

LOYAL NOT LOYAL

Meeting fickle millennial
expectations in the digital age



LOYAL NOT LOYAL

LIMITED EDITION

CONTENTS

1. Introduction
2. Millennial buying power redefines purchase behavior
3. Innovative new approaches are needed to retain the least loyal groups
4. Experience ratings drop as the buying journey advances
5. Millennials express most discontent especially post-purchase
6. More efficient processes are needed to improve the delivery experience
7. Poor experiences impact the decision to purchase
8. Fast and frictionless is more important for younger shoppers
9. Analysis summary
10. Loyal not Loyal? Experts give their views
11. Methodology



ONE INTRODUCTION

How loyal are your customers?

This report explores loyalty among consumers. Who are the most loyal customers and who are the least loyal? What issues cause shoppers to abandon a brand? Which groups are looking for the most innovation and who expects ongoing improvements in order to keep them coming back? Is it true that millennials are the most fickle group?

In particular, we address the ever-increasing focus on the millennial demographic, which includes anyone born between 1981 - 1996 (ages 23-38 in 2019).

Millennial buying power is increasing year-on-year. Just this last year, millennials surpassed boomers to become '[the world's most powerful consumers](#)'. Indeed, Deloitte recently projected 99 million millennials versus 77 million boomers now make up a larger segment of the luxury market. While Gucci reported that 50% of its sales came from millennials - digitally native shoppers who are used to buying online, and whose first experience with a luxury brand is most likely to be via its website. Its report showed that this audience has much higher demands for convenience, speed and a tailored experience as well as less patience for those who fail to deliver on the above.



“Millennial buying power is increasing year-on-year. Deloitte recently projected 99 million millennials versus 77 million boomers now make up a larger segment of the luxury market.”

TWO

MILLENNIAL BUYING POWER REDEFINES PURCHASE BEHAVIOR

**Challenging conventional wisdom:
Younger age groups are most likely to buy
from brands**

18 to 34 year olds typically responded to our survey questions differently when compared to older age groups. It is within this group that many of the emerging trends around loyalty are being defined.

Brands can be especially attractive to younger shoppers and there are now a number of brands, such as Nike, Bonobos or Gymshark, that are marketing successfully to this group. Much of this success can be attributed to the rise of the 'direct-to-consumer' (DTC) model that enables brands to have much more control over the end-to-end customer experience.

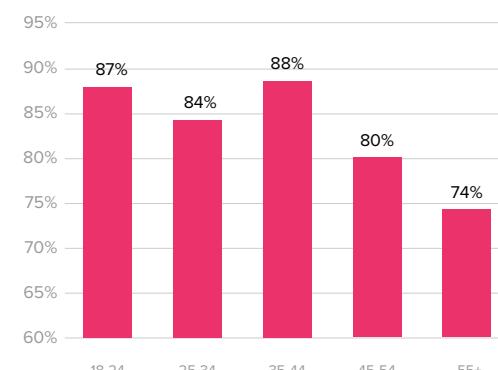
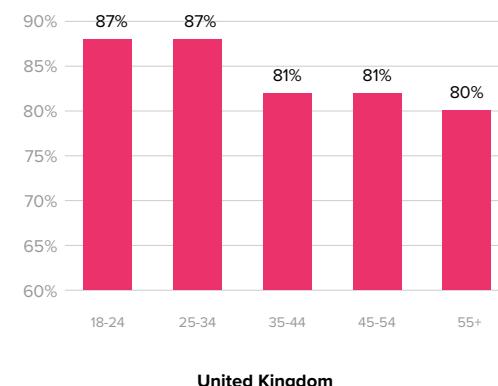
Our own research reveals that younger age groups, particularly in the UK, are more likely to buy from brands directly rather than from a website that sells different brands - and this trend is set to continue. It's a behavior found to be most prevalent in the 18 to 34 age groups in the UK and 18 to 44 age groups in the US. For those brands looking to capitalize on DTC, this reinforces the importance of the millennial segment.

“Being authentic in every area of your brand is paramount to your brand’s success, especially amongst millennials.”¹

Agency Ascend

Have you bought any good(s) directly from a brand's website over the last year rather than via a retailer's website that sells different brands e.g. Amazon?

