buy groceries spontaneously.

“I like to buy fresh fruits and vegetables and prefer to select the produce myself.”

“If ordering groceries online, I would definitely not buy fruits or vegetables- you never know what you might get.”

Despite low popularity of online grocers at this time, around 40% Millennials interviewed admitted they were intending to have a try at ordering groceries online, especially if the purchase would be shared with another person, lowering the total delivery costs. It can be expected that once the Millennials' household size and income increase and their lifestyle stabilizes, this cohort will be at the forefront of driving the online grocery shopping market.

Webrooming highly popular amongst Czech Millennials

The phenomenon of researching products prior to the store visit was confirmed by 75% interviewed respondents. Expectedly, the higher the price of intended purchase, the more time Millennials claimed to spend researching the product. Although everyday purchases (groceries, drugstore) proved to be driven largely by own previous experience with specific products and brands, Millennials claim to compare prices and carefully evaluate all alternatives available when it comes to buying electronics, perfumes, apparel or footwear. Female respondents mentioned browsing online catalogues of multichannel retailers, whose physical store they would visit later on, to try on the products they have already shortlisted online. Several respondents went as far as to state that even their decision is typically made prior to the in-store phase. This suggests that instead of visiting several stores with limited assortments and searching for their desired products, the interviewed Millennials prefer to only visit the store once they have certainty about the product's availability in store. 88% interviewees claimed they perceived shopping as a mere necessity and preferred to spend their leisure time in other ways than aimlessly browsing for products in stores. For this very reason, they favor

webrooming as a way to effortlessly access a catalog of a limitless portfolio of goods, compare their price points and choose amongst several alternatives reading other users' online reviews. Having made the decision online, they weight out the economic and opportunity costs of conducting the transaction online and in-store and opt for the option with lowest total costs.

"It all starts by Internet research anyways. You look it up online and only afterwards decide whether you purchase it online or in a physical store."

Sales assistants' attitude and short waiting time crucial for positive in-store experience

"If the sales assistants are moody and make you feel like you are wasting their time, the whole experience feels accordingly."

When asked about the factors considered important in the in-store purchasing process, seven out of eight respondents immediately mentioned that customer service was of high importance to them. This is in line with the global findings on Millennials, stating that Millennials are loyal to brands and retailers that make them feel valued and appreciated as customers. Long waiting queues and incomprehensiveness of stock were most frequently cited as the main drawbacks of using the brick-and-mortar shopping channel. Millennials expect both a large range of options tailored to their taste and immediacy, which is why they often face frustration if the store does not offer the exact model or size they intend to buy. Avoiding this disappointment, together with price advantages, proved to be the key rationale for conducting online transactions instead of buying in store amongst interviewed respondents.

"You don't have to go to 30 stores at the same time, but simply buy the product online."

Choice of e-tailers driven by experience and online reputation

When asked about their decision-making rationale regarding which online store to use, interviewed Millennials admitted they are most likely to use a website they have had a positive experience before, as most online retailers show comparable price points. This confirms the previous findings of Verhoef (2009) that channel choice is largely driven by previous experience with a specific channel. When it comes to using a new website, the experience of other users seemingly serves as a quality guarantee here. 88% of all interviewees admitted they would not be willing to buy from an e-tailer with non-existing user reviews even if they offered goods at lowest price. When asked about disadvantages of the online shopping channel, the most commonly cited factors were having to wait for the product, concerns about product's quality and inconvenience of paying shipping fees. The latter proved to be a concern especially amongst younger Millennials, who claimed favoring Asian e-tail giants *AliExpress*, *Alibaba* or *Taobao* on the grounds of free shipping. These findings are in accordance with secondary research, stating Millennials value immediacy and convenience. E-tailers, offering fast and economical delivery options are most likely to be popular amongst this cohort. Thus, it comes as no surprise that most respondents cited well-established players *Amazon* and *eBay* as their first choice of e-tailers.

“The size of the e-tailer does not matter as long as there are enough reviews on the site.”
“I use Amazon Prime because of the free shipping and 2-day delivery.”

Authenticity and user-generated content preferred over adverts

Only two out of eight interview respondents admitted to being more likely to buy a product or service after seeing it in an advert or in sponsored content on social media. When inquired about source of information on product characteristics and brands' new releases, only the two youngest respondents admitted they followed their favorite brands on social media such as *Facebook* or *Instagram*. Majority of the respondents preferred unbiased sources of information, primarily user-generated reviews, unbiased blog posts and word-of-mouth coming from their friends and family. The youngest Millennials also mentioned their affinity with online vlogs and YouTube influencers. This interim conclusion corresponds with previous research findings, highlighting the importance of user-generated content as prime information base for online product research.

“I buy a product when I want to buy it, not when I see it on social media.”
“I am interested in computer technologies so I sometimes watch computer- or gaming-related videos on YouTube. I use Ad Block to skip any sponsored ads.”

Small screen size makes mobile shopping experience unattractive

Despite the fact that 100% of interviewed persons were smartphone owners, only two reckoned using their mobile device to make a purchase online. 75% claimed having used or regularly using mobile apps to buy transportation and accommodation services (*Uber*, *Liftago*, *Taxify*, *Booking*, *AirBnb*) but only two used their phone to conduct a complete beginning-to-end transaction to purchase physical goods more commonly purchased through other channels. Their mobile transactions in these cases were driven by price incentives, i.e. these Millennials were entitled to a price discount if they purchased the specific goods through mobile rather than on the e-tailer's website. When inquired about the reasons they were not regular mobile shoppers, most cited small size of the screen, lack of comfort and inexistent mobile optimization of many websites.

Roughly 50% respondents (predominantly female) admitted to using their mobile phone while shopping in store or online, citing looking for a better deal, reading online reviews and comparing product characteristics, especially if shopping for a product they have not previously used. This seemed to be the case especially when purchasing cosmetics, books and electronics. The remaining portion of respondents denied using mobile phones during in-store time, claiming they try to minimize the total time spent in store. Given the relatively small sample of interviewees surveyed during the in-depth interviews, hypotheses regarding mobile behavior of Millennials and mobile phone usage in store can be neither validated nor invalidated at this point.

Cross-channel retailers winning with Millennials

Having identified shipping costs and long delivery lead times as the main barriers of buying online, another logical conclusion of conducted interviews was a high affinity of Millennials toward multichannel solutions. Although oftentimes subconsciously without knowing that they actually are using multichannel retailers, 88% surveyed Millennials admitted ordering a product online and having it delivered to a physical store or a kiosk in order to avoid shipping fees. 63% confessed they have ordered a product online from a retailer's website after not having been able to find the desired size or model in a brick-and-mortar store. When asked about their most favored online retailers, *Alza.cz*, *Mall.cz*, *Zoot.cz*, *Zara.com* and *Notino.cz* were the ones most often mentioned by respondents. Looking at the business model of these retailers, it becomes apparent that they share several common characteristics- opportunity to have the product delivered to a physical location (store or kiosk) free of charge, possibility to easily return unwanted or non-fitting items, quick delivery option and abundance of user reviews on the retailers' respective websites. For retailers owning a physical store, 25% study participants mentioned they preferred to research the retailer's catalogue online first and consequently try the products out in a physical store if the circumstances permit.

3.3 QUANTITATIVE RESEARCH

Quantitative research was conducted in form of a survey to validate or invalidate the hypotheses formulated by gathering secondary data and complemented with further insights generated during in-depth interviews. The survey was created on the platform *vyplnto.cz* and was distributed online, using social networks, email correspondence and through sponsored promotion on the platform. The questionnaire, containing altogether 23 dichotomous, multiple choice and Likert Scale type of questions was distributed between 17.7 and 30.7. 2017. The survey was targeted at the Czech millennial cohort, previously defined as Czech nationals aged 17-37 as of July 2017. Respondents who were outside of this age group and attempted to fill out the questionnaire (total of 12 persons) would be redirected to the end of the survey in order to prevent potential distortion of survey results. 248 respondents in total contributed in the survey, the average number of responded questions was 21.9 and the survey showed a 71.2% return rate. The average respondent took 8.5 minutes to fill out the questionnaire.

