

Analysis of Consumer Behavior of Generation Z from Prospects for Non-Fungible Token Clothing Consumption

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Abstract: With the development of digital technology, the fashion industry has also begun a digital transformation. Non-Fungible Token (NFT) clothing, as a new fashion trend, has always been a new direction pursued by brands. At the same time, the main group of consumers is also gradually shifting from the previous Generation Y to Generation Z. Generation Z is the future consumption potential group, they deserve brands to adjust their consumption strategies. By exploring the consumption behaviour of Generation Z and its attitude towards virtual fashion, this paper analyzed the fitness between NFT clothing and Generation Z. And it used the literature analysis method to analyze and summarize the papers related to virtual fashion, NFT clothing and the consumption view of Generation Z. Based on the result, it can be seen that the characteristics of NFT clothing are in line with the consumption psychology of Generation Z. Although NFT clothing is still in its early stage, it can be predicted that Generation Z will be the main consumer group of virtual fashion in the future based on their interest in virtual fashion. The future of brands focusing on NFT clothing is bright. By studying Generation Z consumption psychology, this paper hopes to contribute to brand marketing strategy for the future.

Keywords: Non-fungible Token, Virtual clothing, Generation Z, Brand marketing.

1. Introduction

In recent years, as the traditional customer positioning in the fashion industry has gradually become ineffective and marketing costs have become increasingly high, the development of digital technology has promoted a new chapter of digital marketing for brands. In the process of exploring digital transformation, brands will consider the increasing consumer demand for fashion. Therefore, the fashion industry has produced virtual NFT fashion, which expresses a digital identity. The development of NFT provides a new idea for the development of the virtual industry in the new era. Balenciaga, Louis Vuitton, and Gucci have already released a wide range of virtual products including video games, fashion shows, and virtual clothing. Luxury groups, like Kering, have been aggressively attempting to participate in asset digitalization through NFTs as experiments to examine the market's potential for their target consumer group [1].

The State of Fashion 2023 predicts ten future trends in the fashion industry depending on the multifaceted situation of society. The section “Fashion System” specifically mentions “Digital Marketing Reloaded” [2].

According to research firm SuperData, global revenues from virtual multiplayer games and virtual simulation platforms and interactive media reached approximately US\$109 billion in 2019, up from US\$62 billion in 2015, and are expected to reach nearly US\$129 billion by 2021 [3]. The future potential of virtual fashion is unlimited and this represents an opportunity for brands to develop the virtual fashion sector.

With the change in demographic structure, the main force of consumption has transitioned from Generation Y to Generation Z. Generation Z refers to the generation born between 1995 to 2009, which is projected to make up 25% of the population by 2025 [4]. Generation Z is known as the “Internet natives”, they were born into the digital age, and they are naturally sensitive and curious about digitizing. As the main force of future consumption, the potential of Generation Z is unlimited, and they deserve the brand to layout and adjust the marketing strategy and direction in advance.

This paper uses the literature research method to study the strategies of fashion brands to Generation Z, in order to analyze the consumer psychology and behaviour of Generation Z. This study explores sustainability issues for NFT clothing by examining brands’ digital marketing strategies and the macroeconomic challenges they face.

2. Overview of Fashion Consumption

2.1. The Connotation of Fashion Consumption

With the rapid development of modern society, people not only want to maintain the same fashion taste as others, but also want to highlight their differences. In *The Philosophy of FASHION*, Simmel mentioned that fashion is a kind of established imitation, which has social convergence, at the same time, it needs to meet the individual and differentiated needs [5]. Meanwhile, they will continue to promote the replacement of fashion through consumption.

2.2. Characteristics of Fashion Marketing

Fashion is an industry that extremely needs customer feedback. Brand marketing strategies need to be adjusted according to consumers’ post purchase experiences. The Consumer Decision Journey launched by Mckinsey overturns the traditional funnel metaphor, increasing the steps for consumers to evaluate products and services [6]. Brands can use the feedback loop of CDJ to continuously evaluate products and services purchased by consumers, which can prompt firms to improve product performance and optimize the brand experience.

3. Virtual Fashion Background Analysis

3.1. The Origin and Development of Virtual Fashion

The development of virtual technology has provided an excellent opportunity for the traditional fashion industry to transform. After Zuckerberg proposed the concept “Meta” in 2022, the fashion industry has also vigorously been developing virtual fashion. Digitalization and sustainability are the focus of fashion in the future, and they will provide the most growth opportunities for the fashion industry [7]. So according to the survey, fashion executives treat “digitalization” and “consumer engagement” as opportunities in 2022, and brands have identified “virtualization demand for more virtual products, brands will explore more ways to engage with high-value young people. The fashion industry has also made a series of digital reforms in Web 3.0, including digital games, meta

people, meta fashion shows, virtual clothing and so on. Such as MOSCHINO's cooperation with The Sims, PRADA Avatar Candy, Balenciaga's collaboration with the game Fortnite, and Gucci 10KTF Grail.