By age group



1 <https://www.agencyascend.com/blog/41-revealing-statistics-about-millennials-every-marketer-should-know>

2 Quoted in <https://fashionunited.com/news/fashion/nike-most-trusted-apparel-brand-among-millennials-and-generation-z/2018071022252>

THREE

INNOVATIVE NEW APPROACHES ARE NEEDED TO RETAIN THE LEAST LOYAL GROUPS

Brands must reinvent and improve all the time

While younger age groups are embracing brands for their online purchases, it does not mean that they will stay loyal to them. So, brands will have to work hard once they have the attention of the millennial shopper.

While one-third of shoppers are less loyal to brands than they were a year ago, the figure rises to 45% in the 25 to 34 age range. In the UK, the 18 to 44 age group revealed that they were less loyal to brands than they were one year ago when compared with older age groups. In the US, the most likely group to declare that they are less loyal is the 25 to 34 millennial age group.

Innovation

Just over a quarter of respondents state that they would change where they buy goods based on the shopping experience, while one in five in the 18 to 24 age bracket in the UK and over a third of the same group in the US strongly agree that

Less loyalty means certain groups are more likely to change where they buy

It is important to recognize the reason why customers like improved innovation with a particular focus on the specific age groups. Younger age groups prefer convenience and tailored experiences - in fact, 63 percent of millennials don't mind sharing their personal information if it means getting personalized deals and offers - highlighting the importance of tailored experiences to make younger shoppers feel more connected to a brand.

they are always looking for an improved shopping experience when buying goods online. This figure rises to almost half within the 25 to 34 age group.

Brands must therefore be always innovating in order to prevent these groups from seeking better experiences elsewhere. This thirst for innovation is especially prevalent among UK millennials, as 40% of 18 to 34 year olds agree that they 'love it' when brands innovate and offer new ways to buy products. This feeling is not shared by older groups and indeed drops to 10% or below among the 55+ age group.

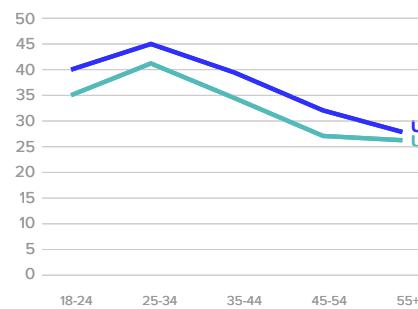
**LOYAL
NOT LOYAL**
#loyalnotloyal

Millennial age groups have a distinctly different outlook

Less loyalty means certain groups are more likely to change where they buy

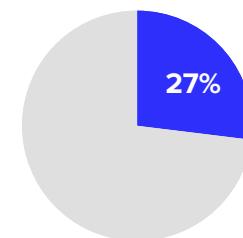
'I am less loyal to brands than I was a year ago.'

Percentage that agrees, by age group



'I would change where I shop based on the shopping experience.'

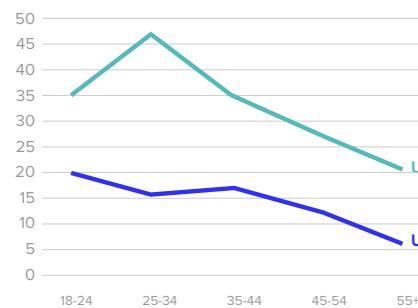
The percentage of millennials that strongly agree (UK and US combined)



Younger age groups are looking for improved experiences and innovation

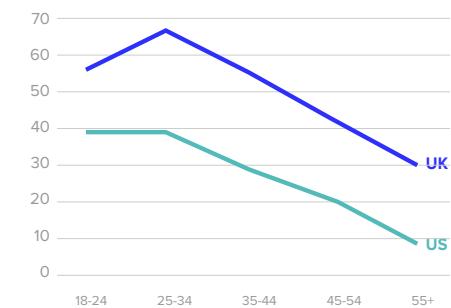
'I am always looking for an improved shopping experience when buying goods online.'

Percentage that strongly agree



'I love it when new brands innovate and offer new ways to buy products.'