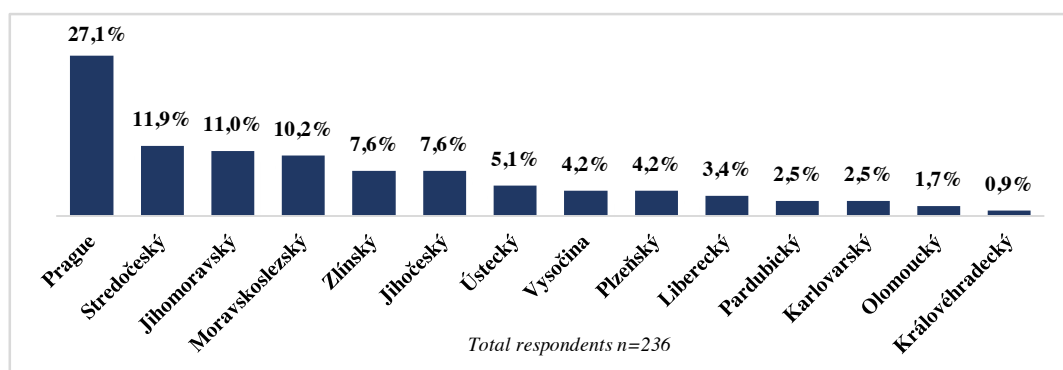
3.3.1 DEMOGRAPHICS OF THE RESPONDENTS

Respondents' demographic data shows that female participants showed greater willingness to fill out the survey, with 71% (176) respondents being female and 29% (72) being male. The majority of the respondents were pursuing a university degree or were university graduates, which is believed to have been affected by the nature of the distribution process adopted. In total, there were 64% university-educated respondents, 30% whose highest attained education level was secondary school, 5% with a higher level of education (PhD., MBA or similar) and 2% had a basic level of education. Given the low representation of the last two categories, the

survey results should be considered applicable to Millennials with secondary and tertiary level of education attained.

The distribution method of the questionnaire made it possible to gather preferences from respondents from all 14 regions of the Czech Republic, naturally with the largest representation (27%) of Millennials living in Prague. This reflects the general population dynamics, with the largest share of population concentrated in the country's capital, as well as the fact that Prague has arguably the most developed retail market overall. Unfortunately, limited number of participants in certain regions makes it difficult to draw conclusions based on their origin. The geographic segmentation of the Millennials who participated in the study is presented below.

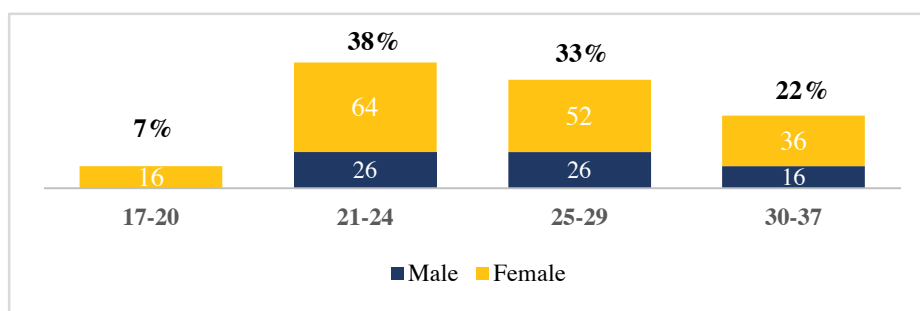
Graph 9: Geographic segmentation of the respondents



Source: Author's survey

As the millennial cohort encompasses a rather broad range of ages by definition (17-37), respondents were divided into four age groups to better determine any possible specifics of various subgroups by age. The youngest of Millennials (17-20), who are likely to be financially dependent on their parents comprised 7% of all respondents. Students and young professionals, aged 21-24 and 25-29 comprised the largest segment, accounting for 38% and 33%, respectively. The last segment was defined as Millennials aged 30-37, who are in the peak time of their careers and many of whom have established own families. This group represented 22% all participants.

Graph 10: Age distribution of the respondents



Source: Author's survey

3.3.2 DATA HIGHLIGHTS

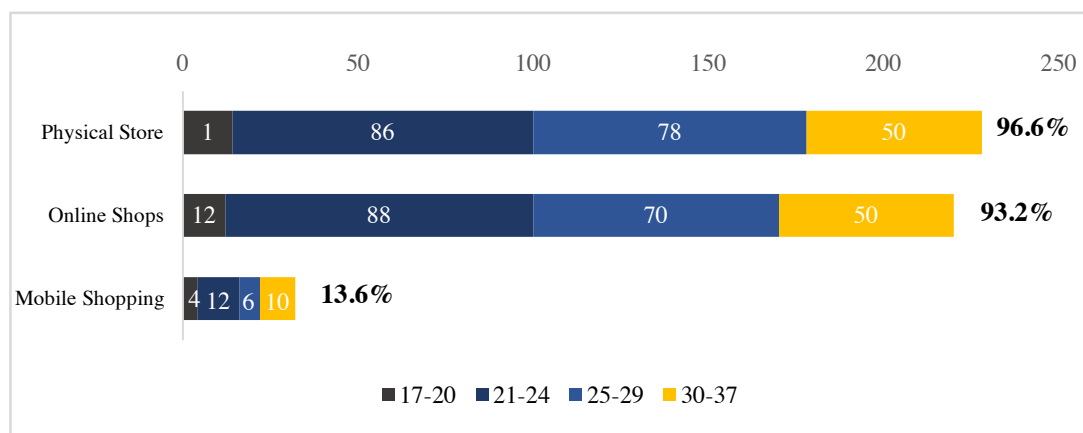
Millennials are not particularly passionate about shopping

The conducted survey confirmed that Czech Millennials are not particularly keen shoppers. Only 7% (89% of whom being female) stated that they perceive shopping as a fun and enjoyable activity. 29% of surveyed Millennials claimed they regarded the shopping process as a mere necessity and preferred to spend as little time shopping as possible. For the remaining 64%, their attitude largely depended on the nature of good in question. Two groups least likely to consider shopping as nuisance were the youngest (17-30) and oldest (30-37) Millennials. The survey validated the interim conclusion from the in-depth interviews, where the interviewees expressed that they were not extremely fond on spending their leisure time shopping and would rather eliminate this time investment to the shortest amount necessary. These findings also resonate with the conclusions of secondary research, describing Millennials as experience-savvy, but hesitant to invest into material possessions. Globally, 72% Millennials said they'd like to increase their expenditures on experiences (travel, events, concerts) rather than physical goods, clearly suggesting a shift away from materialism to real-life experiences (Eventbrite, 2014).

Online shopping shows high penetration but physical store leads

When asked about channels generally used for making purchases, survey revealed that the brick-and-mortar store is still the most commonly used channel amongst Czech Millennials, with 96,6% of them claiming to shop in a physical store on a regular basis. This finding is fully in line with the results from the *2017 Global Consumer Survey*, stating that 80% Millennials still prefer to shop in a physical store (KPMG, 2017). Online shopping proved to be not far behind and showed that Czech Millennials are highly e-commerce savvy, with 93% of them admitting to using this channel. Computers and tablets remain to be the preferred choice of device, as only 13% respondents, equally distributed within the four aforementioned age subgroups, admitted to making mobile purchases regularly. As usage of mail-order catalogues was denied during the interview phase, this channel was not further analyzed in the questionnaire.

Graph 11: Commonly used shopping channels



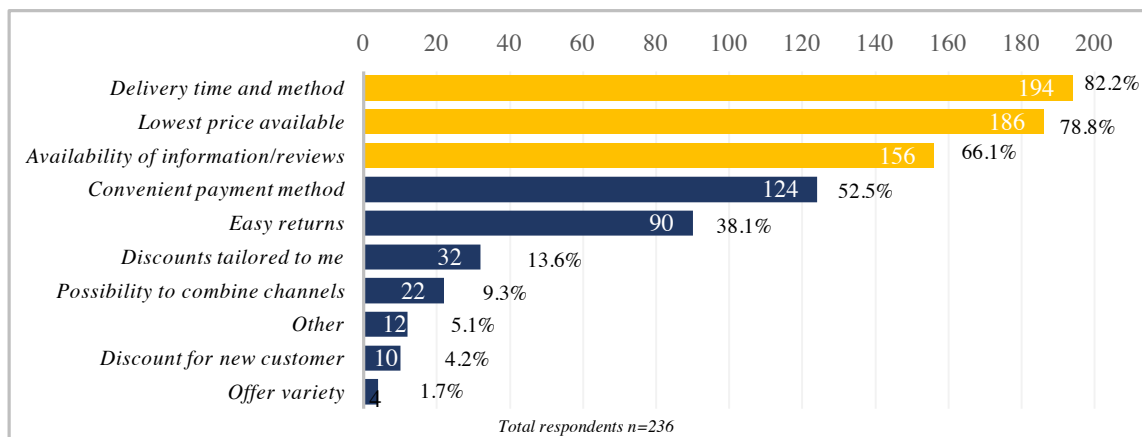
Source: Author's survey

Immediacy and price are crucial determinants of channel choice

When inquired about the factors deemed important when deciding to use a specific shopping channel (offline, online or mobile), Czech Millennials turned out to be pragmatists who want their goods delivered fast and favor safe and comfortable payments. Additionally, almost 80% of them admitted getting a good deal was a priority, which corresponds with the global findings presented in the former part of this work and equally with the outcomes of conducted in-depth interviews. Czech Millennials favor a reasonable price-value ratio and heavily base their choice of channel on the costs and benefits presented by different channels. The answers from the survey further highlight the original hypothesis that ability to compare product attributes and reviews generated by previous users has a significant impact on the channel choice. Participants also had the option to voice their opinions by mentioning a factor of their own choice, included in the “Other” category below. Most frequently repeated factors in this segment included different variations of “comfort” and “convenience”.

