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Generation X vs. Generation Y – A decade of online shopping

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ABSTRACT

Basing on the large scale annual social surveys in Israel, the current study uses Generational Cohort Theory as a framework to examine the trends of internet adoption and online purchasing behavior among Generation X and Generation Y in the past decade. During the decade, the rate of internet access and online purchasing increased continuously in both generations, however internet users did not fully utilize the potential of online shopping. Our findings support the use of Generational Cohort Theory as a market segmentation tool: although the rate of internet access was higher in Generation Y, the percentage of those who bought electrical appliances, furniture or vacations online was higher in Generation X. Although Generation Y with its hedonism, extravagance and great connectivity is considered to be a more attractive target population for businesses, it is important to direct marketing efforts toward Generation X, which according to the literature buys more due to higher disposable income, and more free time.

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1. Introduction

Internet connectivity and usage have risen dramatically in the past decade, providing people with easier means for obtaining information, and engaging in economic and social exchanges, social activities and online communities. Online shopping is among the most popular internet activities and about 80% of the U. S. population buys online, with electronics and tourism (flights, travel, hotels), the leading categories for online shopping (MasterCard, 2012).

Age has been proven to be a determining factor in user acceptance of online shopping and consumer intention to shop (Khare et al., 2012; Dholakia and Uusitalo, 2002). The research literature suggests that generational cohorts are a more efficient way to segment markets than just by age (Schewe et al., 2000), because cohort segmentation provides both the stability that age segmentation offers (Steenkamp and Hofstede, 2002) and the insights into consumer motivations which stem from common values and beliefs (Morgan and Levy, 2002; Mitchell, 2003). However, less research has been devoted to differences between generational cohorts in online shopping.

Considering the age profile of ICT adopters in the beginning of

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the millennium the current research compares online shopping behavior between Generation X (=Gen X) and Generation Y (=GenY). Both generations are characterized by higher rates of Internet adoption, compared to the older generations. Gen X, which refers to those born from 1961 to 1979 (Gurau, 2012), is one of the most highly educated generations in history and is characterized by technological and media savvy, skepticism and pragmatism (Jackson et al., 2011; Littrell et al., 2005). Gen Y, which encompasses those born from 1980 to 1999 (Gurau, 2012) and whose members are also known as Millennials, is considered the first high-tech generation (Norum, 2003) and is perceived as being consumption-oriented and sophisticated in terms of shopping (Jackson et al., 2011; Wolburg and Pokrywczynski, 2001). These generational cohorts have different experiences, values, attitudes and preferences that significantly influence their purchase patterns and shopping behavior (Parment, 2011, 2013). As far as we know, no comparative research using a large population from both generations has been conducted that investigates trends in the impact of socio-demographic variables on online purchasing over the past decade. This is the purview of the current research.

The main purpose of the current study is to follow up the trends in internet adoption and online purchasing behavior in Gen X and Gen Y over the decade of 2003–2012 and to identify socio-demographic characteristics that facilitate internet access and online shopping.

2. Literature review

2.1. The digital divide

Internet adoption is a necessary condition for online shopping. Soon after the internet started reaching the masses, concerns about its unequal distribution appeared along with the issue of a digital gap (e. g., see [Compaine, 2001](#); [Hoffman and Novak, 1998](#)). A digital divide is created when part of the population has access to information and communication technologies and knows how to utilize them, while another part of the population does not ([Compaine, 2001](#)). Today, it is customary to separate the digital divide into two levels of inequality: the first distinguishes between those who are connected and those who are not; the second level digital divide characterizes the surfing patterns of those connected to the internet.

As investment in internet infrastructure increases, so does the issue of digital access, and now we should focus on the “second-level digital divide” ([Jin and Cheng, 2008](#); [Van Deursen & van Dijk, 2014](#)), including measurements of different types of internet uses ([DiMaggio and Hargittai, 2001](#); [Hargittai, 2003](#)).

Some internet usage activities are more beneficial or advantageous for users – offering them greater opportunities and resources for advancing their careers, work, education and social status – than others, which are intended for entertainment (e.g., [DiMaggio et al., 2004](#); [Hargittai and Hinnant, 2008](#); [Mossberger et al., 2003](#); [Van Dijk, 2005](#); [Zillien and Hargittai, 2009](#)). Accordingly, the research literature differentiates between digital uses that assist individual mobility and contribute to closing economic and social strata gaps, and uses that are less connected to these gaps ([DiMaggio and Hargittai, 2001](#); [Hargittai and Hinnant, 2008](#); [Lissitsa, 2015a](#)). Researching and purchasing products as a form of internet surfing for beneficial purposes belong to the first group – capital-enhancing digital uses ([Hargittai and Hinnant, 2008](#); [Hasani, 2006](#)).