Percentage that agree



FOUR

EXPERIENCE RATINGS DROP AS THE BUYING JOURNEY ADVANCES

What happens after the buy button is clicked creates the most disappointment

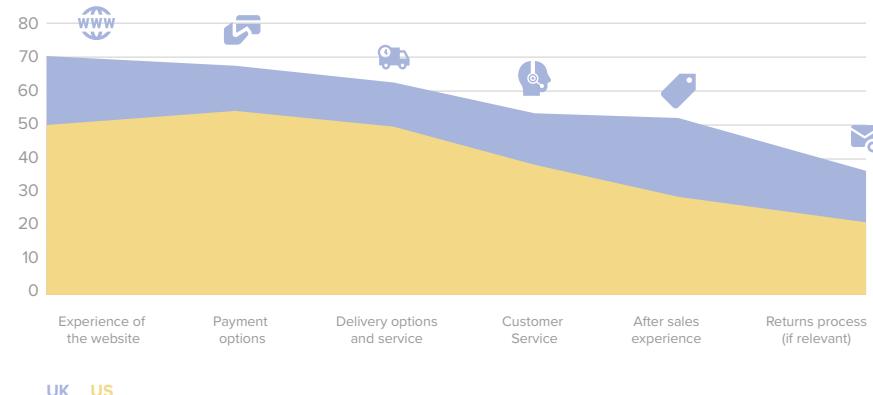
We're always told that first impressions are key. However, in the world of online retail, it is the last impression that could determine whether a shopper comes back to a brand. The bad news is that only around half of UK customers would give their last experience of online shopping the highest rating and by the end of the journey, this has dropped to under a quarter. In the UK, it is at the point of delivery options and services where satisfaction levels start to drop.

US customers rate their last online retail experience better but again this drops significantly, hitting 38% by the end of the

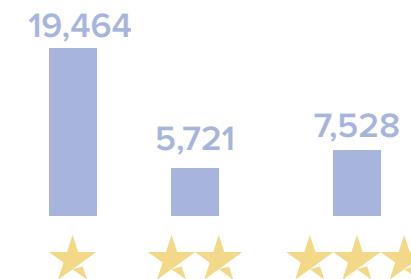
user journey. In both the US and the UK, it is the returns process that yields the lowest levels of satisfaction.

It is this area – especially when we reach the back office operations – that can translate into negative reviews that can damage a brand. In a separate study, Brightpearl researched 29,080 1-3 star reviews left by consumers rating the service of ecommerce businesses. 77% of these less than stellar reviews were a result of typical operational failures, such as poor customer service, or negative experiences related to delivery, returns and refund policies.

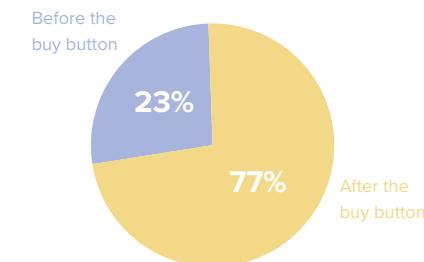
Proportion of customers that rate their last online shopping experience as 'Very good' declines as the customer journey progresses



Out of 280,583 reviews, 10% are rated as only 1 to 3 stars...



...and 77% of these less than stellar 1 to 3 star reviews are related to post-purchase issues

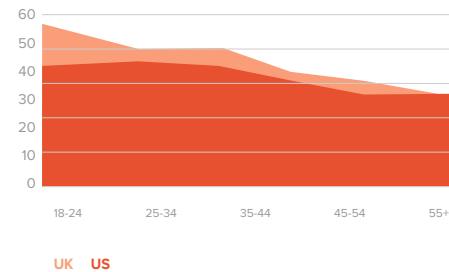


FIVE

MILLENNIALS EXPRESS MOST DISCONTENT ESPECIALLY POST-PURCHASE

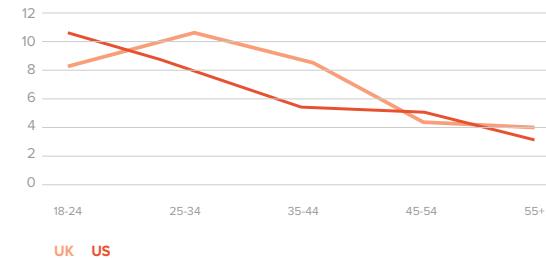
Have you experienced any negative issues with buying goods online in the past 12 months?
For example, payment issues, goods not arriving on time, or goods not arriving at all.

Proportion that say yes.



Younger age groups are most likely to rate returns as a negative experience. Proportion of shoppers that rated their last online experience as not very good or not good at all by age group

Returns experience



Far too many negative experiences

We asked shoppers if they had experienced any negative issues with buying goods online over the last twelve months such as payment issues, goods not arriving on time, or goods not arriving at all.

In the US, over half of the respondents agreed with this statement in the 18 to 44 age group. In the UK, the 25 to 34 age group was most likely to agree with this statement, with 47% saying yes.