Little differentiation has been found between the four age subgroups in this particular case, suggesting that Czech Millennials’ preferences when it comes to channel choice are relatively homogenized. It can be inferred that choice of a particular channel is largely correlated with a positive experience while using the channel, which supports the findings of Verhoef et al. (2009), defining the social environment, service interface, atmosphere, price and assortment as the most important components forming the overall customer experience.

Graph 12: Factors impacting channel choice



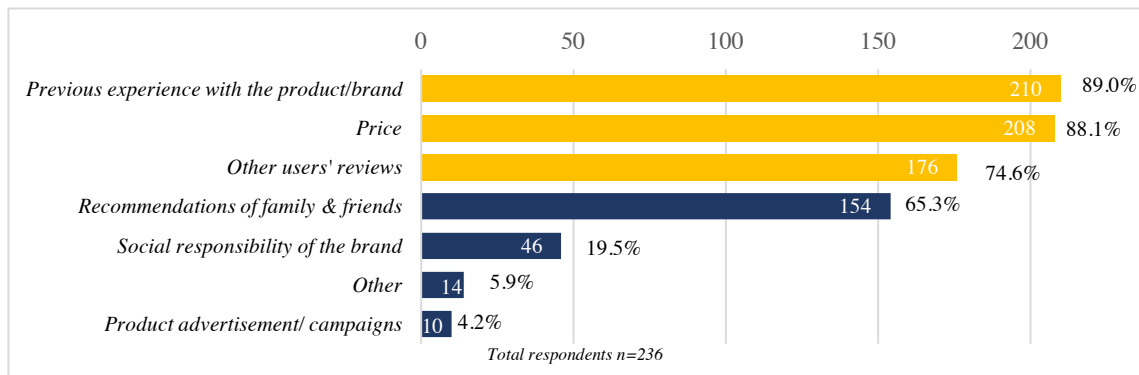
Source: Author's survey

Own experience, price and users' testimonials drive the shopping decisions

When asked about factors, which are likely to determine which good they will buy, Czech Millennials showed that proven positive experience, good deal and authenticity are most valued when making shopping choices. These results suggest that Millennials make repetitive purchases if a good or service satisfies their expectations and are ready to be loyal to such good or service.

Over a half of respondents in *Accenture's* global survey said to favor obtaining a good deal and user-generated content as crucial when spending their money. These conclusions seem to exhibit even stronger tendencies amongst Czech Millennials, with 88% and 75% of them prioritizing price and authentic user reviews, respectively. On the other hand, less than 5% said they were likely to be influenced by brands' advertisement, which also corresponds with secondary research, claiming only 1% Millennials trust ads and most use ad blockers. Several respondents explicitly wrote that they are immune to advertisement and purposely ignore it. Other factors proactively mentioned by survey participants included a favorable price-quality ratio and high level of product quality. Roughly one-fifth of all respondents also suggested they are not indifferent about the company's social consciousness and are more likely to favor products made by environmentally and socially responsible brands.

Graph 13: Relevant factors when purchasing a good



Source: Author's survey

Having confirmed the importance of user-generated content, the next question intended to dig one level deeper into the information sources used by Czech Millennials and determine how they gain information about their future intended purchase. 88% Czech Millennials testified that online reviews and blogs are their primary information source of choice, closely followed by the WoM from friends and family (64%). When seeking more detailed information on a product, 61% Millennials resort to the manufacturer's or retailer's website. Unlike the respondents in the qualitative part of this research, 32% of the survey respondents admitted social media is also a trusted source of information.

Only 7% respondents reckoned obtaining product information from TV or radio advertisement, which confirms that social media is overtaking the traditional media as a prime information channel amongst this generation. 2% respondents also revealed that they find the staff in brick-and-mortar store to be a solid source of information. This rather low percentage suggests that using online channels is favored by information-savvy Millennials as opposed to learning about products from the staff in physical stores, requiring a considerable time investment.

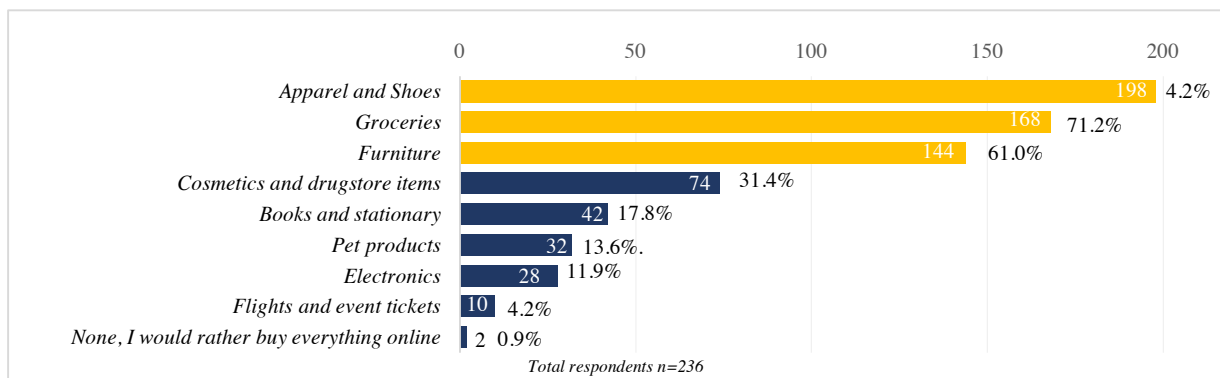
Brick-and-mortar store preferred for high “touch and feel” categories and everyday goods

Clothing and Apparel was the most commonly mentioned category which Millennials prefer to buy in a brick-and-mortar store rather than online. Given the learnings from qualitative interviews, this can be attributed to their preference to see the material, quality and foremost try the fit of clothing items. Another factor, preventing Millennials from shifting their apparel purchases online is the hassle associated with returning unwanted or unfitted items. Even though the Apparel market represents one of the largest e-commerce categories, the share of Czech millennial consumers who actually prefer to buy clothing online over in store remains relatively low as such.

Although it is the Millennials, along with Generation Z, who are driving the online sales of grocery and FMCG products (Nielsen, 2014), the online penetration of these categories remains generally low. According to *Kantar Worldwide* research (2016), Czech Republic scored as the country with 7th largest share of online FMCG sales worldwide with 2.1% of the overall volume of fast-moving goods purchased online. Despite the continuous rapid growth, 72% of Czech Millennials would rather purchase groceries in a physical store. Taking into account the former conclusions from conducted interviews, the main barriers of online grocery shopping remain to be concerns about products’ freshness, quality and resistance towards paying shipping costs (Nielsen, 2016). Third least commonly online purchased good amongst Millennials turned out to be furniture, arguably due to the need to see and test the products in real life, but also relatively high shipping and transportation costs for this category. *KPMG*’s research suggests that the above fact could be attributed to the “age effect” or “cohort effect”, meaning certain behaviors are tied to age or stage of life rather than lasting attitudes (KPMG, 2017). As Millennials mature and start purchasing more furniture and household items, their preferences are likely to change.

On the other hand, the largest share of surveyed Millennials seems to have a preference towards buying travel products, event tickets and electronics online. As highlighted in the theoretical part of this thesis, these three verticals represent the largest e-commerce categories, with 55%, 41% and 40% global consumers who claimed to have ever bought them online, respectively.

Graph 14: Items more likely to be purchased in a physical store



Source: Author's survey

“Touch and feel”, immediacy and no shipping costs are the drivers of shopping in-store

To understand the motivation behind shopping in brick-and-mortar stores, respondents were asked which factors they deemed as the main advantages of shopping in physical stores. The answers were evaluated using a Likert scale of 1-5, with **1** meaning the respondent most **agrees** with the statement and **5** meaning he completely **disagrees**. Therefore, the statements scoring average values smaller than 3 can generally be considered to be the drivers of in-store shopping tendencies. Variance measures the spread between numbers in a data set, showing how far each number in the data set is from the mean (Investopedia, 2015). Therefore, the larger the value of this coefficient, the more heterogeneous respondents' answers.