3.2. NFT Technology Development

Non-Fungible Token (NFT) is a digital asset that is recorded in a blockchain digital ledger and hosts digital content. It can identify unique works of art and record ownership on a blockchain. At the same time, it can also guarantee that creative content has a unique identifier whose ownership is associated with a unique address on the blockchain [8].

3.3. NFT Technology in Virtual Clothing

Virtual clothing, also known as digital clothing, is a form of virtual fashion that emerges from the integration of information technology and the clothing industry. The concept of virtual clothing involves the use of virtual reality, graphics and simulation techniques to create simulations of fabrics used in clothing. Essentially, it is a digital garment that can be worn in virtual space [9]. It can combine virtual with reality and transform impossible scenes and ideas into virtual products. The Fabricant, a virtual digital fashion brand, designs a digital-only outfit called Iridescence that tracks transactions through a blockchain [10]. In addition, NFT clothing can effectively avoid environmental damage, waste and other problems caused by the clothing industry in the process of product, transport, and realize the sustainability of fashion.

4. The Psychology and Demand of Generation Z

4.1. Prefer Diversified Consumption

According to Maslow's demand curve, people begin to pursue spiritual needs after satisfying their basic material needs [11]. Adults and teenagers spend nearly eight hours a day staring at their devices and immersing themselves in virtual worlds [12]. Meanwhile, 81% of Generation Z have played video games in the last six months, averaging 7.3 hours per week [7]. Generation Z, as an internet native, was born in a period of rapid economic development and different kinds of goods appearance. They can learn more diversified information through the Internet, so they have a wide range of interests and knowledge, and pay more attention to diversified consumption.

4.2. Pay Attention to Personality

Generation Z usually pay close attention to fashion tendency and buys (often online) popular products. They like to self-understand and redefine brands. Meanwhile, they will mash up brands based on the pursuits of fashion. That is because they pursue personality and search for styles that are different from the tradition. With the rapid development of Internet technology, the style of information will become more changeable, which will lead Generation Z to try various ways to build personality, such as buying personalized products to show their unique taste.

4.3. Lower Brand Loyalty

Generation Z is known as the "rebel generation", who want to be different from the group rather than fit in, so brands are less important to them [13]. They may prefer brands that reflect their values and care less about fashion trends or brand prestige. They like to mash up brands to create a personal style and are often not loyal to a particular brand [4]. Generation Z naturally pursues freshness and

excitement. What they pursue is not a specific brand but a trend. Therefore, they will not be loyal to a traditional brand but will chase fashion hot spots and distinctive fashion items.

4.4. Emphasis on Experience

Generation Z likes to shop and enjoy every part of the shopping process. Meanwhile, they prefer to research, compare, touch, visit and click, not just online but also offline. They care about experiences, and it is more important for them to spend on things that enrich their daily life, such as hobbies and entertainment [13].

4.5. Focus on Responsibility

Since Generation Z was born in a peaceful era, they pay more attention to brands with a sense of social responsibility and environmental awareness in their consumption. They are increasingly focused on sustainability and are more willing to pay for those products that reflect sustainability values [2]. They will boycott brands that pollute the environment and falsify in green washing strategies.

5. The Compatibility of NFT Clothing with Consumer Behaviour of Generation Z

5.1. The Uniqueness of NFT Clothing

The uniqueness of virtual clothing is endowed by the non-fungibility of NFTs. Because Generation Z pursues personality and particularity, NFT clothing can ensure the uniqueness of clothing through blockchain and smart contracts, at the same time, its transaction process is traceable. Traditional clothing may have problems such as plagiarism, imitation, and fast fashion replica, but NFT clothing can effectively avoid these problems. Fashion is the product of class differentiation. When the fashion of the upper class spreads to the lower class, the upper class will pursue the new fashion [5]. In this case, the advantage of NFT is that it is not replicable, and its strong traceability can effectively avoid faking, which is a fatal attraction for Generation Z who pursue uniqueness.

5.2. Personalization of NFT Clothing

In the context of the Internet, the pace of product updates has accelerated, and the fashion industry is no exception. As a product of Web 3.0, NFTs themselves represent innovation. The fashion of NFT with clothing is a hot topic in the fashion product and represents the pursuit of Generation Z for Web 3.0. To some extent, the purchase of buying NFT clothing represents their desire to be individuality, which aims to highlight their personality.

5.3. Niche Market for NFT Clothing

In addition to the mainstream market of those traditional brands, there are various niche markets for NFT clothing. Examples include collaborations such as Kryptomon and the Italian denim brand Diesel, Gucci and Zepeto, and Burberry with Mythical. According to the Long Tail theory, the combination of these marginalized, fragmented, and independent NFT clothing can occupy a market share. Their advantage is that they are large enough to compete with the mainstream NFT market. Due to the huge population base of Generation Z, these niche markets have accumulated huge consumption, and the development model of NFT clothing in niche markets is more suitable for the consumption preferences of Generation Z.