MORE EFFICIENT PROCESSES ARE NEEDED TO IMPROVE THE DELIVERY EXPERIENCE

25 to 34 age group has the broadest range of concerns

While 'Goods not arriving on time,' 'Item not arriving at all' and 'Lack of delivery updates,' impact this group in the same way as it does across the board, this age group is also more likely than any other to express annoyance that items are listed as 'out of stock' after purchase, or when having issues related to customer service, or when charged additional or unexpected fees.

Rating experiences and leaving reviews

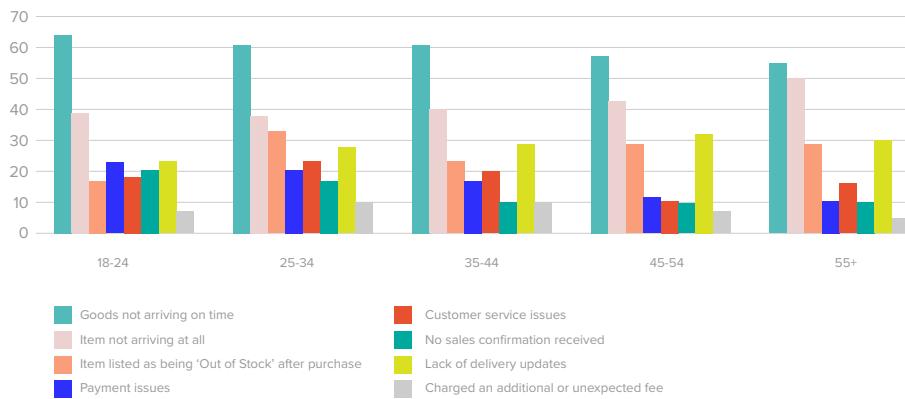
Interestingly, however, when it comes to rating experiences, it remains the 18 to 24 age group that expressed the most discontent in our survey when considering delivery options and service overall.

This could also translate into more negative reviews. Studies, such as the Trust Economy Report from TrustPilot, have shown that 18 to 24 year olds are most likely to leave negative reviews for their

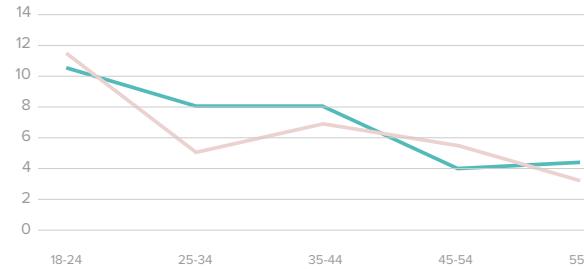
peers to ensure others do not experience the same negative issues!

They are also the group most likely to be influenced by reviews left online. Indeed, with eight out of 10 millennials never buying anything without first reading a review, negative feedback could lead to abandoned purchases.

Was your poor shopping experience related to an issue below? Please select all that apply.



Proportion of shoppers that rated their last online experience as not very good or not good at all by age group



UK
US

LOWA+ NOT LOYAL 8

SEVEN

POOR EXPERIENCES IMPACT THE DECISION TO PURCHASE

Millennials are most likely to abandon a purchase

In the UK, more than half of 18 to 24 year olds have abandoned an online purchase in the last year, while the 35 to 44 age group in the US is the most likely group to have abandoned a purchase.

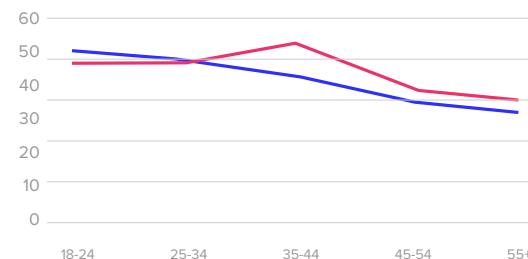
Investment in delivery options and service is critical

High delivery charges is by far the standout grievance that leads to abandonment of a purchase, with 68% of all respondents in the UK stating this as the main deterrent to completing a purchase, rising to 74% in the US. Unsuitable delivery options is the second most cited annoyance, both in the UK and the US.