Table 4: Drivers of in-store purchases

	1	2	3	4	5	Mean	Variance
I like to touch and see the product	81.4%	10.2%	5.9%	1.7%	0.8%	1.305	0.534
I like to buy the product immediately	34.7%	26.3%	23.7%	11.0%	4.2%	2.237	1.350
I like to avoid shipping costs	39.8%	28.8%	16.1%	12.7%	2.5%	2.093	1.288
I like the staff assistance	9.3%	12.7%	28.8%	26.3%	22.9%	3.407	1.512
I am concerned about the goods' quality	17.8%	23.7%	22.9%	25.4%	10.2%	2.864	1.592
I am concerned about payment security	6.8%	4.2%	22.0%	28.0%	39.0%	3.881	1.376
I enjoy shopping as an activity	5.1%	15.3%	23.7%	22.0%	33.9%	3.644	1.517
It is easier to return goods in physical stores	22.9%	26.3%	23.7%	15.3%	11.9%	2.669	1.696

Source: Author's survey

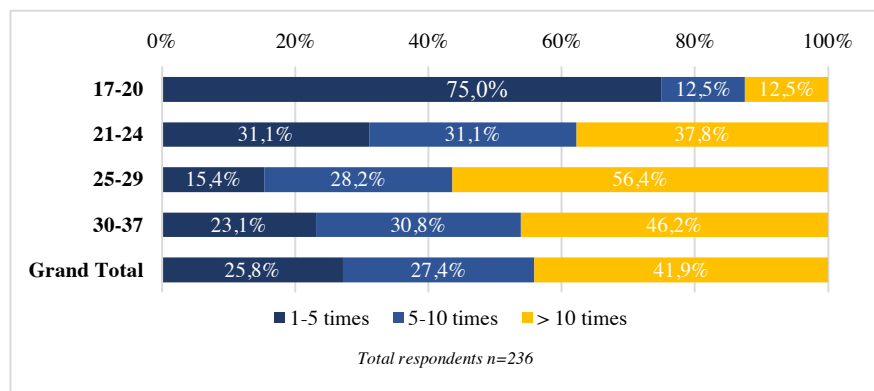
As can be inferred from the above data, the ability to touch and try the product is the main driver of shopping in brick-and-mortar stores. This finding is in line with *KPMG's Global Online Consumer Report (2017)*, where 56% consumers identified touch and feel as the main advantage of in-store shopping experience. In comparison with the global findings, Czech Millennials were comparatively more concerned about delivery and shipping costs and relatively less concerned about the quality of the product. Possibility to avoid shipping costs ranked as the second most important factor, which is likely correlated with Czech Millennials' lower disposable incomes and scarcity of online stores providing economical shopping options. Immediacy of purchase ranked as the third most important reason to favor brick-and-mortar over online purchases, followed by the higher convenience of in-store returns for unfitting items.

On the other hand, assistance of store's staff was not seen as a key motivator for using the physical store. As previously identified, Millennials are more likely to rely on online user-generated content and WoM in their communities rather than on sales assistants' advice. It is also apparent that shopping as a free time activity is not particularly popular amongst Millennials and they will rather spend their time in different ways. The least importance was given to concerns about online payment security, which suggests that Czech Generation Y shoppers are comfortable with technology and lack of trust towards online payment solutions would not predominantly lead them to avoid online purchases.

Most Millennials shop online at least once per month

As we previously learned that 93% respondents from our survey shop online, the next logical step was to determine the frequency of their online purchases. As can be observed from the below graph, the majority of respondents across all millennial age subgroups apart from those younger than 20 years of age claimed to have shopped online at least 10 times in the past 12 months. The two older age cohorts (25-29 and 30-37) exhibit highest frequency of buying online, arguably due to their lower disposable amount of time and higher disposable income as a consequence of peaking professional lives. The majority of youngest Millennials (17-20) said to have shopped online less than five times, which likely has to do with their overall low spending power and general smaller frequency of purchasing goods and services.

Graph 15: Number of online purchases in the past 12 months

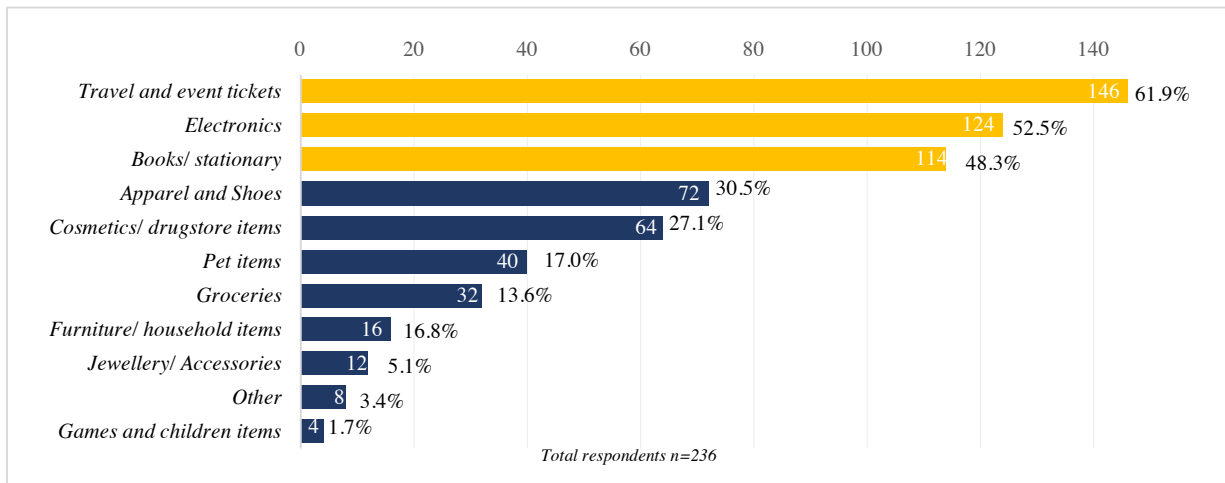


Source: Author's survey

Travel, event tickets and electronics are most commonly purchased online

When looking at the items that millennial survey respondents most often purchase online, it can be observed that categories, which showed the smallest popularity for in-store purchases, appear at the forefront when it comes to online shopping. The below findings correspond with *Statista's* data on largest e-commerce categories, with the exception of Apparel and Shoes, which seem to be favored less amongst Czech consumers than globally for online purchases. Travel purchases, including flight tickets, hotel reservations and event tickets dominate the Czech e-commerce with 62% Millennials testifying they regularly buy these items online. Despite the rather resentful attitude towards buying groceries online in the former part of the questionnaire, 13.6% Millennials admitted to having experience with purchasing these online. According to *KPMG*, “grocery expenditures have been eclipsed by restaurant spend as Millennials like to share their meals with friends—it’s all about shared experiences.” (KPMG, 2017). As Millennials mature and their lifestyle habits further evolve, much of the e-commerce growth can be expected to be millennial-driven (Kruh, 2017). Some of the most frequently mentioned items falling into the “Other” category included medical products, coins or presents, suggesting that Millennials are ready to buy online even when it comes to less traditional categories.

Graph 16: Items most commonly purchased online



Source: Author's survey

Ability to compare prices and greater assortment variety drive online purchases

As determined during in-depth interviews and former stages of quantitative research, Millennials are likely to use shopping channels which will enable them to obtain the best possible price. Being able to compare prices of different e-tailers from their home before making a purchase proved to be of highest priority for Czech Millennials, with 58% of them ranking this reason as most important. The rather low variance coefficient suggests relative homogeneity of preferences regarding this statement. Second most important factor to time-conscious Czech consumers proved to be the greater variety of stock aggregated in one place and accessible with a mere click of a mouse. Particularly popular amongst this cohort appear to be comparison engines, containing information about price and product features for virtually any product across numerous e-tailers. Next in order of preference ranked the ability to save time and be able to shop without visiting the physical store, which traditionally leads to a significant time investment. As all below factors scored average values smaller than 3, it can be concluded that they all are considered underlying motivations for making online purchases.

