

THOUGHT LEADERSHIP FROM:



## MARKETING TO MILLENNIALS?

**NOT SO FAST.**

New study reveals that the assumed potential of this generation is years away. It may be time to re-think your generational strategy.

Marketers love the newest new thing. With growth expectations continuing to soar, they find themselves in a perpetual race to chase what's next because the first one to get to "new" usually wins fast, and wins big. Fast growth has replaced sustained growth as the new business imperative.

In today's marketplace, nothing epitomizes new like the new generation: the Millennials. Marketers have a love affair with Millennials, and for good reasons, some rational, others not. The rational part of this infatuation is all about their numbers: they are the largest generation in U.S. history and their potential is staggering. However, the irrational or emotional part of this love affair gets us back to the seductive power of "new".

After decades of marketing to familiar but now aging Baby Boomers, Madison Avenue now has a "fresh face" in the Millennials. Wow.

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75%

of Millennials can only afford to buy what they need, not what they want.”

Lots of fresh, new consumers who are eager to respond to the newest forms of communication and entertainment. What's not to love?






Alas, love can be blind. Now that many of these marketers are a couple of years into their Millennial efforts – and the anticipated “quick wins” have yet to materialize - they're starting to look for answers. Where are all of the missing, mysterious Millennials they ask? It would seem that in their zeal to win with a cohort with such staggering potential, many brands have either ignored or misinterpreted some fundamental precepts of marketing.

How basic is this oversight? A new study conducted by the Natural Marketing Institute (NMI) and a leading generational agency - BoomAgers – is the basis for this white paper and it offers some answers that are surprising in their obviousness. Read on and you will be astonished to learn facts like this, that a full 75% of Millennials can only afford to buy what they need, not what they want. This is sobering news for any marketer, but imagine the difficulty of trying to sell this generation high-ticket items like luxury goods, home furnishings, travel etc.?

To be clear, we are not challenging that the Millennials represent the future of marketing, we are simply illuminating the facts that remind us that the future isn't here yet.

What follows is revelatory learning to help marketers “demystify” Millennials i.e. to dispense with the myths that can lead to poor choices. There are many implications for the learnings that follow, key among them being the need for a more comprehensive targeting approach, one that balances marketing spend across multiple generations (Millennials and highly valuable Baby Boomers) until the Millennials materialize in full force in the future.

### The Five Most Important Things to Consider When Marketing to Millennials.

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1.  They Earn Less Than You Think
  2.  They're Delaying Critical Life-stage Choices
  3.  They're Unusually Complicated
  4.  They Favor Sharing Rather Than Owning
  5.  They're Cheating on Loyalty

If you're marketing to Millennials, here are the five most important things you may not know:

## 1. THEY EARN LESS AND SPEND LESS THAN YOU THINK.

Marketers targeting a fixed demo like 18-49 have always assumed that each consumer aging out of the demo is replaced by a younger consumer of equal value. True once, but not anymore. The Millennials who are new to this marketing sweet spot don't yet have the potential of the power-spending Boomers they're replacing. The 18-49 cohort has been de-valued like a unit of currency.



### MILLENNIALS: BY THE NUMBERS

- Born between 1981 and 1997
- Ages from 19 to 35
- 30% are less than 25 years old
- 34% are unemployed
- 13% are still students

Given that the Millennials were born between 1981 and 1997, they currently range in age from 19 to 35. If you're looking carefully at the lower age range of this cohort, then you won't be surprised to learn that 30% of Millennials are not yet 25 years old, 34% are not currently working, and 13% are still students.

For those who are working, many are still in low paying entry-level positions; almost half (46%) of Millennials are making less than \$50k.<sup>1</sup> At these low earning levels, 23% of Millennials<sup>1</sup> are further burdened by residual college debt, with a reported average payment of \$410 a month<sup>2</sup>. Finally, 36% report they have accumulated too much credit card debt versus 19% of Boomers<sup>1</sup>.

The net of all of this is that many Millennials will not enter their peak spending years until 2020, and most not until 2030. Given that the average individual income of a Millennial is only \$34,100 (vs. Gen X and Boomers at \$54,400 and \$57,700 respectively), and that it's only improving gradually, marketers will need to explore a bridging strategy to generate business from other cohorts in the short term while the Millennials come of age<sup>3</sup>.

