

Succeeding with Millennials at Retail



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A generational passing of the baton is underway that will increasingly force retailers and brands to respond to consumers in new ways. Within a decade 77 million Millennials will displace their Baby Boomer parents, who currently control 70 percent of the spending power in the U.S. Anyone who wants to market a brand or merchandise a store should take note; they are already forming lifelong-shopping preferences and behaviors.

The U. S. Chamber of Commerce is studying the Millennial generation and concludes that they will “completely upend many of the established businesses, methods, and processes that have defined the U.S. public and private sectors for decades.”

As the biggest economic group in America, Millennials are defined by Nielsen as the age cohort born between 1977 and 1995, spanning a range from teens to early thirties. These Gen Y-ers are at least as large a demographic group as Baby Boomers, and they have already begun consuming and influencing.

Time Magazine reports that roughly 80 million American Millennials spend \$600 billion annually, a number expected to increase to \$1.4 trillion per year by 2020. This number will represent about 30 percent of all retail sales.



There is unique context that impacts how Gen Y views the world and approaches spending. They will lead digital lives from cradle to grave. They are the social media generation. They are coming of age at a time when the world is recovering from the most severe economic crisis since the Great Depression, and they are carrying more college debt than any generation. The average student loan among Gen Y is \$25,000 according to the Federal Reserve Bank of Kansas City.

They have had a digital glimpse into many of the conflicts and problems confronting society and have participated or observed the consequences of two wars. The tragedy of 9/11 is a defining moment in their lives just as the assassinations of Dr. Martin Luther King and President John F. Kennedy were in the lives of their parents. They have grown up hearing warnings about global warming.

A comprehensive understanding of Millennials is foundational for both marketing and retailing. There is early evidence of how companies are paving the way for a new generation.

Fast Facts about Millennials

Offering statistics about a group that is 77 million strong merely gives us a broad view of a population that needs to be segmented and examined in a much more granular way. As just one example, there are marked differences between Millennial teens and Millennial parents in their late twenties. The 2013 study “Millennials as New Parents” by Barkley ([link](#)) showed that before having children the group over indexes for shopping at retailers like H&M, Apple, Macy’s and Sephora. After becoming parents, Millennials over-index for shopping at Dollar General, Kohl’s, Lowe’s and Walmart.

A number of studies do point to who this generation is demographically, attitudinally, and behaviorally, and some of their results are fascinating to look at.

Who They Are

From Nielsen

- Social creatures. Millennials are checking in socially between 20 and 21 hours each month.
- Comfortable with self-service. Millennials are the heaviest internet banking users and prefer to handle their finances themselves.
- Price conscious and deal savvy. Aided by shopping apps, deals account for 31% of their shopping dollars.
- Diverse: 19% Hispanic, 14% African American, and 5% Asian.
- Single. Millennials are half as likely to be married as Baby Boomers.
- Potentially more transient. Two-thirds are renters.

Who They Are

From Pew Research

- Skeptical. Only 19% of Millennials (versus 40% of Baby Boomers) say that, “generally speaking, most people can be trusted”.
- Far less affiliated religiously or politically than Baby Boomers. Half of Millennials describe themselves as political independents and 29% are not affiliated with any religion.

Feelings About Technology

From Nielsen

- When asked what makes their generation unique, Millennials rank technology use the highest.
- More positive about the impact of technology on their lives than other generations, with 74% feeling it makes their lives easier.
- Millennials technology use has been inherently more mobile than their parents.

Media Consumption

From ComScore

- Millennials spend a full day of every week online.
- Four out of five own a smartphone.
- Millennials use a wide variety of social media with Facebook claiming the most usage.
- They prefer to watch video on demand and on the internet over television.
- Digital advertising is much more likely to reach Millennials given that they see an average of 500 more digital impressions per month than someone 55-plus.

Shopping Attitudes and Behaviors

From NPD Group

- While Millennials are more likely than their parents or grandparents to shop online, 81% of their dollars are still spent in stores.
- Even though the group spends more time shopping and more time online, their conversion rate is lower than other generations. They like browsing and buy on only 57% of their shopping ventures.

Shopping Attitudes and Behaviors

From the Urban Land Institute

- Half of the men surveyed and 70% of women view shopping as a form of entertainment and something to share with friends and family.
- 91% have made online purchases.
- 45% spend more than an hour a day looking at retail-oriented websites.
- Over half go one or more times a month to at least one of seven different retail formats described in the survey, with discount department stores being the top retail format.

Shopping Attitudes and Behaviors

The Boston Consulting Group

- They are far more engaged in rating products and services (60% versus 46%) than non-Millennials.
- Nearly twice as many Millennials as Boomers cited "availability 24-7" as the most important thing that brands can do to engage them.
- Millennials are much more likely than non-Millennials to explore brands on social networks (53% versus 37%).
- More than half of Millennials said they are willing to share their brand preferences on social media, compared with 31% of Baby Boomers.