Table 5: Main drivers of buying online

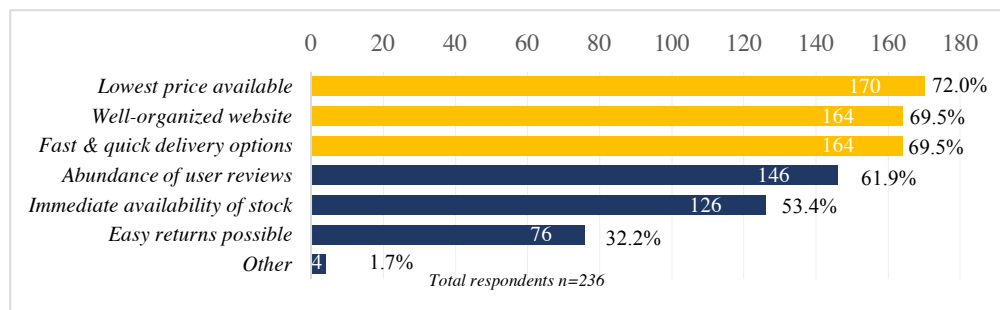
	1	2	3	4	5	Mean	Variance
I like to compare prices/ get the best deal	57.6%	21.2%	11.9%	5.1%	4.2%	1.771	1.227
I like the ability to shop 24/7	33.1%	21.2%	22.0%	12.7%	11%	2.475	1.826
I like to save time	41.5%	26.3%	19.5%	9.3%	3.4%	2.068	1.284
I like to shop from the comfort of home	36.4%	27.1%	24.6%	9.3%	2.5%	2.144	1.191
Online shopping provides greater variety	39.8%	33.1%	13.6%	8.5%	5.1%	2.059	1.327
I like to read users' reviews before buying	26.3%	28.0%	17.8%	19.5%	8.5%	2.559	1.670
I like to avoid crowds and queues	26.3%	27.1%	30.5%	10.2%	5.9%	2.424	1.329

Source: Author's survey

E-tailer choice driven by price, website trustworthiness and shipping

When asked how their decisions regarding choice of a specific website are made, former conclusions have been reaffirmed, as Czech Millennials cite price as the primary driver. To access the most economical deal, almost 20% surveyed participants applauded price comparison engines, such as *Heureka*. This fact confirms the global findings, stating price remains the single most common consideration when deciding where to buy (KPMG, 2017). Roughly 70% respondents found convenient and reliable website of high importance and the same percentage will prioritize a website offering low-cost and fast shipping. As already suggested by interviewees from the qualitative part of the study, Czech Millennials are open to shopping at online stores beyond those they have a previous experience with, as long as there are reviews increasing legitimacy of the site. 2% respondents proactively mentioned that their online store choice is based on the “possibility to pick up goods without shipping fees” and “availability of detailed and exact description the product”.

Graph 17: Criteria affecting online store choice



Source: Author's survey

In the next section, survey participants were asked to select e-tailers, whose services they regularly use or have used in the past. Participants mentioned both local and international websites, suggesting that Millennials are more than willing to purchase from international retailers if the shipping costs are low. When looking at the results, it becomes apparent that the most commonly selected retailers have three business model characteristics in common:

- They allow customers to have goods delivered to a pick-up location free of charge or
- They provide free or low-cost shipping even for smaller-value orders or
- They also own a physical store where customers can try the products before purchasing and also return unwanted items.

Table 6: Commonly used online stores

Alza.cz	78.0%	Zara.com	8.5%
Mall.cz	55.9%	None of the above	5.1%
Amazon.com	38.1%	AliExpress	5.1%
Parfums.cz (Notino)	33.9%	Megaknihy.cz	1.7%
Zoot.cz	34.7%	iTescos	1.7%
Ebay.com	31.4%	Czc.cz	2.5%
Rohlik.cz/Kosik.cz	18.6%	Slevomat.cz	1.7%
HM.com	13.6%	Orsay	1.7%
Asos.com	9.3%	Other	20.3%

Source: Author's survey

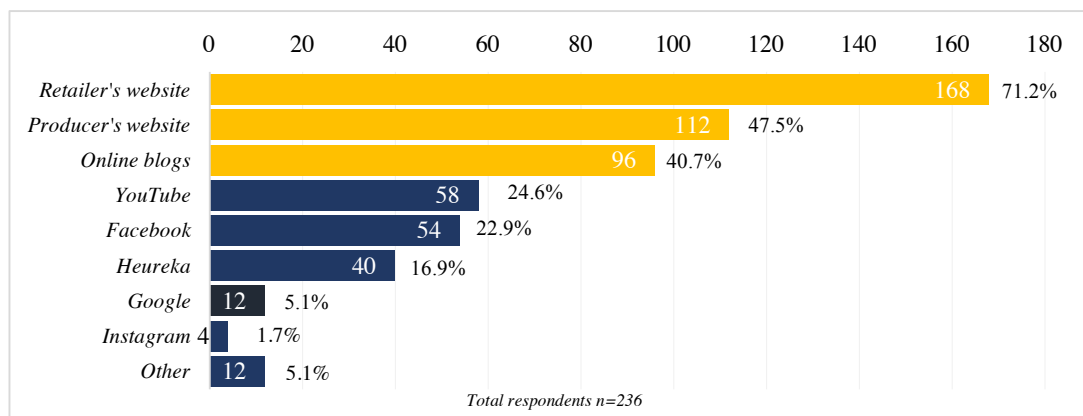
Online reviews drive online purchasing behavior, showrooming a popular phenomenon

When enquired about the decision-making process for online purchases, Czech Millennials confirm the global trend of reaching out to user-generated content. As we learned during in-depth interviews, the abundance of authentic reviews at hand was perceived as one of the core advantages of shopping online. It is therefore not surprising that 83.9% Czech millennial consumers favor user reviews as their primary source of information when buying online. This is particularly valid when it comes to purchasing electronics, according to their own words. The next most commonly used source is the company's website, containing detailed parameters about the product and oftentimes also reviews. Although showrooming behavior could not be verified in the qualitative study of this thesis, 31.4% survey participants admitted to checking the product in a physical store before making a purchase online.

The next question strived to determine which platforms Czech Millennials reach out to when looking for the above-mentioned user reviews (Graph 18). Retailer's website came as the most popular platform in this case, with 71.2% respondents prioritizing it over other websites. 47.5% said they preferred more detailed product description and would utilize the producer's website. The share of respondents who would try to verify their product choice using online blogs was also fairly high at 40.7%. Price-comparison engines such as *Heureka* were mentioned by 16.9% respondents.

Although most respondents from the previously conducted in-depth interviews denied using social media to learn about products, survey answers confirmed the global findings claiming Millennials frequently use social platforms to keep up with their favorite brands and to access product information. YouTube turned out to be the most preferred social platform of choice, with 24.6% popularity, followed by Facebook at 22.9% and Instagram at 1.7%. General search engines (e.g. Google) were also mentioned several times, along with specialized forums and discussions focusing on particular product categories (e.g.: mobile phones, computers, hobby).

Graph 18: Platforms used to look for product reviews



Source: Author's survey

Czech Millennials experiment with mobile shopping, few use it regularly

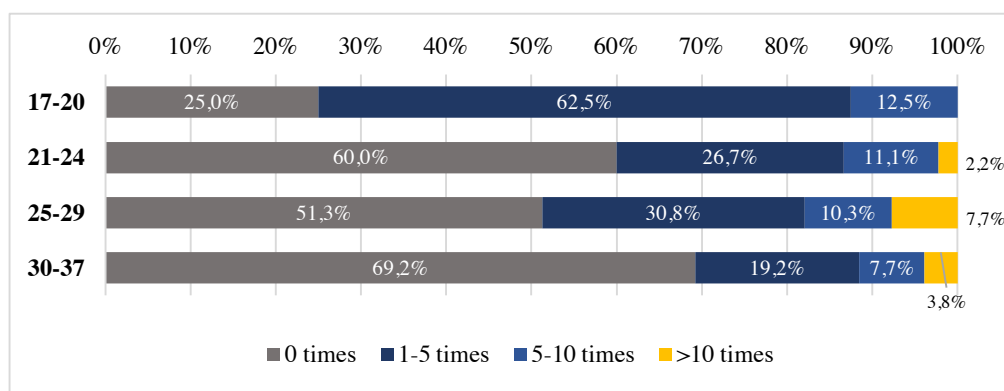
Next section of the survey was designed to determine whether mobile shopping is an existing trend amongst Czech Millennials, as previous studies highlighted the shift from online to mobile purchases. 89% of surveyed participants claimed they were smartphone owners. Out of the 11% that did not own a smart phone, the largest proportion came from the 30-37 age group, where 20% of respondents owned a feature phone.

As can be observed from below graph, most Millennials across all age sub segments apart from the youngest ones (17-20) are not mobile shoppers. Roughly one third of Millennials aged 21-24 and 25-29 and one fifth of the oldest Millennials (30-37) have tried mobile shopping, but have not converted to regular shoppers yet. Subtle difference between the two genders has been observed, with 53% males having shopped using their mobile recently, compared to 40% females. 69% cited that the main reason preventing them from allocating a larger share of total spending to mobile purchases was the small screen size, lack of comfort (65%) and insufficient website optimization for mobile phones (62%).

“I use my cell phone for calls and SMS. The rest is done from the PC.”

“I do not like to waste my data on mobile shopping.”