5.4. Environmental Awareness and Sustainability of NFT Clothing

Fashion is one of the most unsustainable industries in the world, accounting for about 3% to 5% of global carbon emissions [2]. The raw materials that the fashion industry relies on are an important part of environmental pollution, and environmental improvement in this part can achieve sustainable development of the fashion industry and meet the expectations of customers and regulators. Due to its special material, NFT clothing does not participate in the production of raw materials, commodity production, transportation, online and offline retail and other traditional clothing production. Therefore, NFT clothing reduces a lot of environmental pollution and carbon dioxide emissions, and also reduces fabric consumption. Even the “clothing recycling” process promoted by the traditional clothing industry consumes a lot of manpower and energy. At this point, the resale of NFT clothing does not involve any of the above issues, because the concept of NFT clothing sustainability is in line with the values of Generation Z.

6. Brand Strategy Analysis for Generation Z Consumption Demand

6.1. Improve Product Quality

With the continuous development of virtual technology, brands are beginning to research NFT and develop NFT products in association with the digital industry. In this process, the development of AI will lead to the rapid flourishing of the NFT clothing industry. Brands are trying to capture the rapid development of virtual fashion, which can lead to an NFT clothing industry with a wide range of quality problems. Therefore, it is important for brands to update their designs, build a good brand identity and ensure the quality of their NFT products. Generation Z is the potential group of consumers that should be focused on by brands nowadays. Good product quality can represent a good brand image and can also bring a good consumer experience to Generation Z.

6.2. Create Brand Differentiation

As NFT products are becoming saturated in the market, brands need to create differentiation to stand out from their competitors. For example, through different forms of innovation such as new technology, distinctive designs, or cross-industry association, keeping up with current trends and the ideas that young people are pursuing to distinguish themselves from other brands. For young people who are seeking personality, it is the product itself that is the key point of their consumption. Constantly innovating NFT products will attract their attention more than a specific brand. Companies that follow sustainability are more likely to be future market leaders. Brands should establish an environmental image in the minds of consumers through advertising and the Internet. Therefore, the concept of reducing pollution, protecting the environment and reducing excessive consumption of virtual clothing must attract more attention from brands.

6.3. Increase Interactive Design to Gain a Sense of Engagement

In contrast to traditional fashion, virtual fashion has the potential to become a more accessible commodity for ordinary people. Technology can enhance the consumer experience by creating a more immersive environment, thus allowing consumers to feel more involved. For example, after purchasing NFT clothing at R-SPACE, consumers can take and upload their own pictures to see the effect of trying on NFT clothing. For Generation Z who wants to seek a sense of experience, experiential entertainment is also part of consumption. Brands can add more NFT clothing try-on experiences, not just online but offline. In addition, brands can launch customized NFTs for private users to stimulate consumers' desire for shopping through real experience. In order to create a more

immersive fitting experience, brands need to make more updates to NFT technology, such as “AR virtual fitting”. This technology can make photos vivid, and you can view your fitting style from multiple angles so that consumers have more experience. This experience of continuous innovation in technology will increase the satisfaction of Generation Z, which will make Generation Z more loyal to the brand.

7. Conclusion

This study analyzes the consumer psychology and behaviour of the potential consumer group of Generation Z. It can be concluded from the research that Gen Z prefers diverse consumption because they can access more diversified information through the Internet. They will show their unique taste by buying personalized products. They are not loyal to a particular brand, and they prefer unique items and styles. They see the process of shopping as part of the consumer experience. They also focus on brand responsibility and sustainability. These consumer needs of Generation Z and the characteristics of NFT products are well matched. First, NFT clothing is supported by blockchain and smart contracts to maintain the uniqueness of the commodity. Then, NFT itself is a hot topic; the combination of NFT and clothing can better reflect personalized characteristics, and there are many niche markets in NFT. Finally, NFT can effectively improve the environmental pollution problem in the clothing industry, and reflect the concept of sustainable development in all aspects. Therefore, brands can make some strategic adjustments to meet the needs of Generation Z. By improving the quality of NFT clothing products, brands can have a better brand reputation. They can also make Generation Z more loyal to the brand. The brand should follow up on the development and insist on innovation. It needs to be more distinctive than similar brands to win the interest of Gen Z. Brands should also improve the experiential consumption of virtual goods and use interaction design to give Gen Z more experience.

As Generation Z grows, earns, and consumes, the consumer potential they hold is enormous. They are the accelerating engine of the luxury industry and have a significant influence on a key part of the fashion industry, even determining the future of fashion. For brands, capturing the consumer preferences of Generation Z is an opportunity to capture the future of the brand. Brands must identify and cater to this influential demographic group's various needs to remain competitive and relevant in the market.

Based on the growing popularity of NFT clothing, this study provides a reference for the brand's future virtual fashion development prospects. But this project does not have enough data analysis to support it. In the future, it will be necessary to conduct questionnaire surveys or interviews on the consumption behaviour of Generation Z to obtain more information on consumer psychology issues.

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