## 2. THEY'RE DELAYING CRITICAL LIFE-STAGE CHOICES THAT MARKETERS COVET.

Couples and families buy homes, not individuals. What happens to home sales when a large generation delays marriage and the formation of a household? By extension, what happens to sales of products used in the home when neither

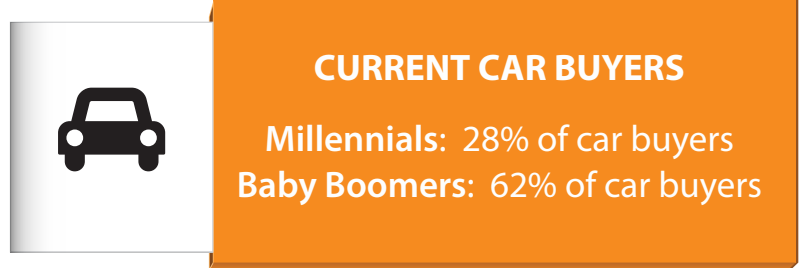
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### FINANCES

- 46% earn less than \$50K per year
- 23% are burdened by school debt
- 36% have high credit card debt

the home nor the family yet exists? For years, marketers have relied on life stage events like household formation to trigger new and more substantial consumption patterns. They are symbolic rites of passage, key “change events” that marketers capitalize on to secure trial and brand loyalty for a lifetime. So imagine what happens when a generation as large as the Millennials decides to postpone these critical life stage events?

If you’re a Boomer, you’ll never forget how anxious you were to drive a car the moment you turned 16. Back then, driving a car meant driving away i.e. it was a ticket to independence. Today, teen freedom doesn’t require a car thanks to smart phones and smart ideas like Uber.



It’s also well established that Millennials are attracted to revitalized city centers flush with affordable amenities like mass transportation and ride sharing. Unlike a suburbanite, an urbanite Millennial is in no hurry to buy their first car any time soon. Millennials currently represent only 28% of auto sales. By comparison, 62% are purchased by buyers who are 50+, which explains why the average age of a new car owner, while dropping, is still high at 48 years old<sup>4</sup>.

As for the ritual of tying the knot – and spending two month’s salary on a diamond engagement ring – the average wedding age today has also been delayed. In 1963, the typical American woman married at 21 years of age; in 2014, that age climbed to 27<sup>5</sup>.

In terms of marriage rates, if you look at today’s couples aged 20-34, about 30% of them are married, compared to 77% in 1960<sup>6</sup>.



With the deferral of marriage, we’re also seeing a corresponding delay in childbirth, with the average age of a first time mother now being 26.3 in 2014 versus 24.9 in 1999<sup>7</sup>. When asked about their plans for having children, a significant 52% of Millennials indicated

that they either didn’t want children, or that they want to but don’t yet have plans. Another 22% plan to have children, but not for another 5-10 years<sup>1</sup>.

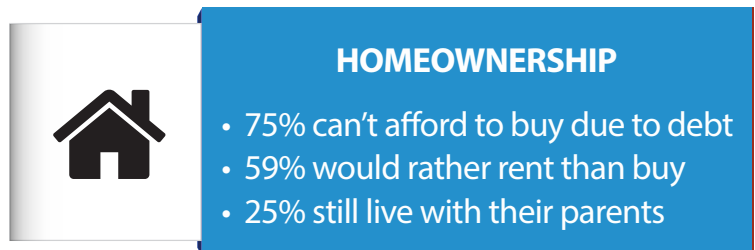
And finally, what about that dream home? Home ownership in the U.S. is currently at 63.5% - the lowest in our nation’s history – driven by changing Millennial preferences and a lingering hangover from the nation’s recent and pro-longed mortgage-driven recession<sup>8</sup>. First time homeowners currently make up just 32% of all buyers, the lowest it’s been since 1987 and in

contrast to a historical U.S. average of 40%<sup>9</sup>.

While affordability is certainly an issue for Millennials -75% of millennials report that student-loan debt has affected their decision to buy a home<sup>10</sup> - even if they could afford to buy a home, the dream has changed: 59% of millennials say they would rather rent a house than buy one<sup>10</sup>.

Finally, if you aspire to sell household products to Millennials, note that 25% of Millennials are still living in their parents' home. They are likely not purchasing or influencing the purchase of essential items like food, cleaners, paper products, bedding etc. that are being purchased by their Boomer parents.

Here's some encouraging news. As part of their recent insight work, BoomAgers and NMI have identified several critical age-driven apertures that offer meaningful opportunities to create new consumption with aging consumers. As marketers start to embrace the 50+ consumer, they're going to discover that contrary to popular belief, meaningful life stage change events continue to occur throughout one's life irrespective of age.

A graphic with a white background on the left containing a black house icon, and a blue background on the right with the title 'HOMEOWNERSHIP' and a bulleted list of statistics.