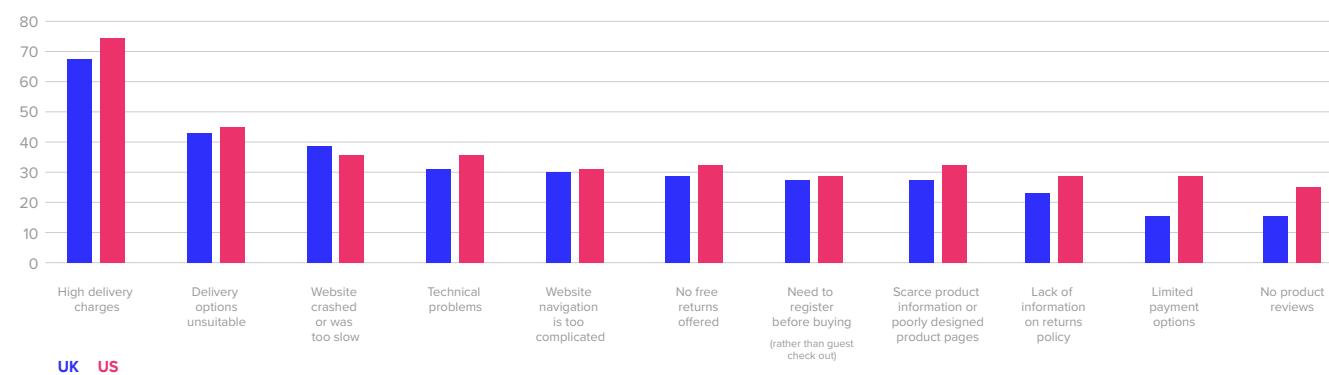
More than half of 18 to 24 year olds have abandoned an online purchase in the last year

Have you abandoned an online purchase in the last year?

By age group



Points of friction. High delivery charges are the most likely factor to result in abandonment



FRictionless experiences are more important for younger shoppers

Higher value placed on greater convenience

Throughout this survey, we have seen that millennials have greater service demands, are less loyal and are more likely to rate their experience negatively compared with older age groups.

This translates into their perceptions of friction. Both in the UK and the US, the 25 to 34 age group state that they 'sometimes' or 'often' encounter friction issues, such as the kind we examined in the previous chapter.

However, it is the youngest age groups that agree that they would pay more for the same product or service if they

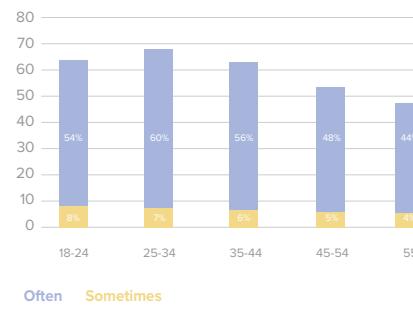
were promised a frictionless shopping experience. In the US, 18 to 34 year olds would be prepared to pay almost 20% more, while in the UK, 18 to 44 year olds would pay around 10% more.

This result is striking, but highlights an opportunity for brands to capitalize on a younger demographic that are willing to pay more for superior experiences. This does mean however that there is a requirement for brands to invest in technologies to support a frictionless experience, from easily navigated websites, same day delivery options, real-time shipping and delivery updates, to follow-up recommendations, personalized offers and hassle-free returns processes.

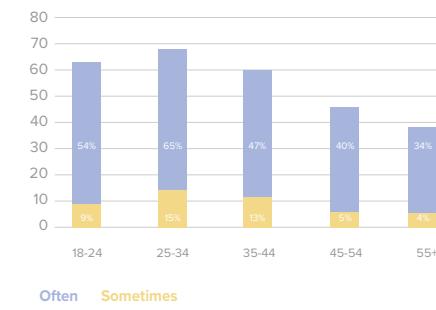


How often do you encounter friction issues when buying online? Proportion of respondents answering often or sometimes.

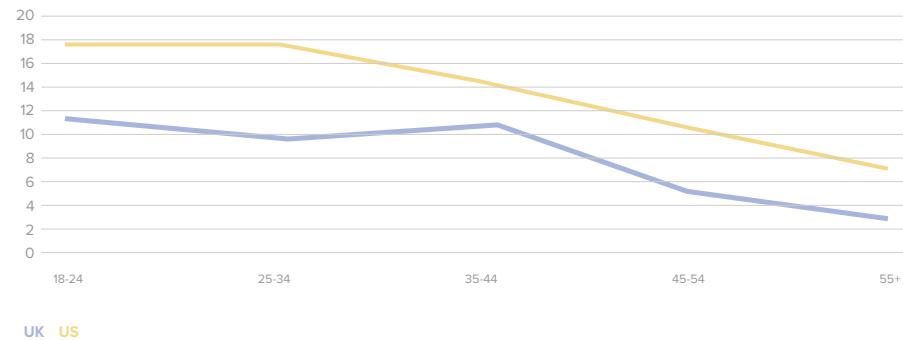
UK



US



If you were guaranteed a frictionless commerce experience when shopping online, how much more would you be willing to pay for the same product or service?



