



Millennial Madness

Retailers are challenged to satisfy the finicky digital-focused generation

by M.V. GREENE

Getting a shiny new credit card was something of a rite of passage for credit-worthy Baby Boomers, with “charge it” a familiar refrain at points of sale from restaurants to department stores.

But for the Millennial generation, those born roughly between the years of 1980 and 2000, nothing could be more old school.

The credit part of the equation is fine, Millennials will say, but it has to go beyond traditional credit and all its limitations. Package the credit offering around technology, however, and maybe it will win their favor, according to a recent survey from global payments company PayPal.

Millennials “are going to focus on technology first and then figure out what the options are from there. It’s mobile. It’s technology. It’s digital,” says Amanda Christine Miller, head of global communications for PayPal Credit.

Observers say such sentiments drift heavily into the retail landscape, and retailers and other stakeholders with digital interests will be challenged to

keep up and be clued in to this burgeoning generation.

‘ALTERNATIVE’ OFFERINGS

What Millennials want, Miller says, are alternative credit offerings that leverage today’s era of rampaging technology and innovation, such as smart devices for facilitating credit and payment transactions along with emerging platforms that enable these processes. The survey further reports

Millennials are nearly twice as likely as their parents to want credit products from technology-centric companies.

— PayPal

that Millennials are often “annoyed” at the prospect of having to kowtow to the traditional credit card process even for online purchases, much less in stores.

Miller says Millennials put more gravitas in processes they deem tech-cool rather than embracing traditional

means in which they only have nominal relationships. The study notes that Millennials are much more likely than their parents — 50 percent versus 29 percent — to want credit products from technology-centric companies.

“It’s not that they don’t want credit, they just want credit that suits their lifestyle,” Miller says. “The Millennials love technology and are interested in using credit offerings from familiar innovators rather than traditional players.”

The PayPal survey was conducted online by Koski Research in August, getting the views of more than 2,000 U.S. consumers, including 625 Millennials between the ages of 18 and 33 years old.

PayPal and many of its credit platform partners are rooted in technology, which Miller describes as being “digitally native,” and are moving quickly to offer the alternative solutions that Millennials covet. Among PayPal Credit shoppers, Millennials are the fastest growing segment of the service — about 33 percent in 2015, up from 28 percent in 2013.

FLEXIBLE CREDIT

Miller says Millennials are demanding flexible credit experiences that are transparent and affordable.

PayPal Credit, for instance, allows shoppers to choose at the cash register whether to use an option that allows purchases of \$99 or more to be paid off interest-free over six months. Another program, Easy Payments, gives shoppers the option to divide larger purchases into fixed, predictable monthly payments that they can track via their digital wallets.

Miller says such programs afford shoppers the power to make credit decisions at checkout. With the delayed-interest program, the payback of the credit does not have to be immediate, unlike with many tradi-

tional lenders.

For Easy Payments, the shopper can make a large purchase without giving it much thought and make the checkout decision to spread out the payback.

PayPal Credit partner Shop.com, an online retailer of general merchandise, can testify to larger order-basket sizes among Millennials using the PayPal alternative payments solutions.

Eddie Alberty, Shop.com vice president of strategic partnerships, says the average order value for items such as electronics and entertainment often exceeds \$99 with the six months interest-free PayPal credit program.

In addition, Alberty says some shoppers load up on smaller-ticket items like Shop.com's branded cosmetics and health

The screenshot displays the Shop.com homepage with a festive holiday theme. At the top, there's a navigation bar with categories like Children, Men's, Beauty, Home, Entertainment, Health & Wellness, Kids, Men's, Travel, Electronics, Shopping & Gifts, and Deals. A banner for 'TSL'S HOLIDAY' features 'READY WHEN YOU ARE!' and 'SHOP NOW'. Below this is a 'Big Savings' banner with a snowflake graphic. The main content area is divided into several sections: '15% OFF DENIM & FASHION' with a 'GARAGE' banner; 'Hot Outerwear for Cool Weather' featuring items like 'Men's Canada Goose' and 'Women's Canada Goose'; 'Closet Re-Boot' with 'Clarks Desert Boot'; 'Hot Holiday Gifts' with 'Brookstone gizmos, gadgets' and 'Ninja Kitchen System'; and 'Your featured deal' for 'Audio Source Bluetooth Speaker'. Each product listing includes the item name, price, and a 'CASHBACK' percentage.

and nutrition products in order to reach the interest-free threshold.