Shopping Attitudes and Behaviors

Symphony IRI

- Millennials are more likely than older groups to choose retailers based on "the fun factor."
- New forms of media have more influence on shopping selections than traditional media. *
- And as the first generation to be "always connected," Millennials are 262 times more likely than the average shopper to be influenced by smartphone apps and 247 times more likely to be influenced by information from blogs and social networking sites when making brand decisions.



* INFLUENCERS OF BRAND DECISIONS INDEX VS. TOTAL PANEL (AVERAGE = 100)



Source: IRI MarketPulse Survey

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Are Millennials' Brains Wired Differently?

Because Millennials have grown up with a variety of mobile devices like smartphones, tablets and laptops, they are considered by some researchers to be more adept at task switching than older generations. Nielsen's 2012 State of the Media Report claims that "Millennials were more likely than the general population to watch TV while checking sports scores, looking up a deal seen on TV, looking up product information seen on TV, or visiting a social network."

Nielsen makes some observations that may be of interest to marketers, who must adjust their focus.



Boomers and Millennials

Boomers	Millennials
The aging brain likes repetitions—and will believe information that is familiar to be true.	Younger brains are most stimulated (better attention capture, engagement, and memorability) with elements of dynamism such as rich media, lighting or rotations, to cut through their perception threshold.
The aging brain is more easily distracted—as the brain ages it slowly loses the ability to suppress distraction.	Millennials can equally deal with the bleeding-over communication we see in most dynamic banner ads on Web portals, while older generations need a clear-framed separated communication to be able to engage.
However, the aging brain has a broader attention span and is open to more information.	Younger brains have high multi-sensory processing capacity—which makes them very amenable to (and almost seek) multi-sensory communications, especially with interaction—such as search tasks, interactive sites.
Contrast is the preference vs. color for online ads.	Millennials responded better to an intense color palette for online ads.

Source: [Nielsen](#)

Designing In-Store Merchandising for Millennials

In planning for marketing to Millennials at retail, Ryan Lepianka, Creative Director of Frank Mayer and Associates, Inc. suggests that while younger people may respond positively to more vibrant graphics and interactivity, there is still a commonality of experience that requires in-store merchandising not to lose sight of the fundamentals.

In the end, the human animal doesn't change much. We are all looking for a path to an ideal, especially when we're young. On one level or another we are often searching for a way to become what we perceive to be 'more than we currently are'.

For example, I'm going to purchase the pair of headphones that costs \$100 more than the next pair if it has been effectively communicated to me, that if I purchase THIS product, in some way, I am receiving some of that famous rapper's DNA. In making this purchase, I am now 'more'. This purchase is a step on the journey to actualizing my ideal in a real, tactile way.

As designers, we're most successful when we design a retail piece that sets the stage for that kind of transference. We utilize the most appropriate technology available to extend that offer in a way that breaks through the noise, to make that offer to 'become' heard and understood.



Implications for Marketing to Millennials at Retail

The wealth of information available on Gen Y leads to some general implications for planning the right retail experience. Les Berglass, CEO of executive retail research firm Berglass + Associates, commenting in Chain Store Age says retailers would be wise to promptly ask themselves: "How would I change my store and the messaging I do if nobody over 35 came into my store?"

It almost goes without saying that the starting point is removal of any barriers that get in the way of seamless shopping since technology in the minds of many Millennials should be positive and make life better. For additional consideration:

- Cater to expectations for relevancy and accessibility that are rooted in online experience.
- Create store environments that merge physical and digital elements.
- Create environments that are vibrant and dynamic.

- Balance deal-oriented incentives with exceptional experiences in order to win hearts and pocketbooks.
- Develop marketing plans that incorporate multi-directional engagement.
- Incorporate opportunities for validating purchase decisions through peers and ratings/reviews.

Catering to Millennial Shoppers

Marshal Cohen, chief industry analyst at NPD Group concludes, “Previous generations were more easily impressed by marketing and advertising strategies. With this group you must have a strategy to grab their attention in-and out-of store.”

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Speaking to the Marketing Science Institute in 2012, Ross Martin, EVP of Viacom Networks, Scratch said, “Experiences are what move us. Brands who create experiences win. We have to move people, literally, we have to get them up on their feet so that they run to the aisle where our products are shelved and do a little dance until the store kicks them out.”

What are retailers doing to grab the attention and move this powerful, ascending generation? Their responses include changes to format, visual merchandising, product displays, digital signage, interactive shopping experiences, mobile communication and targeted product offerings.

Millennials’ expectations of a seamless, “any channel” approach to shopping with all the conveniences and dynamic nature of online experiences are spurring retailers to act. Writing in a recent Omni-Channel report (link), Matt Pillar, editor of Retail Solutions Online, reasons that retailers’ are engaged in more of a “disorderly, staggered-start distance medley relay” than a sprint when it comes to incorporating and integrating the right technology.