**HOMEOWNERSHIP**

- 75% can't afford to buy due to debt
- 59% would rather rent than buy
- 25% still live with their parents

### 3. THEY'RE UNUSUALLY COMPLICATED.

So far, we've revealed that Millennials are a challenging prospect because they have less to spend and they're living life differently on a different schedule. If you have succeeded in finding a robust cohort of Millennials who are able and willing to use your product, the hardest part has yet to come: figuring out what they really want. Finding the answer won't be easy because this is a generation that's far more complicated than you may realize.


For starters, marketing to new generations comes with a new learning curve. Most of what you will be doing, you'll be doing for the first time. There's no relevant precedent or best practice for marketing to Millennials so the road ahead will often be dark, unpaved and unpredictable.

What's more, not only are the Millennials new and unknown, they're also young; 53 million of them are still in their 20's or younger, which means that at the same time that you're trying to figure them out, they're in the process of figuring themselves out. This younger segment of the Millennials is still coming of age, still forming the personal values that will influence how they behave and will shape the choices that they will make for a lifetime ahead. They're a work in progress, which makes them a target audience that's a moving target.

They're also interacting with the marketplace in unprecedented ways that are re-shaping shopping and purchasing behavior in myriad ways.

While it's common wisdom that the Millennials prefer on-line platforms for key activities like shopping, banking, communicating etc., what's more revealing is their tendencies within these platforms, tendencies that are indicative of core values that will continue to manifest themselves across the full spectrum of consumerism over time. Think about the power of new generational propensities like the desire for immediate gratification, the expectation of full transparency and the presence of admirable brand values and ethics. All of these dynamics are layering still more complexity into your Millennials' ambiguous consideration set, which can make the task of figuring them out seem interminable.

Need some proof? Look at how NBCUniversal fared with its coverage of the Rio Olympics. Prime-time viewership was down 17% versus the London games, and the critical 18-49 segment was off by a bruising 25%, representing the first Olympics rating decline since 2000<sup>12</sup>. Having made a \$12 Billion investment in the Olympic games, NBC had - and still has - a lot at stake. They're a very capable company that had years (not weeks or months) to design innovative ways to deliver Millennial Rio viewers, yet they still came up short. Figuring them out requires years of training, and even then, a marathon awaits.



“ Millennials are young and still finding themselves. They're a work in progress, which makes them a target audience that's a moving target. ”

The way in which Millennials are influenced to purchase also adds to the complexity of winning them. Younger consumers rank word of mouth as their top influence, which requires not only having something meaningful to offer, but also something that is presented in a way that has shareable talk-value<sup>13</sup>. By contrast, older consumers rank traditional advertising (which is still very efficient to deliver) to be the most motivating influence to purchase.

And if all that isn't complicated enough, the Millennials are coming of age in a context of blistering change accelerated by technology. Disruption is the new norm. Once you've defined success, get ready to re-define it, and then repeat.

#### 4. THEY'RE FORGOING OWNERSHIP IN FAVOR OF SHARING.

Historically, all of marketing theory and practice has been based on a simple end goal: influencing a purchase. Let's face it, we want what we want, and owning the object of our desire has been fundamental to our way of life for years. So what happens when you really want or need something that you can't afford to own? You borrow it.



Given that there are so many Millennials who are not financially capable of owning many objects of desire, a sharing economy is beginning to emerge. If you're a Millennial looking for affordable vacation lodging, now there's Couchsurfing, an internet based company that helps you locate hosts who will open their homes and share their lives with you; your stay is free. Need a new dress for the party? Try Rent the Runway. How about some dazzling jewelry and accessories to go with it? Try Haute Vault, an on-line membership that lets you borrow beautiful jewelry on a whim. Getting to the party when you don't own a car? You guessed it. Hail an Uber or rent a Zipcar.

The Millennials are driving a shift from ownership to access that is shaking the bedrock of modern marketing practice. Servicing this new need state is exhilarating if you're new to the market, but what if you're an established brand with an entrenched ownership-based business model (think Tiffany's)? The Millennials' tendency to share instead of owning has many great brands stuck between a rock and a hard place. Lowering their price to make ownership affordable erodes profit; creating a rental or sharing based adjunct will dilute ownership rates while also adding complexity to one's core business model.

Is sharing a permanent generational behavior or just a temporary one driven by need? Only time will tell. There's never been a better incentive to balance the focus of your marketing to include the people who want to and can afford to own what you sell: the Baby Boomers.

