

MILLENNIAL MOMENT

Connecting with a generation that defies easy categorization

by CRAIG GUILLOT

Members of Generation Y have perplexed retailers for more than a decade. There's a stereotype that they're all broke 20-somethings living with their parents, but that's only a small segment of the cohort. Many Millennials are homeowners, married with children and more concerned about investments and saving for college than playing video games.

If there's one thing all Millennials have in common, it's an immersion in the digital world. If they weren't fully born in the digital age, they spent formative years and entered early adulthood in a rapidly changing environment of phones, computers and devices that connect them to each other and the world.

LARGE AND DIVERSE

Generation Y will drive the future of retail, and experts say retailers' success will hinge on how they understand and give this cohort the experience it desires.



Millennials, roughly defined as those born between the early 1980s and the late 1990s, have surpassed Baby Boomers as the largest generation. The Pew Research Center estimates there are roughly 75 million Americans between the ages of 18 and 34, and they represent a wide array of characteristics and preferences.

While a younger segment may meet the “broke and living at home” stereotype, it doesn't characterize the generation as a whole, says researcher Jason Dorsey. He says all discussions around Millennials have to start with

recognition of the generation's diversity.

"A [Millennial] could be married in a two-income household with two kids, or they could be living at home with mom or three roommates," he says. "You can't speak to them in the same way."

A 2015 report by Oracle breaks Millennials into five different groups. "Up and Comers" represent a diverse group of males with high incomes but low awareness levels. "Mavens" are 30-something high earners with a child. "Eclectics" are female free spirits on the lookout for the perfect deal and a high level of Amazon awareness. "Skeptics" tend to be gamers focused on social media, sci-fi films and fast food. The youngest segment of the generation, "Trendsetters," keeps up with the latest and greatest and purchases across a wide variety of brands.

Millennials are also the most racially diverse generation, with 43 percent identified as non-Caucasian. Multiculturalism and a high acceptance of interracial marriage are blurring the lines between cultural and racial demographics.

Ryan McConnell, senior vice president and head of North American subscription services for The Futures Company, calls it "the Big Blend." He says categorization along the lines of things like race, gender and sexual orientation is disappearing.

"If you're big on categorization, you're forcing people into boxes," he says, "and that doesn't bode well among Millennials."

Conflicting data and the complexity of the generation has spawned myths about who they are. A 2013 Accenture report found that the biggest misconceptions related to Millennials' preferences in retail were that they only shop online, have no loyalty and treat retailers the same as people on social networks.

Retailers are discovering, however, that they can be the complete opposite.

UNIFIED BY DIGITAL

Many Millennials have spent their adulthood ordering products and services, paying bills and banking online. They interact with the world through social media, and when it comes to retail, they have no tolerance for companies that lag behind in technology.

A survey by BI Intelligence found that 40 percent of Millennials would give up cash completely if they could rely on plastic or mo-

bile payments. More than 90 percent of those aged 18 to 34 have used a self-service kiosk, according to a 2015 study by location-based mobile platform company Retale, versus 81 percent of those 35 and older; 72 percent of respondents choose self-checkout because they have a limited number of items, while 55 percent do so because there is no line.

Interestingly, 20 percent of Millennials (8 percent more than other generations) said they choose self-service to avoid interacting with cashiers — though the Accenture study finds that 82 percent of Millennials prefer visiting bricks-and-mortar stores.

They certainly interact through social media. A recent Deloitte survey found that 47 percent use social media while shopping, compared with only 19 percent for all other age groups.

Another survey by web analytics company SDL revealed Millennials check their smartphones an average of 43 times daily, and five out of six connect with companies via social media.

Waiting isn't an option. Same-day delivery would make 64 percent of Millennials more likely to make a purchase online, according to a survey by Coldwell Banker Commercial Affiliates, compared with 56 percent of Gen Xers and 40 percent of Baby Boomers.

"Time and quality of life can be more important than money for Millennials," says Willy Kruh, global chairman of consumer markets at KPMG. "If you don't grab them in three seconds, and if you can't [provide] next-day delivery, they're gone."