In the US, 18 to 34 year olds would be prepared to pay almost 20% more, while in the UK, 18 to 44 year olds would pay around 10% more for seamless shopping experiences.

CONCLUSION

Friction tests fragile customer loyalty - particularly with young shoppers

What we have seen throughout this report is that the millennial demographic represents huge opportunity - and risk for brands.

Eight in ten buyers have bought directly from a brand's website over the last twelve months – with the 25 to 34 year age group being the highest. But customers are becoming increasingly fickle and they have much higher expectations which impact the 'millennial' group more than any other. These shoppers have much less patience for poor experiences and are more likely to abandon a purchase and a brand, forever.

Millennial customers are also more willing to share negative experiences with peer groups that actively seek out recommendations and reviews before purchase, which could result in further reputational damage to a brand, as well as a loss of sales. As a result, brands simply cannot afford to carry friction throughout its various touch points if it wishes to engage a younger audience and turn them into loyal customers.

Focus on operational performance to improve customer loyalty

Identifying and fixing pain points in the buying journey will be key to improving brand loyalty, especially for those in the younger age segments. Brands can maintain

loyal customers by investing in operational technologies that close the gaps that most frustrate millennials, such as issues related to deliveries and returns, which do the most damage to the customer's interpretation of the brand experience.

A more efficient operations platform could help retailers to provide enhanced customer service, for example, by reducing high delivery charges, or introducing multiple delivery options, such as same-next day delivery. Automating the back office needs to be a major priority for brands to deliver experiences that are in line with millennial expectations for speed and convenience.

Younger shoppers also expect a far more personalized experience. Data is key - brands should use the right platform to record, store, manage and analyze data and then use these insights to guide the changes that create more tailored experiences for their younger customers.

Delivering frictionless purchase journeys is the key to success, especially with millennials. With the right back-end technologies that seamlessly work together, brands can own the entire customer experience and exceed against expectations. The offshoot will be renewed brand loyalty and the kind of positive endorsements and feedback which builds brand awareness, improves conversions and sets a brand apart from its competitors.

"There is a little Millennial in each of us. A number of Baby Boomers are starting to understand and appreciate the technology that is out there. They're also trying to appreciate and experience the convenience of buying online."

Mark Larson, Head of Consumer and Retail, KPMG

LOYAL NOT LOYAL

As young shoppers reshape behaviors and shift expectations, our experts share their views on building millennial brand loyalty



LOYALTY AMONG MILLENNIALS: IT IS POSSIBLE

About Nicole

Retail Minded's Founder Nicole Leinbach Reyhle is recognized as a global retail thought leader from companies that include IBM, American Express, Vend and more – including having been recognized as #3 out of 100 worldwide retail influencers.

Reyhle regularly contributes to media outlets that include Forbes, Entrepreneur, NBC and others – as well as speaks at worldwide events with a core concentration on commerce and consumer experiences.

In addition to Retail Minded, Reyhle is also the Co-Founder of the Independent Retailer Conference and Author of the book "Retail 101: The Guide to Managing & Marketing Your Business" from McGraw-Hill and has supported American Express's Small Business Saturday as their Spokesperson since 2014.



Nicole Leinbach Reyhle

Winning the loyalty of any consumer – no matter what generational demographic they fall into – is no easy task. Factor in the often fickle-like characteristics that millennial consumers have gained a reputation for and boom... suddenly loyalty among these consumers seems like an impossible mountain to climb.

Yet is it?

The reality is, competition is tough among brands and retailers alike yet this reality should not distract these same companies from wanting to capture loyalty among their millennial audience. While not always easy, it is, in fact, possible to capture millennial consumer attention and more so, capture it and keep it. To help achieve this goal, it's critical for brands and retailers to focus on frictionless yet memorable experiences that meet the expectations of today's distracted millennial shoppers because the reality is customers are in fact short on long-term attention. It takes just seconds to lose a customer's interest nowadays and often even just a second to turn them away from a brand entirely if they're disappointed by an experience or a product. Yet this same sentiment holds true for when millennials are pleased with something and as a result, brands and retailers are being rewarded with customer retention among these highly sought-after consumers.