## 5. THEY'RE CHEATING ON LOYALTY.

The zeal to win with Millennials is based on a desire to win the loyalty of a massive audience for a lifetime. Win them now, reap the dividends for a lifetime. Sounds great, but if you're expecting years of easy money, you may want to challenge the fundamental assumption in this approach i.e. that this generation will exhibit the same tendencies toward long-term loyalty that the generations preceding it have.



According to a study by the Private Label Manufacturers Association (2014), half of Millennials buy more store brands than their parents and a third buy fewer national brands. Brand loyalty does not seem to be a driver for Millennials, likely a consequence of their attitudes towards brands in general combined with the price sensitivity that comes with lower incomes. It's also been reported that 62% of Millennials state that

value and price would cause them to select a new brand, higher than other selection criteria like recommendation from a friend (55%) and brand reputation (47%).<sup>14</sup>

The notion of loyalty – in all facets of our lives and business – has been under siege for some time. Loyalty has been eroding in direct proportion to the proliferation of choice and increased transparency in the transaction experience. Plain and simple, buyers today have more options and more knowledge; the balance of power has shifted from brands to the consumer. While the Millennials did not initiate this erosion of loyalty, they are one of the (large) incumbent generations that will accelerate its implications through the sum total of its purchase behavior.

Finally, it is often posited that older consumers - like the Boomers – have long established consumption patterns, are set in their ways, and are therefore less prone to try new and different options. According to recent Nielsen research, the Boomers are no more or less brand loyal than their younger counterparts. A good reason not to invalidate this generation as you look to balance your marketing spend to compensate for Millennial tendencies.

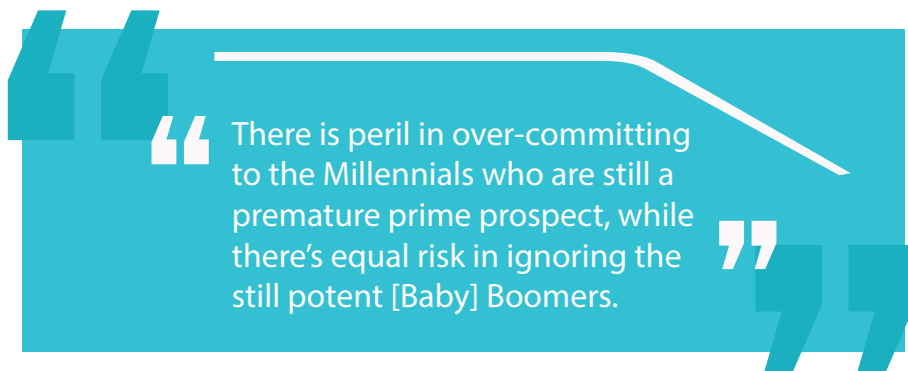
## CONCLUSION

Aesop's epic story – The Tortoise and the Hare – has been described through time as a race between unequals; perhaps Aesop was also a visionary marketer as the analogy to the Boomers and the Millennials of today could not be more apt.

The learnings we have shared tell a different story about the Millennials than the one we



thought we knew. Marketers should not race to win with this generation; instead, they should take their time, conserving precious energy and resources until the real race is ready to be run. The Millennials are still years from their prime, but the prize that awaits is worth the patience.



The learnings we have shared about the Millennials also tell a different story about the Boomers. They're still vital, living out an extended prime time as highly valuable consumers. They're changing the story of aging with every promising new chapter of their lives.

So, it would seem that there's peril in over-committing to the Millennials who are still a premature prime prospect, while there's equal risk in ignoring the still potent Boomers simply because they've aged out of the coveted 18-49 cohort. Marketing's obsession with Millennials would have you believe that this is a choice between unequals but we have gone to lengths here to suggest that success lies in treating them as equals as part of a truly balanced generational strategy. With consumers living longer than ever before, marketing is no longer a race – it is a marathon, and victory goes to the competitor who has a long term strategy to go the distance.

<sup>1</sup>Source: NMI, <sup>2</sup>Source: apartmentlist.com 2016, <sup>3</sup>Experian Marketing Services: Millennials, Coming of Age, <sup>4</sup>Source: JD Power/WSJ, <sup>5</sup>Source: pewresearch.org, 2015, <sup>6</sup>Source: whitehouse.gov, 2015, <sup>7</sup>Source: npr.org, 2016, <sup>8</sup>Source: Census.gov 2016, <sup>9</sup>Source: curbed.com, 2016, <sup>10</sup>Source: inc.com, 2015, <sup>11</sup>Source: forbes.com, 2015, <sup>12</sup>Source: Bloomberg, <sup>13</sup>Source: newmediaandmarketing.com, <sup>14</sup>Source: Marketing Charts 2014,

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