Millennials are constantly bombarded with so much information over so many devices and mediums that "you have to get them with bite-sized information," he says. "You also have to design your site in that fashion. They want everything, including the [purchase process], short and fast."



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— Ryan McConnell, The Futures Company

CONSCIENTIOUS CONSUMERS

While young people in every generation show an elevated sense of idealism, Millennials have a tendency to put their money where their mouth is. Concepts like social responsibility, sustainability, gender equality and fair trade are more than just buzzwords.

A 2015 Nielsen survey revealed three in four Millennials would be willing to pay extra for “sustainable offerings.” They’re more likely than other generations to wonder where their products come from, how they’re made and how retailers view social issues.

Exclusivity and equality are non-negotiable. Generation Y is overwhelmingly progressive, socially liberal and in favor of gay marriage

and women’s reproductive rights. “If you’re putting out a message that you’re not open for everyone, if you’re not ac-

40 percent of Millennials would give up cash completely if they could rely on plastic or mobile payments.

— BI Intelligence

cepting of different cultures, different lifestyles and different ways of being, there’s going to be a problem,” McConnell says.

A brand survey by digital ad agency Moosylvania revealed the top 5 Millennial brands in 2015 were Nike, Apple, Samsung, Sony and Walmart. Of respondents to that survey, 40 percent said social responsibility played into their criteria, while 39 percent said the company “shared similar interests.”

A Pew survey on demographics also found Millennials are less anchored to traditional institutions. Nearly 30 percent claim no religious affiliation, compared with 21 percent of Gen Xers and 16 percent of Boomers. On the issue of politics, 50 percent consider themselves independent, compared with 39 percent of Gen Xers and 37 percent of Boomers.

Millennials place more emphasis on happiness and experience than on possessions. The generation is leading the “sharing economy” through things like peer-to-peer lending, crowdfunding and companies that rent products or offer short-term use. They’re more likely to use services like Airbnb and Uber and sites like Neighborgoods, where consumers can rent or borrow products from one another.

While a PricewaterhouseCoopers study found that only 44 percent of consumers overall are familiar with the sharing economy and just 19 percent have engaged in a transaction, those most excited about the sharing economy once they’ve tried it are those aged 18 to 24, households with income between \$50,000 and \$75,000 and those with kids in the house under age 18.

Many Millennials have shifted to a more simplistic lifestyle; 78 percent of respondents in the PwC report said that sharing reduces clutter and waste. “Millennials aren’t as into [consumerism] and accumulating things,” Kruh says. “They don’t see things like cars as status symbols. They’re much happier to lease it or rent it, and that preference is having huge reverberations in many industries, including retail.”

PwC reports that “today’s consumers are finding more satisfaction and status in experiences, rather than static material possessions.” McConnell says Millennials tend to worry less about being flashy and more about being “authentic.”

“They have more value for a minimalist lifestyle than [Boomers and Gen Xers]. They



86 percent of Millennials have used their smartphone to make a purchase.

— Mitek

realize there's a burden that comes with ownership," he says.

Because Millennials spend more than any other group on leisure activities while seemingly struggling in other aspects of life, they're perceived as bad with money. The reality is that they're more likely to pay with available funds than use credit cards, according to a study by Segmint.

Rob Heiser, president and CEO of Segmint, says they're actually very conscious about how they spend their money. "Deeper insights into the data reveal that many Millennials will make spending decisions after much research and consideration, rather than [on] impulse."

HIGHER EXPECTATIONS

Christopher Donnelly, senior managing director for retail at Accenture, says Millennials are "fundamentally not much different than anyone else, except they like doing things digitally." That digital preference has raised the bar for the customer experience. Much of the generation has always been able to find out anything about any product and order from any merchant in the world. A study by SDL revealed that nearly 60 percent of Millennials surveyed expect to engage with a company whenever they choose, by any channel they desire.

Sarah Clark, vice president of product at Mitek Systems, says Millennials are leading the adoption of mobile payment in the retail world. Mitek's survey with Zogby Analytics found that 86 percent of Millennials have used their smartphone to make a purchase, with 40 percent having spent \$100 or less.

Nearly half of the respondents have made the decision on where to shop based on a mobile app's features and functionality. They'd also like to make things even easier, with 68 percent saying they'd prefer to always use their smartphone camera for mobile capture instead of manually typing information.