The following are some examples of companies with an early start in the pursuit of valuable Millennial shoppers. Some of these examples tie specifically to in-store merchandising and some are examples of worthy attempts at targeted Millennial marketing.



Macy’s is the department store frequently in the news in the context of tech-enhanced shopping targeted to Millennials. They’ve developed apps and installed Wi-Fi. They’re using Shopkick and testing iBeacon for location-based in-store offers. They’re integrating interactive technology into

numerous departments to satisfy expectations for immediacy and access. Localized product assortments catering to specific Millennial sub-segments are a part of their merchandising strategy. Macy’s CEO Terry Lundgren is so committed to understanding this target that he has breakfast

monthly with a group of Millennial employees to get their feedback.

Lululemon has integrated its stores into the lifestyle of its customers. It is an example of how retailers can deliver on the fun, experiential factor of retail. They garner loyalty and generate repeat traffic by having their stores double as yoga studios.

Likewise, in its first foray into bricks and mortar, online cosmetics retailer **Birchbox** recognizes the value of a physical brand experience that builds loyalty. It is devoting the second floor of a new Manhattan store to provide instruction on makeup application and skin care and to provide other styling services. Self-service touchscreens throughout the store will enable customers to input information and pull up relevant, personal product recommendations and reviews.

London's **Burberry Beauty Box** provides an example of how a store can merge physical and digital to create elements of hands-on discovery. Traditional product displays are enhanced by technology that lets shoppers virtually try on nail shades and makeup. Additionally 16-foot screens are arranged as a "digital chandelier" displaying beauty content which is refreshed monthly. Payments are taken via mobile POS on iPads and iPhones.

Aeropostale is striving to win over Millennial teens with both a visual redesign and technology integration. Business Insider reports its new concept is "filled with flashy colors and fun-filled cityscapes." A new app and in-store iPad kiosks will cater to a desire for engagement and self-service.

Walmart is trying to connect early with Millennials through a new on-campus initiative. It has begun to open scaled-down versions

of its stores on college campuses. Walmart can also extrapolate learning from these smaller stores to reach Millennials in urban areas with new, smaller formats.

Home Depot creates hands-on experiences aimed at young families by offering free kid's workshops for children starting at age 5. These events attract some 300,000 families to the store monthly who might come with the intent of doing a craft but will inevitably pick up a few items while they're there.

Target has a social shopping application called Cartwheel that allows users to choose discounts that are most relevant to their needs to be listed on their phone and used in-store on top of other offers. Once a deal is chosen or scanned at retail, it shows up in the shopper's Facebook newsfeed or can be shared with the public with permission. Users can unlock more space on their Cartwheel list to fill with deals by performing actions that earn badges.

American Eagle Outfitters has a large deployment of iBeacons via the Shopkick program. Beacons installed in 100 stores serve up a welcome message about rewards and discounts when shoppers with the Shopkick application enter a store, and location-specific offers will eventually be sent to shoppers phones based on what merchandise they are near in the store.

A number of athletic brands have incorporated not just user-generated content, but user-generated products that put the shopper at the center. The **Converse** Customization interactive retail experience in San Francisco uses iPads to enable shoppers to screen print their own designs or graphics on footwear and apparel. Some **Nike** stores have NIKEiD studios or interactive kiosks that allow shoppers to customize shoes on-site.

Conclusion

Millennials are not homogeneous, but they do exhibit some distinctive characteristics, attitudes and behaviors. Like most shoppers, they may seek different things from shopping at different times. They are not constantly deal seeking nor are they constantly looking to be entertained. Their needs vary with shopping occasion and will also evolve with age. Regardless of where they are they will expect to be marketed to across media, across devices and across channels.

Those who are making a transition to connect with and engage Millennial shoppers can benefit from observing marketers and retailers that already are applying insights from Millennial research to their strategies. No doubt there are others that belong on the list.

Companies are putting the user and their sphere of influence at the center of marketing and applying dynamic messaging and stimulating experiences. Retailers are testing and incorporating a variety of technologies into physical retail that cater to self-service and are overcoming hurdles to become multi-channel. They are incorporating new kinds of products.

On the horizon are retail experiences that help young shoppers equipped with a full array of digital tools and more information and choices than ever before to become a new generation of buyers and influencers.

About Frank Mayer and Associates, Inc.

Frank Mayer and Associates, Inc. is an in-store merchandising company with vast experience in designing and manufacturing branded permanent displays for virtually every retail format. Our clients are a wide range of Fortune 500 brands and retailers. We have been recognized by industry peers for creating and producing award-winning point of purchase displays, interactive merchandisers and kiosks. We offer promotional marketing capabilities that allow us to provide our customers with an unmatched depth of service.

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