Challenges will undoubtedly arise, however, for brands and retailers looking to gain attention among millennials. Yet more so than ever it is becoming easier to meet their expectations. Thanks to modern technology and the accessibility to online review platforms, social media and even company websites, millennial customers are able to navigate their path to

purchase on their terms based on their preferences. The catch? Brands and retailers need to be where these customers are – hence, not shying away from welcoming reviews on sites such as Trustpilot, Yelp or Google, incorporating frictionless online and offline shopping experiences and even introducing preferred payment options that cater to millennials such as installment payment options that include AfterPay or QuadPay. Collectively, these efforts can drive more visibility and sales to companies looking to capture millennial dollars – and looking to gain longterm success as they grow with millennials and continue to reach their expectations.

Millennials – more so than past generations – are setting the standards of what they expect from where they choose to spend their dollars and thus, retailers and brands alike must keep up in order to keep their attention. Delivering compelling shopping experiences can help achieve these goals with the intent to entertain their customers along the way.

Yet remember, it's easy for millennials to get distracted by competitive businesses or simply lose interest in something because the experience of shopping wasn't memorable, exciting or simply easy enough for them. Keeping this in mind, as you seek the attention of younger shoppers, remember to also do so with a strategy in place that will help automate, fulfill and deliver on this generation's demands. As a result, brands and retailers will be rewarded with not only stronger customer attention among millennials, but also stronger profit, as well.

MILLENNIAL BRAND LOYALTY: DOES IT EVEN EXIST?

About Philip

Philip Graves has been described as “one of the world’s leading consumer behavior experts”. He has been at the forefront of aligning commercial market research practice with insights from behavioral psychology and behavioral economics. His book, *Consumer.ology*, was named one of Amazon’s top ten best business books of 2010 and has been translated into seven languages.

Philip’s consumer psychology expertise has led to him working in a diverse range of categories including financial services, health, FMCG, retail, media and technology. Recent clients include Lloyds Banking Group, Sky, John Lewis, Diageo, Innocent, Google and Graze.

You can read more about his work at:

www.philipgraves.net



Philip Graves

The question of ‘loyalty’ is an intriguing one. In psychological terms there is no such thing as consumer loyalty. This may seem pedantic, but it has significant implications. The crux of the matter is that there is no triggering of guilt when someone shops elsewhere. It’s not that millennials are less loyal, it’s that they find it easier to go somewhere else if an experience doesn’t meet their needs because they (and the generations that follow them) became active consumers when online shopping was the norm.

Most consumers are psychologically attracted to what’s easy. This isn’t just evidenced online, it’s equally true in their choice of supermarket and coffee shop, the way they listen to music and it’s even apparent in their propensity to save lives; organ donor participation rates largely depend on whether the scheme’s default is to include people or not. Again, millennials aren’t different per se, it’s just that online shopping starts with a decision to prioritize ease and amplifies its effects.

Points of friction disrupt cognitive ease. They create a moment when a process that has been largely unconsciously processed, becomes an effortful one. An unexpected moment of ‘pain’ in the form of an unanticipated delivery charge, the requirement to enter personal details because an instant payment method like PayPal isn’t available, or the news that delivery is going to take longer than anticipated, can shift a shopper’s mental state. A moment of cognitive dissonance arises that can be resolved most swiftly by going elsewhere or not completing the purchase.

Buying directly from a brand may appear to be a reflection of a particularly strong affinity for that marque, but it’s often driven by our innate desire to ration cognitive effort. If we know that the brand’s style usually appeals and which of their products fits, it is easier to go to the source that should have that brand’s full and latest ranges.

It’s also critical to be aware that what constitutes an ‘easy’ purchase is constantly evolving. Once customers experience one retailer making a journey more fluid it recalibrates their perception of how any similar shopping experience should be. Direct-to-consumer brands should be mindful of the need for a continuous focus on making their products easy to purchase, because this is just as important as making them desirable.

“In psychological terms there is no such thing as consumer loyalty.”

SUPERIOR EXPERIENCE IS KEY TO WINNING MILLENNIALS' TRUST

About Derek

Derek O'Carroll is CEO of Brightpearl, responsible for the overall company strategy. Recognized as a leading retail expert, his mantra is to deliver on Brightpearl's mission to automate the back office for today's merchants.



Derek O'Carroll

During the 1990's Derek founded two IT companies, including Ireland's first online advertising agency building database driven websites and offering SEO services. Most recently, he served as Senior Vice President of field sales and marketing for Norton, responsible for \$1.7bn of revenue globally.

Since Derek became CEO of Brightpearl in spring 2016, the company has seen significant growth in its core customer base, cementing its position as an invaluable asset for fast-growing brands and mid-sized merchants seeking a competitive edge.