2.2. Online purchasing

In recent years online internet shopping has been increasing on a global scale. As the internet develops in scope and popularity, more and more users are becoming familiar with it and adopting it as a medium for seeking information and shopping online ([Farg et al., 2007](#); [Hill and Beatty, 2011](#); [Keisidou et al., 2011](#)). The consumers most likely to have a preference for online shopping are those who value its convenience and time saving ([Pate and Adams, 2013](#)). According to the comScore quarterly State of Retail report, in the second quarter of 2014, 198 million U. S. consumers bought something online, i.e., 78% of the U. S. population age 15 and above made online purchases ([ComScore, 2014](#)). A similar trend is evident in the Israeli market as well: between January and June 2013, 80% of Israelis transacted an online purchase ([Goldenberg, 2014](#)). Digital commerce has made a meteoric leap in recent decades. In 1999, the volume of e-commerce in Israel was only 55 million dollars. A decade later, in 2010, it was about four billion dollars.

According to PWC, consumers seem to prefer to purchase electric products and appliances online (29.4%) as these products are easy to purchase based on their description and picture without consumers having to handle them physically before purchase. Electronic products and appliances are classified as search products, meaning that relevant attribute information (e.g., price, quality, performance, dimension, size, color, style, safety, warranty) can easily be obtained prior to use/purchase ([Girard and Dion, 2010](#)). Therefore, consumers may prefer shopping for search products from their homes, to minimize the time and effort involved ([Girard et al., 2003](#)). These findings are reinforced by the MasterCard Index survey (2012), which examined the online

purchasing behavior of Israeli credit card holders: electronics (45%), tourism (flights, travel, hotels) (36%). These findings led us to track the online purchase behavior of consumers for electronics, furniture and vacation products throughout this survey.

2.3. Generational cohorts

[Inglehart \(1977\)](#) first proposed Generational Cohort Theory as a way to divide the population into segments – generational cohorts. A generational cohort can be defined by the years of birth, extending 20–25 years in duration, or as long as it generally takes one birth group to be born, age and have children of their own ([Meredith and Schewe, 1994](#); [Strauss and Howe, 1991](#)). These cohorts share the same attitudes, ideas, values and beliefs based on their birth during the same time period and living through common experiences, with macro-level social, political and economic events that occurred during their coming-of-age years (age 17–24) ([Strauss and Howe, 1991](#)). According to [Meredith and Schewe \(1994\)](#), the passage of these experiences and events will be reflected in their core values concerning jobs, money, tolerance, sexual behavior. These values, beliefs, expectations and behaviors remain constant throughout a generation's lifetime and create generational identity, ([Egri and Ralsston, 2004](#); [Hung et al., 2007](#); [Inglehart, 1997](#); [Strauss and Howe, 1991](#)) and in the consumer context, they may significantly influence purchase patterns and shopping behavior ([Parment, 2011, 2013](#)). This assumption is used as a general basis for consumer segmentation ([Moore and Carpenter, 2008](#); [Schewe and Noble, 2000](#)). Therefore understanding the values and motivations of a generation has become essential to targeting particular consumers, as each generation is driven by unique ideas about the type of lifestyle they aspire to reach ([Smith and Clurman, 2010](#)).

The research literature defines the following generational cohorts: Baby Boomers, born between 1946 and 1960, Gen X, born between 1961 and 1979 and Gen Y, born between 1980 and 1999 ([Gurau, 2012](#)). Researchers and historians have used different names and dates to define cohorts; however, the literature fundamentally agrees on the general attitudes and behaviors of these groups ([Markert, 2004](#); [Wellner, 2000](#); [Norum, 2003](#)).

As was mentioned before, this study will focus on two cohorts: Gen X and Gen Y. Gen X grew up with both economic uncertainty (the recessions of the early 1980 s and 1990 s) and societal uncertainty (e. g., divorce, “latch key kids”) ([Lyons et al., 2007](#); [Schewe et al., 2000](#)). Many grew up in a period when both parents were in the workforce, or in a divorced household, and as a result, many of this generation became independent at a young age. This generation is described as socially insecure and lacking in solid traditions ([Barford and Hester, 2011](#)). Gen X tends to lack the social skills of its parents but to have strong technical ability ([Eisner, 2005](#); [Shaw and Fairhurst, 2008](#)). Those in this generation are likely to find ways to get things done smartly, fast, and well even if it means bending the rules ([Acar, 2014](#); [Eisner, 2005](#)). With Gen X, multiculturalism and thinking globally have become the norm ([Williams and Page, 2011](#)). The main characteristics attributed to Gen X are individualism, self-reliance ([Gursoy et al., 2008](#); [Murphy and Gibson, 2010](#)) and skepticism ([Crumpacker and Crumpacker, 2007](#)).

Gen Y individuals came of age during a period of economic growth, strong emergence of social media and reality television, and the disappearance of modernist values, supported by internationalization and strong influences from popular culture ([Parment, 2011](#)). Gen Y is a confident, optimistic bunch that feels empowered to take positive action when things go wrong and has multi-tasking abilities due to their high speed and energy ([Kim, 2008](#)). Its members are generally optimistic, technologically competent, casual and fun loving ([Gursoy et al., 2008](#); [Spiro,](#)

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