Graph 19: Frequency of mobile purchases in the past 12 months



Source: Author's survey

Apart from the shopping process itself, it has been determined that Millennials increasingly use their mobile phones while shopping in stores. Roughly 30% of Millennials (vs. 50% from in-depth interviews) admitted to using their phone while being in a physical store, with 20% of them looking for a better price online and the 19% utilizing their device to read user recommendations before making the final purchase. 5% also said they like to stay connected while in store to ask their family and friends for shopping advice. Given the percentage overlap, it appears that most Millennials who use their smartphone in the shopping process use it for several functions simultaneously. The remaining 70% claimed they do not engage their mobile phones once in store.

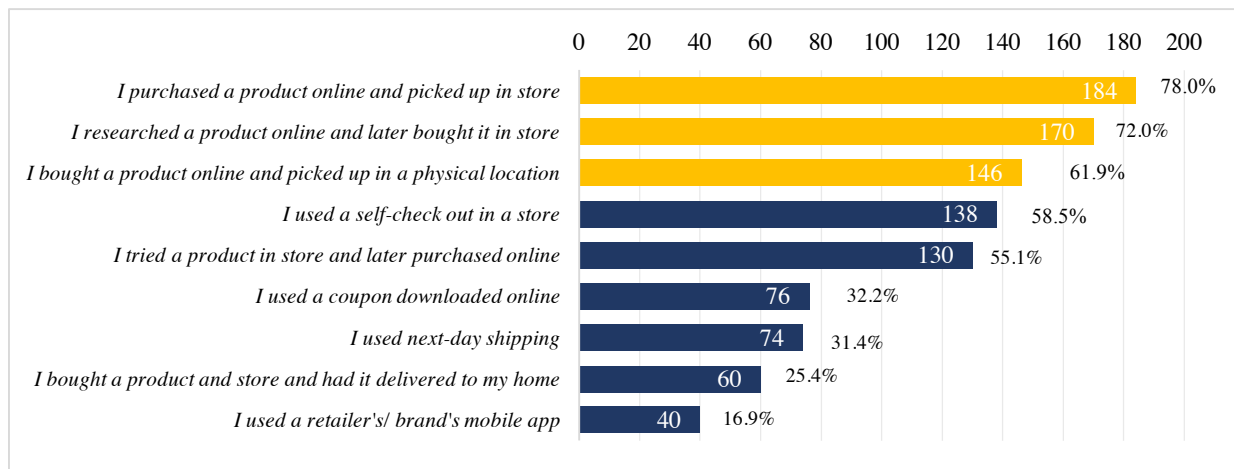
Multi-channel services highly popular amongst Czech Millennials

Goal of the final survey question was to determine, to which extent Czech millennial consumers are familiar with and use some of the most common services of multichannel retailers. As apparent from the below graph, ordering items online, while allowing buyers to collect these either in a physical store or a kiosk-like location, enjoys high popularity amongst Czech millennial cohort, with 78% and 62% claiming to have used these services, respectively.

The webrooming phenomenon, which proved particularly popular already during the interview phase, was further validated in the survey, with 72% Millennials exhibiting this behavior. 55% respondents also reckoned trying a product in a brick-and-mortar store to see its real fit, quality and material and later purchased this product online to benefit from a more economical deal. It can, therefore, be concluded that around 55% Czech Millennials practice showrooming behavior.

Redeeming coupons through retailer's mobile apps and other mobile-related services seemed to be slightly lagging. The lower popularity of connecting to their favorite stores through their cell phones is likely correlated with the lower level of popularity of in-store mobile use, compared to the global trend. This can, arguably, be attributed to the lower maturity of the Czech mobile market, compared to Western Europe or the US.

Graph 20: Popularity of multichannel services



Source: Author's survey

Crosscheck on initial hypotheses

The below table reflects on the initial research hypotheses, as outlined in research methodology in Chapter 3. As apparent from the table, two hypotheses could be validated by author's primary research and one hypothesis was verified only partially, requiring further investigations.

Table 7: Crosscheck on research hypotheses

No.	Hypothesis	Validation	Rationale
1	Brick-and-mortar stores are becoming “showrooms” for online purchases, while their actual popularity for converted purchases decreases	✓	55% Czech millennials confirmed they have previously visited a physical store to test the features and the “touch and feel” of products and later decided to purchase it online, driven by price benefits. This tendency proven particularly strong in the product categories of electronics, apparel and footwear, as revealed during in-depth interviews.
2	Millennials are avid mobile phone users and heavily leverage these in the purchasing process to compare prices and reviews online. Therefore, user-generated content plays a crucial role in the Millennials’ decision-making process.	—	User-generated content proved of highest importance to Czech millennials. 75% of them considered reviews and recommendations to be important in the purchasing process and 84% of those buying online named online reviews as the single most important source of information. However, roughly 30% studied millennials confessed to using mobile phones in store, placing them below the global average. First part of this hypothesis cannot, therefore, be proven nor disproven at this point.
3	Compared to older generations, Millennials are more likely to favor services of omnichannel retailers (e.g.: in-store pick up) and are more likely to be loyal to retailers who have adopted a multichannel/ omnichannel approach	✓	Author's research revealed that Czech millennial shoppers are highly comfortable with combining multiple channels during their customer journey. In-line with the initial hypothesis, picking up goods ordered online on physical premises such as kiosks or stores proved to be popular with 78% respondents. The most commonly used retailers and e-tailers named further verify this statement.

Source: Author's illustration

4 IMPLICATIONS FOR LOCAL BUSINESSES

In the following chapter, the author strives to summarize the conclusions learned during both stages of the research and suggest, how these should be used by retailers and also local business to best cater the Czech millennial cohort, provide the level of services generating higher level of satisfaction, thus translating into higher overall revenues. These recommendations will be divided into two subtopics that previous secondary and primary research focused on: in-store experience, followed by online shopping and mobile commerce.

4.1 IN-STORE EXPERIENCE

Author's research confirmed that although some of the world's most prominent retailers are closing their brick and mortar stores (e.g.: *Macy's* plans to close 68 US stores in 2017) much of the value will still remain capped in physical stores. As determined throughout the two research stages, physical store still remains the most preferred channel for consumers across some of the largest merchandise categories such as Apparel and Footwear, Grocery or Furniture. We learned that even the always-connected Millennials enjoy the touch and feel of the items and want to be in charge of handpicking fruits and produce of highest quality. The upper hand of brick-and-mortar stores thus lies in the immediacy and trustworthiness that they provide. They need to, however, minimize the downsides mentioned by Millennials, driving the switch to online and reinvent their business.

- Most interviewed and surveyed Millennials mentioned that one of the reasons they tried to avoid shopping in physical stores were the crowds of people and long waiting queues. They look for convenience and simplicity and if physical stores fail to provide those, they seek to fulfill these needs online. As Millennials prefer to spend their time elsewhere, rather than in shopping malls, incorporating mobile point-of-sale devices and self-check desks, which have the potential to shorten the waiting lines, could significantly improve Millennials' customer experience.
- Secondly, numerous Millennials expressed that customer service and staff's attitude was of high importance to them and if the store assistants did not make them feel like valued customers, they were ready to reallocate their purchases to a different store location. It should therefore be in the interest of retailers to provide the level of service which will make the soon-to-be the largest customer cohort in terms of spending power keep coming back for more. This might seem obvious, but testimonials of interviewed Millennials confirm that the level of service still has a long way to go before reaching its highest potential.
- As confirmed by previous research, shopping as such is not perceived as an attractive free time activity by Millennials. On the opposite, most said they prefer to minimize the in-store time to the absolute minimum and allocate their time to other activities and experiences. Therefore, to maximize their time spent in shops, shopping malls and brick-and-mortar stores need to create meaningful and entertaining experiences that will build a bond between

the store and their customers. As a recent poll found out, 78% of Millennials would rather spend their money on an experience or event than on buying a good (Eventbrite, 2016). With the above message in mind, retailers should attempt to reposition their message from “owning things” to “experiencing them” by building experiences around their products and brands. Some of the leading retailers like *Macy’s* and *Bloomingdale’s* have started organizing concerts, yoga classes and even beauty events to create memories and experiences in minds of their customers to more effectively retain them.