We now exist in a world where technological innovation is empowering customers to expect more from the brands they deal with, to switch when they're not happy or satisfied, and share their negative experiences online.

As we've seen from our study, millennials demonstrate these behaviors to the most extreme degree, with almost half admitting to being less loyal to brands than a year ago and quicker to abandon companies that don't meet expectations. An enormous [76 percent of customers report](#) that it's now easier than ever to take their business elsewhere.

Getting customers to stick around for the long haul is harder than it's ever been. Customers today have a lot of choice and an array of products to choose from, and so it's understandable that many are questioning whether the concept of 'brand loyalty' is even a reality anymore.

I don't believe [brand loyalty](#) is a thing of the past - but the way successful brands foster loyalty needs to change. But how can that be achieved?

Actively building brand loyalty through superior customer experience is the answer, in my view. Familiarity is a thing of the past - shoppers will no longer stick with a brand they know but delivers sub-par service. Just because they've purchased from a brand for several years doesn't ensure the same stickiness it may have in the past - particularly with younger age groups.

Experience is key - but 61% of consumers have encountered issues buying goods online in the last 12 months and almost 7 in 10 shoppers won't return to a brand if they've had a poor interaction. This means brands are setting themselves up to lose customers if they're not able to own the entire end-to-end experience at a high level.

I don't believe brand loyalty is a thing of the past - but the way successful brands foster loyalty needs to change. But how can that be achieved?

In fact, customers today are vocal and unforgiving - 95% of unhappy customers will share their bad experience - and many consumers, including [eight out of 10 millennials](#) will never buy anything without first reading a review.

Great customer experience at every touchpoint, from discovery to delivery and beyond, is the key lever to win or lose customers. This means brands need to work harder to identify and fix any gaps in the buying journey that could negatively affect a customer's experience.

And, as millennials' purchasing power grows - [they now make more online purchases than Generation X or baby boomers](#) - an argument can be made that brands need to ensure the happiness of these shoppers as a priority.

They can do so through investing in operational technologies that close the gaps that most frustrate millennials, such as issues related to deliveries and returns. This is the area where things are really going wrong and this 'last impression' can do the most damage to the customer's interpretation of the brand experience.

As our report reveals, there's still work to do for brands to deliver superior experiences at all ends of the buying journey - from outstanding user experiences and same-next day delivery options, to real-time shipping and customer-focused returns models, which are all vital aspects that

SUPERIOR EXPERIENCE IS KEY TO WINNING MILLENNIALS' TRUST

~~LOYAL~~
NOT LOYAL

add stickiness to the buying experience. Long-term, this will be crucial to boosting repeat sales and brand loyalty, especially for those fickle customers in the younger age segments. If brands alienate younger buyers, they could lose them forever – and lose sales to competitors who offer a more seamless buying journey and better customer service.

But there are systems, like Brightpearl, that can help brands close their operational gaps and make the buying journey as smooth and effortless as possible. Key to this is implementing automated back-office platforms that add speed and efficiency into the retail operation and allow for enhanced customer service at every touchpoint.

Brands should also use systems that record customer and product data from one single hub, in real time. These insights can be used to identify pain points and to guide the changes that will help them to create more tailored and seamless experiences.

By focusing on superior experiences, brands can set themselves apart from everyone else - and keep shoppers coming back to them time and again.



WHAT NOW?

If younger shoppers are important to your business you can no longer afford to alienate them with experiences that fail to meet their expectations - this is becoming even more crucial as millennial buying power increases year-on-year. Leaving gaps in the buying journey will be punished by younger shoppers who are quick to leave – and you could lose them forever – to competitors who offer a more seamless buying journey and better customer service.

It's not all bad news for retail brands – young shoppers are willing to spend more for the same product or service if they're guaranteed a frictionless experience. That's where Brightpearl comes in. We help to eliminate the operational issues after the buy button that are causing young shoppers the biggest headaches.

So, if you want to attract millennials to your brand and keep them for the long haul, consider a system that will help close gaps in the end-to-end experience and help boost customer sales and loyalty. It's really a no-brainer.

[Get in touch](#)

METHODOLOGY

The research

The report results are from an electronic survey conducted in September 2018.

Working in partnership with OnePoll, Brightpearl and [Endless Gain](#) canvassed the opinions of 200 retailers in the United States and the United Kingdom and the views of 4,000 consumers in these markets.

Brightpearl

www.brightpearl.com

Endless Gain

endlessgain.com



Brightpearl Reports

LOYAL NOT LOYAL