



Meet the Millennial Consumer

January 30, 2018

Born between 1980 and 1997, millennials are the largest demographic cohort in the United States, representing about 25% of the population, and their characteristics and values are re-shaping the way businesses think about consumers.

A Different Kind of Shopper

Millennials place a heavy emphasis on experiences. It is well documented that they like to travel abroad, go skiing, and go to concerts, for example. Much publicity has also been generated about this generation's lack of enthusiasm for shopping. However, contrary to public opinion, this generation does like to shop, but they shop in a different way than past generations.

Past generations typically shopped to gain information about a product's features and price. When millennials shop, however, they likely will have researched the product's features and price before stepping foot in the store. Shopping to them is not about gaining factual information, but having a sensory experience that can't be duplicated online.

Retailers that offer consultative, interactive, or entertaining experiences are better able to attract millennials to their physical store locations. For example, a consumer electronics company may let customers play around with the brand's latest and greatest devices.

A cosmetics retailer may appeal to their target market by creating an environment that engages and encourages

trial and testing so that they can find the perfect shade of blush to feel confident in trying a new brand. Engaging customers by offering unique experiences is essential to attracting millennials consumers to retail locations.

Out With the Old, In With the New

Millennials are early adopters of new products, primarily because they came of age in the 1990s, a period of significant technological change. While this early adoption mentality is clearly evident with technology products, the attitude also applies outside of technology.

When a new fashion trend hits the runway in Paris, for example, millennials are eager to get their hands on the clothing. As a result, fast fashion retailers—who can keep fresh product on their shelves better than traditional department stores—have been very successful with millennials.

Fast fashion retailers can spot a trend on the runway and have a similar product in their stores in a matter of weeks. With the traditional retail business model, product could take 18 months to go from an idea to the store.

This should serve as a guide to retailers looking to attract millennials to physical store locations. Consumers in this generation are much more likely to visit if they know store shelves will continually be refreshed with the latest and greatest merchandise.

Niche Is Better Than Name Brands

Millennials generally don't like big brands. Big logos on clothing and catchy slogans don't resonate with this consumer. That presents challenges for some companies. If a brand is not careful about how it grows, a high level of visibility may make it appear too "mainstream" and no longer unique.

Take craft beer, for example. Many local producers want to grow, but some have reached a point at which they're so widely distributed that they're not hip anymore. In order for brands to stay relevant with this generation, it's essential to keep a local, small, independent image.

There are exceptions to this rule. Some big brands have been able to create niche products within their portfolio of brands. For example, a large sneaker company recently executed this strategy successfully. How did they do it? First, they brought back product from past decades then rebranded the styles by partnering with a trendy celebrity.

Finally, they relied heavily on social media platforms to promote the product. The brand turned old styles into something new again and created niche products within its brand portfolio.

Value is Relative

Millennials, like most consumers, look for value. However, value to a millennial may mean something different than value to a baby boomer. A baby boomer may see a frozen meal for the low price of \$0.99 and think, "What a great deal!"

A millennial may look at the same meal and think, "I pay \$4.00 for my premium coffee; there must be something wrong with a \$0.99 dinner." To a millennial, a low price doesn't equal a good value if the product is perceived as low quality.

Off-price retailers have figured out that offering premium brands at discounted prices resonates with millennials and are seeing better traffic in their stores relative to traditional retailers. Also, going back to experience-based shopping, off-price retailers have done a great job of creating a “treasure hunt” feeling in their stores where consumers have to search to find the bargain they are seeking. Value and experience!

Convenience Is King

Millennials value convenience which is one reason online retailers appeal to this generation. This trend picked up as millennials took up residence in more urban areas where delivery was more accessible than in suburban or rural areas. However, the convenience of delivery has now spread outside of urban areas.

Two-day shipping is no longer the exception, but the norm. Not only are delivery charges diminishing and delivery speeds improving, but many companies are also offering free returns in order to get consumers to have no fear of regret if they do not like an item.

How Do Millennial Preferences Affect Companies?

Millennials now represent roughly 20% of consumer spending in the U.S. This level will likely rise as the generation matures into its prime spending years. As millennials age, priorities will shift, but preferences are likely to remain. Companies and brands must adapt to appeal to these preferences.

As an analyst, I want to know that a company understands the nuances between the demographic cohorts that constitute its target customers. The most successful consumer companies know who they're targeting and what matters to them and are often heavy users of data.

Companies can collect data through a website, an app, or a membership program, but that is only the beginning. They must use the data to create a continual feedback loop that can be used to improve customer communication, marketing efforts, product development, and customer service. It's all about getting the information, synthesizing it, and using it to improve the product or service.

Technology is critical if companies want to appeal to millennials. It is how they research a product, how they find out about new products, and how they tell their friends about their favorite products. Technology has created more educated consumers by increasing price transparency and allowing consumers to get reviews of products via independent websites, blogs, and social media.

Social media also creates another way for companies to reach their target market. Receiving an endorsement from someone with lots of followers on Instagram can have a more significant impact than a TV ad during primetime, for example. Companies that understand how their products fit into these new forms of media will have an advantage over their competitors.

As investors, we must understand how our companies think about the changing dynamics of the consumer landscape. As preferences and trends evolve, companies that can evolve simultaneously will be better positioned for long-term growth.

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