- Secondary research testifies that customers who shop across multiple channels spend 3.5 times more than customers who only shop in physical stores. Consumers who shop through omnichannel (online, in store, and mobiles and other) spend six times as much as consumers who only shop in stores (McCauley, 2013; Jinzhao, 2017). Primary research also confirmed that retailers, who are active across two or more channels have a competitive edge over single-channeled players. 10% of all survey participants explicitly mentioned that they preferred multichannel retailers and almost 80% reckoned exhibiting multi-channel behavior. Most commonly mentioned was ordering goods online and picking these up in retailer’s physical location. Incorporating a second channel (e.g.: a website) into their operations could help traditional retailers win extra revenue streams and better withstand competition of other players, selling across multiple channels. As confirmed by 92% Czech Millennials in the survey, selling online is no longer an interesting trend to follow, but a must. If selling online is not possible for local brick-and-mortar player from the operational standpoint, brick-and-mortar retailers should at least ensure online visibility of their store. As we learned, the millennial consumer is always connected and sees the internet as his primary source of information, therefore if a retailer does not have online presence, it automatically loses relevance with this type of consumer. Regularly updated website, containing contact information and encouraging user engagement, along with a strong social media presence are a must. Online visibility can be achieved through online marketing, with *Google’s AdWords* or *Facebook* ads being viable options. These improve the visibility of the retailer in the search engine results and encourage the browsing customer to visit the retailer’s website. Retailers should also make sure they are visible on platforms such as *Google Maps* or *Foursquare*, where Millennials constantly search.
- As determined by primary and secondary research, price is the single most important driver and determinant of the channel that consumers choose for their purchases. It is most commonly on the grounds of price advantages, that a consumer decides to buy online, instead of a physical store. To incentivize millennial customers to buy in store instead of online, retailers need to compete on price benefits. They need to make the millennial consumer aware of any discounts and seasonal promotions on their products and provide a reason for customers to buy in store. As we learned, roughly 90% Millennials are smartphone owners, therefore brick-and-mortar stores can easily communicate with them using location and beacon technologies, making them aware of existing sales or price

discounts. Once the consumer enters a brick-and-mortar store and realizes that the price of his desired good is competitive with the online channel, he will be more likely to convert his transaction in store.

4.2 ONLINE AND MOBILE SHOPPING

As inferred from previous research, online stores cannot beat brick-and-mortar shops when it comes to providing the real “touch and feel” of the products, making the products available immediately or free of shipping charge. They can, however, leverage the long tail of unique advantages that this business model entails, the main ones being price, wider assortment of stock available at a time and providing the sense of comfort as the customer shops from their home.

- As derived during primary research, Millennials find user-friendliness, trustworthiness and comfortable payment interface of highest importance and select their websites accordingly. It has also been emphasized several times during the analysis of research results that abundance of user-generated content is what makes the real difference to Millennials. Lack of user testimonies might be the reason why shoppers abandon their shopping baskets and decide to finalize the purchase elsewhere. E-tailers therefore need to make sure that their platforms are easy to use, contain exact and detailed product descriptions, enriched with truthful and high-resolution product images. Ideally, the websites should also contain ratings and reviews from existing users to provide a sense of legitimacy. As simplicity and transparency of payment are key, retailers should make one-click pay walls a priority and consider integrating payment services such as *PayPal*, enjoying high level of user adoption.
- Shipping costs and long delivery are two of the major reasons, why online shoppers decide not to convert their purchase intentions. To attract the maximum number of price-sensitive millennial customers, online stores need to make sure that their delivery fees are competitive with those of their rivals and they are able to deliver goods to the customer as quickly as possible. This is particularly true in case of groceries and drugstore products, where current high shipping charges do not incentivize customers enough to make even smaller purchases worthwhile. Furthermore, retailers might need to collaborate with technology experts, data analysts and logistics partners to offer the value propositions Millennials demand, assuming they are not capable of providing it themselves. Having determined that immediacy is of utmost importance to this generation, using a third-party logistics provider can cater for same-day delivery for online purchases, enabling these e-tailers to keep the Millennials satisfied, without expanding own delivery capabilities.
- As confirmed by 236 survey respondents, the e-commerce world seems to be dominated by large and established players, with reputation built over the course of many years and a network of partners. This proves to be a large obstacle for smaller and local businesses, who oftentimes cannot compete with these players neither on the grounds of reputation nor cost advantages. Therefore, it might be beneficial for some of the smaller e-tailers to sell their

merchandise on the platforms of large players (*Amazon, eBay, etc.*) as verified vendors, allowing them to stay close to their customers while leveraging the size of their larger business counterparts. Having a trustworthy profile on these giant e-commerce sites, equipped with detailed product information and high-quality images can add an additional revenue stream even to smaller retailers without extensive capital expenditure requirements.

- It has been determined that online blogs, followed by social media, win in the popularity ranks amongst Millennials. It is, therefore crucial, that e-tailers stay active on social media and use it to engage with the millennial customer. Research participants confirmed that social networks are their primary information channel while traditional media such as TV, radio or print are almost absolutely outside of this cohort's interest. Retailers and brand owners should therefore consider reallocating their budget from traditional advertising channels to those fitting millennial's fast-paced lifestyles. 25% survey respondents confessed they were likely to use YouTube in the product consideration stage and 23% were likely to engage with their favored products on Facebook. Having a strong presence on these platforms can thus be an effective way to engage with the millennial consumer instead of allocating large amount of financial resources to other forms of advertising, not allowing to target this age cohort.
- It has become apparent that roughly 50% Millennials from the sample used mobile shopping at least once over the course of past twelve months, even though only 4% were regular shoppers and purchased more than 10 times. The popularity of mobile shopping can be expected to increase as technology development allows for the process to become more comfortable and as high-speed LTE data coverage becomes more widespread. It is therefore highly recommendable that e-tailers ensure their websites are mobile-optimized, enable high-resolution and comfortable, one-click payments even on mobile devices.
- For multichannel retailers to further support the engagement of customers with the mobile channel, it has been concluded that coupons and discounts are an effective way to facilitate the adoption of retailers' mobile apps. Building upon the findings of Verhoef et al. (2009), claiming that multi-channel customers tend to be more profitable than customers using only one channel, coupons or vouchers can not only lead customers to spend more with a specific retailer, but also drive more traffic into retailers' physical stores, as shoppers redeem the coupon.
- Millennials expect seamless multichannel experiences, personalized service and recommendations tailored to their needs. This goes beyond providing top-notch customer service and touching content, delivery, promotion and also payment. The main priority for retailers, active across multiple channels, should be to provide personalized offerings spanning across channels, which can be achieved through big data. Having a single view of their customers across platforms and providing a seamless experience are crucial.

CONCLUSIONS AND LIMITATIONS

The goal of this thesis was to investigate the purchasing behavior of Czech Millennials, who comprised 27% of the overall population as of July 2017. The theoretical part of the thesis provided background on the evolution of retail from its early beginnings until the present day and elaborated on the selected specifics of the two major retail business models: brick-and-mortar and e-commerce. Chapter 2 served to lay the foundations for understanding the consumer behavior on a general level and drivers of channel choice in the multichannel environment, which were applied and further studied in author's primary research. Upon presenting the existing research on the values and shopping habits of Millennials on the global level, primary research was undertaken to confirm the validity or invalidity of these in the local conditions. Primarily research highlighted the similarities, as well as discrepancies between the global trends and this cohort of shoppers in the Czech Republic. The goal of the thesis has, therefore, been achieved.

The main contribution of this thesis lies in the determination of shopping preferences of Czech Millennials, which have not been extensively covered in literature up to this point. It can be observed, that a vast majority of findings supports studies on Millennials conducted on the global level. It can, therefore, be concluded, that the preferences of this consumer group are becoming more homogenous through the influence of globalizing culture, international mobility and interconnectedness through social media. The commonalities identified by comparing the Czech millennials against the results from global research encompassed, but were not limited to:

- Physical store is still the most frequently used channel, confirmed by 96% CZ Millennials
- Strong preference for buying “high touch and feel” categories in brick-and-mortar stores
- Strong preference towards purchasing electronics, travel products and event tickets online
- Price, immediacy, previous experience and delivery fee as determinants of channel choice
- Declining materialism and stronger desire for experiences, highly favored over ownership
- High level of skepticism towards advertisement and preference of user-generated content
- Significant affinity towards multichannel retailers, proven webrooming and showrooming phenomena.

On the other hand, several differences have been identified. Compared to the global Millennial consumers, Czech millennials were notably less likely to enjoy purchasing Apparel and Footwear online, as a result of incomprehensive measurement systems, quality concerns and costs associated with returns of unwanted or unfitting items. Second variation was represented by a lower share of Czech millennials who practice online shopping, as opposed to their international counterparts. On the same note, only 30% of Czech millennials admitted using their mobile phone in the process of shopping in-store, in contrast with the global average of

86% Millennials, who are likely to use their mobile phones to assist with the process (Alliance Data, 2016).

Despite the aforementioned contributions, there have been several limitations which should be taken into account when making generalizations on the conclusions of this thesis. Firstly, the thesis survey was distributed online, therefore it can be assumed all respondents were avid Internet users and likely exhibited higher technological affinity and higher preference towards online shopping solutions than users who do not have access to or do not use Internet on a regular basis. Secondly, the majority of respondents were university-educated, which also potentially could have impacted the research results with regards to their technology proficiency and knowledge of different retailing solutions as such. Similarly, most respondents claimed to be residents of the city of Prague, which has previously been concluded to be reflective of the population dynamics and evolution level of the retail segment. However, the low representation of respondents from the other regions makes it difficult to assess, whether the presented results truly apply to the population outside of the Czech Republic's capital.