While the majority of Shop.com customers are Boomers, Alberty says reaching Millennials and other younger cohorts is vital to the future success of the platform.

"We know that to kind of be relevant in a few years, we need to get more of these younger shoppers engaged," he says. "We're a loyalty model. So if we can get them engaged early on with a purchase, there's a good possibility that our marketing efforts will start to bring them back."

A 'GATEWAY' GENERATION

As Millennials continue their robust march into the financial mainstream, traditional retailers also will need to be positioned to cater to them. To approach it otherwise would amount to shunning a gift horse, as highlighted in PricewaterhouseCooper's 2015 Holi-

Millennials could
spend about **\$63 billion**
during the 2015 holiday
season.

— PricewaterhouseCoopers

day Outlook report on expected retail spending activity.

PwC puts the number of U.S. Millennials at 75 million, calling them the most potent force in the consumer marketplace since the vaunted Baby Boomers. In areas such as banking, credit scoring and housing financing, new business models are being developed to accommodate the preferences of Millennials.

While Boomers' relationship with retail and other industries centered on traditional conventions, reaching Millennials must make its way first through technology, observers say.

In its report, PwC says the 2015 holi-

day shopping season is being driven by income bifurcation, demographic transitions and evolving purchasing behaviors. For such reasons, this shopping season will likely be one of the most interesting in years, according to the report.

P.J. Ritters, a partner in PwC's retail and consumer practice, says Millennials will essentially serve as "gatekeepers to mobile payments becoming more mainstream.

"When you look at their generation as a whole as it relates to technology, they are generally very, very savvy with online and mobile technologies. Many of them have grown up with it," Ritters says.

While the digital payments market is only in its infancy and developing methodically as competing platforms test protocols and consumer preferences, Ritters says that should not restrict retailers from aggressively working to

draw in Millennials.

According to the PwC holiday report, Millennials are primed to spend as much as \$63 billion during the 2015 holiday season. About 52 percent of that holiday spending will go for experience-related purchases, such as travel and entertainment, versus 39 percent for older shoppers, according to PwC.

The PayPal survey noted that Millennials are most likely to use digital-based credit systems to purchase clothing and accessories (45 percent of those surveyed), electronics (33 percent) and travel (27 percent) through the end of 2015.

IMPROVING ENGAGEMENT

As the payments market evolves with Millennials at the forefront, it will be critical for retailers to focus on using emerging digital platforms to improve customer engagement and

loyalty, Ritters says.

On the device side, the new Europay MasterCard Visa chip-based credit cards currently being implemented provide an unexpected opportunity in the race to meet the demands of Millennials. While the U.S. retail industry has cried foul that the system is only chip-and-signature rather than the more-secure chip-and-PIN used elsewhere, Ritters says the need to install new card readers gives retailers a chance to position themselves in the digital payments world by making sure the equipment is also compatible with mobile devices.

"If the mobile device is one way for Millennials to pay, it is also another way for the consumer to engage," Ritters says.

The PwC report notes that, of the various age groups it surveyed the 2015 holiday shopping season, young Millennials — ages 18 to 24 years old

— indicated they are the most optimistic about increasing their spending over 2014.

The PayPal survey says Millennials are expected to flock to bricks-and-mortar stores, debunking the myth that the generation overwhelmingly prefers to shop through online channels. While the survey notes that Millennials spend more online than other demographic groups, they ranked online shopping lower on their list of preferred channels (after department stores, mass merchandisers and specialty stores) than older shoppers.

"This Millennial generation is incredibly finicky," Ritters says. "Retailers have to get the customer user experience piece figured out, or they are not going to remain loyal." **STORES**

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