"It's a wake-up call to retailers to continue to focus on the mobile experience," Clark says. "Making things easier is extremely impor-



tant," as is adopting new technologies as soon as they appear. Retailers who wait months or years to engage in new ways may be seen as out of touch.

Millennials "adapt [to technology] quickly and they expect retailers to do the same," she says.

LOYALTY, EMBRACING CHANGE

Millennials have grown up in a world where loyalty is seemingly going by the wayside. Lifelong careers are gone; Alexandra Levit, co-author of a Harris Interactive study about the future of Millennials' careers, said the average Millennial may work up to 15 jobs in her lifetime.

McConnell says few are willing to stick with a retailer simply for the sake of legacy; they need to be motivated by service, brand affiliation, a "message" or price.

"Their loyalty can vary by industry," he says. "You might find loyalty for companies like Apple, but they'll quickly go somewhere else and follow their friends."

Kruh says Millennials may be the "least loyal generation," unless a company shows they're "listening to them" and engage in "evolution," at which point they can become "very loyal."

A November 2015 survey by global strategic branding and design firm Landor Associates

found Millennials seek long-term relationships with brands that embrace change in ways that feel authentic, foster trust and are respectful of heritage and values. The survey revealed that Millennials expect brands to be “agile and navigate a tension between change and continuity.”

“As digital natives, Millennials are accus-

tomed to the rapid speed of the market and they expect brands to be as well,” says Landor CEO Lois Jacobs. “The demographic has shifted the marketing landscape. We no longer live in an era of mass marketing.”

McConnell says Millennials have a strong sense of individualism, a big shift from previous generations when they were in their late teens and twenties. There’s less of a need to be or look exactly like their friends.

“Today, what’s really hip or cool is being different. There aren’t any [unifying] styles,” he says.

“There’s an incredible inclusiveness about this generation that accepts different lifestyles and ways of expressing yourself.”

Millennials are more trusting of their friends and social media networks than traditional advertising, says Kruh. Nearly 90 percent of respondents in McCarthy Group’s 2014 Engaging Millennials Study do not like traditional advertising, and that lack of trust extends to both people and institutions. The Pew demographics survey found that when asked if people can generally be trusted, only 19 percent of Millennials said yes, compared with 31 percent of Gen Xers and 40 percent of Baby Boomers.

And while eight in 10 say they’re generally optimistic about their future, 51 percent believe they will get no benefits from Social Se-

curity, while 39 percent predict they will — at reduced levels.

THEY’RE NOT ALL BROKE

Every generation likes to think it had it tougher than those who come later, but Millennials have a huge mountain to climb on almost every economic front. They have lower levels of wealth and personal income than Gen Xers and Boomers did at the same stage in their lives and are spending far more on things like rent and food than previous generations.

Young households are also carrying far higher levels of student loan debt. “These things can be a massive drag on spending,” says researcher Dorsey. “It changes the options they have.”

Millennials are what previous generations might call “late bloomers.” They live at home longer, they wait longer to get married, longer to have kids and longer to buy a house. According to a report from Goldman Sachs, nearly 30 percent live at home with their parents; only 23 percent were married and living in their own households in 2012, compared with 43 percent of that age group in 1981 and 56 percent in 1968.

That doesn’t mean they don’t have money to spend. While on an individual basis they may spend less on certain things than previous generations, their sheer numbers can make up for it in total volume.

Kruh says Millennials think with a “different cost-benefit analysis.” The element of experience is essential, and not always about whether they can afford it or not. Millennials living at home also have a big impact on how their parents shop, by exposing them to new technologies and their values around sustainability.

The biggest factors are their core buying power and the fact that there will be a “tremendous wealth transfer” in the future from Baby Boomers to Millennials: According to Accenture, Generation Y will inherit more than \$30 trillion from Boomers over the next few decades.

Dorsey says because of their current ages, life expectancy and purchasing patterns, Millennials have “the greatest lifetime value of any customer you can win in retail.” **STORES**

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47 percent of Millennials are influenced in purchasing decisions by social media.

— Deloitte