The previous disparity in mobile phone usage during the in-store time and the underlying reasons would be a suitable object for further studies. Future research in the focus area could put a stronger emphasis on the mobile shopping behavior of Czech millennials as such, as the nature of this thesis did not allow to investigate all shopping channels in substantial depth. Future researchers could also study the influence of the size of shoppers' residence or achieved education level on their shopping preferences and purchasing behavior.

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LIST OF FIGURES, GRAPHS AND TABLES

FIGURES

Figure 1: Four Vs of big data.....	23
Figure 2: Model of consumer behavior.....	26
Figure 3: Customer journey in the omnichannel environment.....	27
Figure 4: Cyclical model of customer journey.....	28
Figure 5: Model of customer channel choice and channel consequence.....	31
Figure 6: In-store preference across customer journey.....	32
Figure 7: Concentration of global millennial population.....	35
Figure 8: Information sources and different generations.....	39
Figure 9: Marketing research process.....	45
Figure 10: In-depth interview scenario.....	48
Figure 11: Overview of research phases.....	50

GRAPHS

Graph 1: Projected growth of e-commerce.....	10
Graph 2: Global penetration of mobile phones.....	11
Graph 3: Largest e-commerce markets.....	12
Graph 4: Largest e-commerce categories.....	14
Graph 5: Retailers' tactics to improve in-store customer experience.....	21
Graph 6: Reasons why consumers buy in store.....	32
Graph 7: Reasons why consumers buy online.....	32
Graph 8: Unemployment rate comparison across the EU.....	41
Graph 9: Geographic segmentation of the respondents.....	55
Graph 10: Age distribution of the respondents.....	55
Graph 11: Commonly used shopping channels.....	56
Graph 12: Factors impacting channel choice.....	57
Graph 13: Relevant factors when purchasing a good.....	58
Graph 14: Items more likely to be purchased in a physical store.....	69
Graph 15: Number of online purchases in the past 12 months.....	61
Graph 16: Items most commonly purchased online.....	62
Graph 17: Criteria affecting online store choice.....	63
Graph 18: Platforms used to look for product reviews.....	64
Graph 19: Frequency of mobile purchases in the past 12 months.....	65
Graph 20: Popularity of multichannel services.....	66

TABLES

Table 1: Overview of major retail formats.....	8
Table 2: Overview of omnichannel retail models.....	19
Table 3: Interview respondents' profiles.....	50
Table 4: Drivers of in-store purchases.....	60
Table 5: Main drivers of buying online.....	62
Table 6: Commonly used online stores.....	63
Table 7: Crosscheck on research hypotheses.....	67

APPENDICES

Appendix 1: Questionnaire (English translation)

Part 1: Shopping Behavior

- 1) **Shopping to me is a:**
 - a) Fun and free-time activity
 - b) Necessary evil
 - c) Both a) and b), depending on the type of goods
- 2) **In general, I use these shopping channels to make purchases:**
 - a) Physical store
 - b) Online store/ Internet websites
 - c) Mobile phone/ Apps
- 3) **What are the main factors you consider when deciding which shopping channel to use?**
 - a) Lowest price available
 - b) Shipping and Delivery Options
 - c) Easy Return Policy
 - d) Payment Options
 - e) Promotion tailored to me
 - f) Enough Information about the product
 - g) Promotion for new customers
 - h) Seamless experience across channels
 - i) Other (please specify)
- 4) **What are the most important factors you are likely to consider when buying a product?**
 - a) The brand & previous experience with the product
 - b) Product's advertisement
 - c) WoM from friends and family
 - d) Online reviews and other users' experience with the product
 - e) Price
 - f) Sustainability & environmental consciousness of the firm
 - g) Other (please specify)
- 5) **How do you gain information about products you intend to buy in store?**
 - a) TV or Radio advertising
 - b) The Brand's website
 - c) Social Media- Facebook, Instagram, YouTube
 - d) Friends and Family (WoM)
 - e) Blogs and Online Reviews
 - f) Other (please specify)
- 6) **Which of the following items would you rather buy in store than online?**
 - a) Apparel and Shoes
 - b) Groceries
 - c) Cosmetics and personal care
 - d) Flights, travel products and concert tickets
 - e) Furniture
 - f) Electronics
 - g) Books/ stationary
 - h) Pet care

7) Which of the below do you believe are the main advantages of shopping in a physical store?

(SCALE 1-5, 1=most important, 5=least important)

- a) I like the real touch and feel of products & want to try the product on
- b) I like being able to buy the product immediately without having to wait
- c) I like to avoid paying shipping fees
- d) I like the personal assistance of staff
- e) I am concerned with the quality of goods purchased
- f) I am concerned with security and prefer to avoid electronic payments
- g) I enjoy the shopping experience
- h) The return process is too complicated
- i) Other (please specify)

8) How many times have you purchased something online in the past 12 months?

- a) 0
- b) 1-5 times
- c) 5-10 times
- d) > 10 times

9) Which products are you most likely to buy online?

- a) Apparel and Shoes
- b) Groceries
- c) Cosmetics and personal care
- d) Flight and concert tickets
- e) Furniture
- f) Electronics
- g) Books/ stationary
- h) Pet care
- i) Other (please specify)

10) Why do you like to shop online? (SCALE 1-5, 1=most important, 5=least important)

- a) I shop online to compare prices and get the best deal
- b) I like the ability to shop 24/7
- c) I prefer to save time
- d) I like to shop from the comfort of my home
- e) I like having access to a greater variety of goods not available in my country
- f) I like reading online reviews and being able to compare products
- g) I like to avoid crowds and checkout lines

11) What are the most important factors you consider when buying online?

- a) Price
- b) Best Website
- c) Stock Availability
- d) Best Delivery Options
- e) Returns Policy
- f) Peer Advice/ Reviews
- g) Other (please specify)

12) How do you make decisions when making online purchases?

- a) Read online reviews & recommendations
- b) Visit the company's website
- c) Visit a physical store to try & see the product
- d) Speak to friends & family
- e) Other (please specify)

13) Which websites are you likely to use when searching for product reviews?

- a) Seller's website
- b) Manufacturer's of brand's website
- c) Facebook
- d) Instagram
- e) Whatsapp
- f) Pinterest
- g) Youtube
- h) Blogs
- i) Twitter
- j) Other

14) Which of the following online stores have you used in the past 12 months?

- a) Alza.cz
- b) Zoot.cz
- c) Mall.cz
- d) Parfums.cz (Notino)
- e) Zara.cz
- f) HM.cz
- g) Rohlik.cz
- h) Kosik.cz
- i) Ebay.com
- j) Amazon.com
- k) Asos.com
- l) Other (please specify)

15) Do you own a smartphone?

- a) Yes
- b) No

16) How many times have you purchased a product or service using your mobile phone in the past 12 months?

- a) 0
- b) 1-5
- c) 5-10
- d) >10

17) Do you utilize your mobile phone when shopping in a physical store?

- a) No, I usually do not
- b) Yes, I use it to read user reviews online
- c) Yes, I use it to find whether there is a better deal online
- d) Yes, I use it discuss the purchase with my friends or family

18) What are the as the main disadvantages of mobile shopping?

- a) The screen size is too small
- b) Insufficient WiFi and Internet coverage
- c) Retailers' websites are not optimized
- d) Concerns with payment security
- e) The process is uncomfortable
- f) Other (please specify)

19) Which of these services have you used within the past 12 months?

- a) Researching products online of retailer's website and then go to a physical store
- b) Checking a product in a physical store and then buying it online
- c) Ordering a product online and picking it up in store
- d) Buying a product in store and having it delivered

- e) Using an app/catalog of a physical retailer
- f) Downloading a coupon/voucher using an app/online and using it in store
- g) Next day delivery

Part 2: Demographic Information

20) How old are you?

- a) 17-20
- b) 20-24
- c) 25-30
- d) 30-37
- e) Other (to be redirected)

21) What is your gender?

- a) Female
- b) Male

22) What is your highest attained level of education?

- a) Primary
- b) Secondary
- c) University
- d) Higher (MBA/ PhD)

23) What is your region of permanent residency?

- a) Hlavné mesto Praha
- b) Stredočeský
- c) Jihočeský
- d) Plzeňský
- e) Karlovarský
- f) Ústecký
- g) Liberecký
- h) Královéhradecký
- i) Pardubický
- j) Vysočina
- k) Jihomoravský
- l) Olomoucký
- m) Moravskoslezský
- n) Zlínský